NINETY-FIFTH DAY

St. Paul, Minnesota, Thursday, March 27, 2008

The Senate met at 11:00 a.m. and was called to order by the President.

CALL OF THE SENATE

Senator Murphy imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

Prayer was offered by the Chaplain, Rabbi Randall Konigsburg.

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

Anderson	Erickson Ropes	Langseth	Ortman	Sieben
Bakk	Fischbach	Larson	Pappas	Skoe
Berglin	Foley	Latz	Pariseau	Skogen
Betzold	Frederickson	Limmer	Pogemiller	Sparks
Bonoff	Gerlach	Lourey	Prettner Solon	Stumpf
Carlson	Gimse	Lynch	Rest	Tomassoni
Chaudhary	Hann	Marty	Robling	Torres Ray
Clark	Higgins	Metzen	Rosen	Vandeveer
Cohen	Ingebrigtsen	Michel	Rummel	Vickerman
Dahle	Johnson	Moua	Saltzman	Wergin
Day	Jungbauer	Murphy	Saxhaug	Wiger
Dibble	Koch	Olseen	Scheid	
Dille	Koering	Olson, G.	Senjem	
Doll	Kubly	Olson, M.	Sheran	

The President declared a quorum present.

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

RECESS

Senator Pogemiller 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.

REPORTS FILED WITH THE SECRETARY OF THE SENATE

The following reports were received and filed with the Secretary of the Senate: Department of Employment and Economic Development, Grant to Minnesota Technology, Inc., Growth Acceleration Program, 2008; Department of Employee Relations, Local Government Pay Equity Compliance, 2008; Department of Education, Early Childhood Literacy in Head Start Programs,

2008; Department of Education, World Language Proficiency Certificates, 2008; Department of Education, Special Education Cross Subsidies, 2008; Department of Labor and Industry, Window Fall Prevention Device Code, 2008; Office of Enterprise Technology, IT Funding Strategies for the 21st Century: Building a Comprehensive Array of Investment Tools, 2008; Department of Public Safety, Crime Victims Reparations Board, Annual Report, Fiscal Year 2007; Department of Human Services, Mental Health Service Delivery and Finance Reform: Case Management Roles and Functions of Counties and Health Plans, 2008; Department of Health, Adverse Health Events, 2008; Department of Health, Human Papillomavirus Vaccine, 2008; Minnesota State Council on Disability, Safe Patient Handling, 2008; Minnesota Sentencing Guidelines Commission, Juvenile Out-of-State Placement Reports and Juvenile Alternative Placement Reports, 2008; Department of Human Services, Legal Non-licensed Child Care Provider Home Visiting Program Options, 2008; Pollution Control Agency, Metropolitan Landfill Contingency Action Trust Account, Fiscal Year 2007; Department of Health, Medical Education and Research Costs, Prepaid Medical Assistance Program and Prepaid General Assistance Medical Care, 2007; Department of Human Services, Background Studies, Disqualifications, and Set-Asides, 2008; Health Plan Purchasing Pool Study Group, Report to the Chairs of the Legislative Committees and Divisions With Jurisdiction Over Health Care Policy and Finance, the Health Care Access Commission, and the Governor, 2008; Minnesota Housing Finance Agency, Housing Assistance in Minnesota, 2007; Department of Human Services, Family Planning Payment Rates, 2008; Department of Finance, Debt Capacity Report, 2008; Department of Education, Staff Development Report of District and Site Results and Expenditures, 2006-07; Department of Education, World Language High School Graduation Requirement, 2008; Department of Employment and Economic Development, Positively Minnesota, Job Skills Partnership, Special Incumbent Worker Training Program, FY 2007; Department of Corrections, Interstate Compact for Adult Offender Supervision, 2008; Department of Corrections, Fees Imposed and Collected, 2008; Department of Corrections, Conditional Release Program, 2008; Board of Pardons, Annual Report, 2007; Department of Human Services, Chiropractic Coverage, 2008; Pollution Control Agency, Subsurface Sewage Treatment Systems Licensing Report, 2008; Pollution Control Agency, Solid Waste Policy Report, 2008; Department of Employment and Economic Development, Positively Minnesota, Dislocated Worker Program, FY2007; Department of Employment and Economic Development, Positively Minnesota, Funding for Centers for Independent Living, 2008; University of Minnesota, Center for Transportation Studies, Annual Report, FY 2007; Department of Human Services, Study of the Transfer of Funds to Counties for State Registered Nurses Employed in Community Mental Health Pilot Projects as part of Assertive Community Treatment Teams, 2008; Department of Revenue, This Old House, 2007; Department of Employment and Economic Development, Positively Minnesota, Urban Initiative Program, 2007; Explore Minnesota Tourism, Minnesota Travel Green Task Force Report and Recommendations,2008; Department of Human Services, Use and Availability of Home and Community-Based Waivers for Persons with Disabilities, Annual Report, 2008.

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce the passage by the House of the following Senate File, herewith returned: S.F. No. 457.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned March 25, 2008

Mr. President:

I have the honor to announce the passage by the House of the following Senate File, AS AMENDED by the House, in which amendments the concurrence of the Senate is respectfully requested:

S.F. No. 2861: A bill for an act relating to public safety; changing the due date of the Gang and Drug Oversight Council's annual report to the legislature; amending Minnesota Statutes 2006, section 299A.641, subdivision 12.

Senate File No. 2861 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned March 25, 2008

CONCURRENCE AND REPASSAGE

Senator Higgins moved that the Senate concur in the amendments by the House to S.F. No. 2861 and that the bill be placed on its repassage as amended. The motion prevailed.

S.F. No. 2861 was read the third time, as amended by the House, and placed on its repassage.

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

The roll was called, and there were yeas 60 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Erickson Ropes	Koering	Olson, G.	Senjem
Bakk	Fischbach	Langseth	Olson, M.	Sheran
Betzold	Foley	Larson	Ortman	Sieben
Bonoff	Frederickson	Latz	Pappas	Skoe
Carlson	Gerlach	Limmer	Pariseau	Skogen
Chaudhary	Gimse	Lourey	Pogemiller	Sparks
Clark	Hann	Lynch	Prettner Solon	Stumpf
Cohen	Higgins	Marty	Robling	Tomassoni
Dahle	Ingebrigtsen	Metzen	Rummel	Torres Ray
Dibble	Johnson	Moua	Saltzman	Vandeveer
Dille	Jungbauer	Murphy	Saxhaug	Vickerman
Doll	Koch	Olseen	Scheid	Wiger

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

MESSAGES FROM THE HOUSE - CONTINUED

Mr. President:

I have the honor to announce the passage by the House of the following House File, herewith

transmitted: H.F. No. 3597.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted March 25, 2008

FIRST READING OF HOUSE BILLS

The following bill was read the first time.

H.F. No. 3597: A bill for an act relating to crimes; modifying law protecting victims of sexual assault; amending Minnesota Statutes 2006, section 628.26.

Senator Pogemiller moved that H.F. No. 3597 be referred to the Committee on Rules and Administration. The motion prevailed.

REPORTS OF COMMITTEES

Senator Pogemiller moved that the Committee Reports at the Desk be now adopted, with the exception of the reports on S.F. Nos. 3139 and 3494. The motion prevailed.

Senator Moua from the Committee on Judiciary, to which was referred

S.F. No. 3193: A bill for an act relating to adoption; allowing adopted persons access to birth records; amending Minnesota Statutes 2006, sections 13.465, subdivision 8; 144.218, subdivision 1; 144.225, subdivision 2; 144.2252; 259.89, subdivision 1; 260C.317, subdivision 4; proposing coding for new law in Minnesota Statutes, chapter 144; repealing Minnesota Statutes 2006, sections 259.83, subdivision 3; 259.89, subdivisions 2, 3, 4, 5.

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

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2006, section 13.465, subdivision 8, is amended to read:

Subd. 8. **Adoption records.** Various adoption records are classified under section 259.53, subdivision 1. Access to the original birth record of a person who has been adopted is governed by section ~~259.89~~ 144.2253.

Sec. 2. Minnesota Statutes 2006, section 144.218, subdivision 1, is amended to read:

Subdivision 1. **Adoption.** (a) Upon receipt of a certified copy of an order, decree, or certificate of adoption, the state registrar shall register a replacement vital record in the new name of the adopted person. Except as provided in paragraph (b), the original record of birth is ~~confidential pursuant to~~ private data on individuals, as defined in section 13.02, subdivision ~~3~~ 12, and shall not be disclosed except pursuant to court order or section 144.2252 or 144.2253.

(b) The information contained on the original birth record, except for the registration number, shall be provided on request to: (1) a parent who is named on the original birth record; or (2) the adopted person who is the subject of the record if the person is at least 19 years of age, unless there

is an affidavit of nondisclosure on file with the state registrar. Upon the receipt of a certified copy of a court order of annulment of adoption the state registrar shall restore the original vital record to its original place in the file.

Sec. 3. Minnesota Statutes 2006, section 144.225, subdivision 2, is amended to read:

Subd. 2. **Data about births.** (a) Except as otherwise provided in this subdivision, data pertaining to the birth of a child to a woman who was not married to the child's father when the child was conceived nor when the child was born, including the original record of birth and the certified vital record, are confidential data. At the time of the birth of a child to a woman who was not married to the child's father when the child was conceived nor when the child was born, the mother may designate demographic data pertaining to the birth as public. Notwithstanding the designation of the data as confidential, it may be disclosed:

(1) to a parent or guardian of the child;

(2) to the child when the child is 16 years of age or older;

(3) under paragraph (b) or (e); or

(4) pursuant to a court order. For purposes of this section, a subpoena does not constitute a court order.

(b) Unless the child is adopted, data pertaining to the birth of a child that are not accessible to the public become public data if 100 years have elapsed since the birth of the child who is the subject of the data, or as provided under section 13.10, whichever occurs first.

(c) If a child is adopted, data pertaining to the child's birth are governed by the provisions relating to adoption records, including sections 13.10, subdivision 5; 144.218, subdivision 1; 144.2252; 144.2253; and 259.89.

(d) The name and address of a mother under paragraph (a) and the child's date of birth may be disclosed to the county social services or public health member of a family services collaborative for purposes of providing services under section 124D.23.

(e) The commissioner of human services shall have access to birth records for:

(1) the purposes of administering medical assistance, general assistance medical care, and the MinnesotaCare program;

(2) child support enforcement purposes; and

(3) other public health purposes as determined by the commissioner of health.

Sec. 4. Minnesota Statutes 2006, section 144.2252, is amended to read:

144.2252 ACCESS TO ORIGINAL BIRTH RECORD AFTER ADOPTION.

(a) Whenever an adopted person requests the state registrar to disclose the information on the adopted person's original birth record, the state registrar shall act according to section ~~259.89~~ 144.2253.

(b) The state registrar shall provide a transcript of an adopted person's original birth record to

an authorized representative of a federally recognized American Indian tribe for the sole purpose of determining the adopted person's eligibility for enrollment or membership. Information contained in the birth record may not be used to provide the adopted person information about the person's birth parents, except as provided in this section or section ~~259.83~~ 144.2253.

Sec. 5. **[144.2253] ACCESS TO ORIGINAL BIRTH RECORDS BY ADOPTED PERSON; DEPARTMENT DUTIES.**

Subdivision 1. **Affidavits.** The department shall prepare affidavit of disclosure and nondisclosure forms under which a birth parent may agree to or object to the release of the original birth record to the adopted person. The department shall make the forms readily accessible to birth parents on the department's Web site.

Subd. 2. **Disclosure.** Upon request, the state registrar shall provide a noncertified copy of the original birth record to an adopted person age 19 or older, unless there is an affidavit of nondisclosure on file. The state registrar must comply with the terms of affidavits of disclosure or affidavits of nondisclosure.

Subd. 3. **Recission of affidavit.** A birth parent may rescind an affidavit of disclosure or an affidavit of nondisclosure at any time.

Subd. 4. **Affidavit of nondisclosure; access to birth record.** (a) If an affidavit of nondisclosure is on file with the registrar, an adopted person age 19 or older may petition the appropriate court for disclosure of the original birth record pursuant to section 259.61. The court shall grant the petition if, after consideration of the interests of all known persons affected by the petition, the court determines that the benefits of disclosure of the information are greater than the benefits of nondisclosure.

(b) An adopted person age 19 or older may request the state registrar to search the state death records to determine if the birth parent is deceased. The state registrar may impose a fee for the record search. If the birth parent is deceased, a noncertified copy of the original birth record must be released to the adopted person making the request.

Subd. 5. **Information provided.** (a) The department shall, in consultation with adoption agencies and adoption advocates, provide information and educational materials to adopted persons and birth parents about the changes in the law under this act affecting accessibility to birth records. For purposes of this subdivision, an adoption advocate is a nonprofit organization that works with adoption issues in Minnesota.

(b) The department shall include a notice on the department Web site about the change in the law under this act and direct individuals to private agencies and advocates for post-adoption resources.

(c) Adoption agencies may charge a fee for counseling and support services provided to adopted persons and birth parents.

Sec. 6. Minnesota Statutes 2006, section 144.226, subdivision 1, is amended to read:

Subdivision 1. **Which services are for fee.** The fees for the following services shall be the following or an amount prescribed by rule of the commissioner:

(a) The fee for the issuance of a certified vital record or a certification that the vital record cannot be found is $9. No fee shall be charged for a certified birth, stillbirth, or death record that is reissued

within one year of the original issue, if an amendment is made to the vital record and if the previously issued vital record is surrendered. The fee is nonrefundable.

(b) The fee for processing a request for the replacement of a birth record for all events, except when filing a recognition of parentage pursuant to section 257.73, subdivision 1, is $40. The fee is payable at the time of application and is nonrefundable.

(c) The fee for processing a request for the filing of a delayed registration of birth, stillbirth, or death is $40. The fee is payable at the time of application and is nonrefundable. This fee includes one subsequent review of the request if the request is not acceptable upon the initial receipt.

(d) The fee for processing a request for the amendment of any vital record when requested more than 45 days after the filing of the vital record is $40. No fee shall be charged for an amendment requested within 45 days after the filing of the vital record. The fee is payable at the time of application and is nonrefundable. This fee includes one subsequent review of the request if the request is not acceptable upon the initial receipt.

(e) The fee for processing a request for the verification of information from vital records is $9 when the applicant furnishes the specific information to locate the vital record. When the applicant does not furnish specific information, the fee is $20 per hour for staff time expended. Specific information includes the correct date of the event and the correct name of the registrant. Fees charged shall approximate the costs incurred in searching and copying the vital records. The fee is payable at the time of application and is nonrefundable.

(f) The fee for processing a request for the issuance of a copy of any document on file pertaining to a vital record or statement that a related document cannot be found is $9. The fee is payable at the time of application and is nonrefundable.

(g) The department shall charge a fee of $18 for noncertified copies of birth records provided to adopted persons age 19 or older to cover the cost of providing the birth record and any costs associated with the distribution of information to adopted persons and birth parents required under section 144.2253, subdivision 5.

Sec. 7. Minnesota Statutes 2006, section 259.89, subdivision 1, is amended to read:

Subdivision 1. **Request.** An adopted person who is 19 years of age or over may request the commissioner of health to disclose the information on the adopted person's original birth record. ~~The commissioner of health shall, within five days of receipt of the request, notify the commissioner of human services in writing of the request by the adopted person.~~

Sec. 8. Minnesota Statutes 2006, section 260C.317, subdivision 4, is amended to read:

Subd. 4. **Rights of terminated parent.** Upon entry of an order terminating the parental rights of any person who is identified as a parent on the original birth record of the child as to whom the parental rights are terminated, the court shall cause written notice to be made to that person setting forth:

(1) the right of the person to file at any time with the state registrar of vital statistics a consent to disclosure, as defined in section 144.212, subdivision 11;

(2) the right of the person to file at any time with the state registrar of vital statistics an affidavit

stating that the information on the original birth record shall not be disclosed as provided in section ~~144.2252~~ 144.2253; and

(3) the effect of a failure to file either a consent to disclosure, as defined in section 144.212, subdivision 11, or an affidavit stating that the information on the original birth record shall not be disclosed.

Sec. 9. **REPEALER.**

Minnesota Statutes 2006, sections 259.83, subdivision 3; and 259.89, subdivisions 2, 3, 4, and 5, are repealed.

Sec. 10. **EFFECTIVE DATE.**

This act is effective July 1, 2009."

Delete the title and insert:

"A bill for an act relating to adoption; modifying provisions governing access to adoption records and original birth certificates; amending Minnesota Statutes 2006, sections 13.465, subdivision 8; 144.218, subdivision 1; 144.225, subdivision 2; 144.2252; 144.226, subdivision 1; 259.89, subdivision 1; 260C.317, subdivision 4; proposing coding for new law in Minnesota Statutes, chapter 144; repealing Minnesota Statutes 2006, sections 259.83, subdivision 3; 259.89, subdivisions 2, 3, 4, 5."

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

Senator Moua from the Committee on Judiciary, to which was referred

S.F. No. 3139: A bill for an act relating to crime; establishing offenses involving the sale and purchase of event tickets; proposing coding for new law in Minnesota Statutes, chapter 609.

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

Delete everything after the enacting clause and insert:

"Section 1. **[609.806] INTERFERING WITH INTERNET TICKET SALES.**

(a) A person who intentionally uses software to circumvent on a ticket seller's Web site a security measure, an access control system, or a control or measure that is used to ensure an equitable ticket buying process, is guilty of a misdemeanor.

(b) For the purposes of this section, "software" means computer programs that are primarily designed or produced for the purpose of interfering with the operation of any person or entity that sells, over the Internet, tickets of admission to a sporting event, theater, musical performance, or place of public entertainment or amusement of any kind.

EFFECTIVE DATE. This section is effective August 1, 2008, and applies to offenses committed on or after that date."

Delete the title and insert:

"A bill for an act relating to crime; establishing offense related to interfering with Internet ticket

sales; proposing coding for new law in Minnesota Statutes, chapter 609."

And when so amended the bill do pass.

Pursuant to Joint Rule 2.03, the bill was referred to the Committee on Rules and Administration.

Senator Moua from the Committee on Judiciary, to which was referred

S.F. No. 3492: A bill for an act relating to public safety; authorizing permanent orders for protection and restraining orders after multiple violations or continued threats; amending Minnesota Statutes 2006, sections 518B.01, subdivisions 6, 6a, 11, 18; 609.748, subdivisions 3, 5, 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. Minnesota Statutes 2006, section 518B.01, subdivision 6, is amended to read:

Subd. 6. **Relief by the court.** (a) Upon notice and hearing, the court may provide relief as follows:

(1) restrain the abusing party from committing acts of domestic abuse;

(2) exclude the abusing party from the dwelling which the parties share or from the residence of the petitioner;

(3) exclude the abusing party from a reasonable area surrounding the dwelling or residence, which area shall be described specifically in the order;

(4) award temporary custody or establish temporary parenting time with regard to minor children of the parties on a basis which gives primary consideration to the safety of the victim and the children. In addition to the primary safety considerations, the court may consider particular best interest factors that are found to be relevant to the temporary custody and parenting time award. Findings under section 257.025, 518.17, or 518.175 are not required with respect to the particular best interest factors not considered by the court. If the court finds that the safety of the victim or the children will be jeopardized by unsupervised or unrestricted parenting time, the court shall condition or restrict parenting time as to time, place, duration, or supervision, or deny parenting time entirely, as needed to guard the safety of the victim and the children. The court's decision on custody and parenting time shall in no way delay the issuance of an order for protection granting other relief provided for in this section. The court must not enter a parenting plan under section 518.1705 as part of an action for an order for protection;

(5) on the same basis as is provided in chapter 518 or 518A, establish temporary support for minor children or a spouse, and order the withholding of support from the income of the person obligated to pay the support according to chapter 518A;

(6) provide upon request of the petitioner counseling or other social services for the parties, if married, or if there are minor children;

(7) order the abusing party to participate in treatment or counseling services, including requiring the abusing party to successfully complete a domestic abuse counseling program or educational program under section 518B.02;

(8) award temporary use and possession of property and restrain one or both parties from transferring, encumbering, concealing, or disposing of property except in the usual course of business or for the necessities of life, and to account to the court for all such transfers, encumbrances, dispositions, and expenditures made after the order is served or communicated to the party restrained in open court;

(9) exclude the abusing party from the place of employment of the petitioner, or otherwise limit access to the petitioner by the abusing party at the petitioner's place of employment;

(10) order the abusing party to have no contact with the petitioner whether in person, by telephone, mail, or electronic mail or messaging, through a third party, or by any other means.

~~(10)~~ (11) order the abusing party to pay restitution to the petitioner;

~~(11)~~ (12) order the continuance of all currently available insurance coverage without change in coverage or beneficiary designation; and

~~(12)~~ (13) order, in its discretion, other relief as it deems necessary for the protection of a family or household member, including orders or directives to the sheriff or other law enforcement or corrections officer as provided by this section.

(b) Any relief granted by the order for protection shall be for a ~~fixed~~ period not to exceed ~~one year~~ two years, except when the court determines a longer ~~fixed~~ period is appropriate. When a referee presides at the hearing on the petition, the order granting relief becomes effective upon the referee's signature.

(c) An order granting the relief authorized in paragraph (a), clause (1), may not be vacated or modified in a proceeding for dissolution of marriage or legal separation, except that the court may hear a motion for modification of an order for protection concurrently with a proceeding for dissolution of marriage upon notice of motion and motion. The notice required by court rule shall not be waived. If the proceedings are consolidated and the motion to modify is granted, a separate order for modification of an order for protection shall be issued.

(d) An order granting the relief authorized in paragraph (a), clause (2) or (3), is not voided by the admittance of the abusing party into the dwelling from which the abusing party is excluded.

(e) If a proceeding for dissolution of marriage or legal separation is pending between the parties, the court shall provide a copy of the order for protection to the court with jurisdiction over the dissolution or separation proceeding for inclusion in its file.

(f) An order for restitution issued under this subdivision is enforceable as civil judgment.

EFFECTIVE DATE. This section is effective July 1, 2008.

Sec. 2. Minnesota Statutes 2006, section 518B.01, subdivision 6a, is amended to read:

Subd. 6a. **Subsequent orders and extensions.** (a) Upon application, notice to all parties, and hearing, the court may extend the relief granted in an existing order for protection or, if a petitioner's order for protection is no longer in effect when an application for subsequent relief is made, grant a new order. The court may extend the terms of an existing order or, if an order is no longer in effect, grant a new order upon a showing that:

(1) the respondent has violated a prior or existing order for protection;

(2) the petitioner is reasonably in fear of physical harm from the respondent;

(3) the respondent has engaged in acts of harassment or stalking within the meaning of section 609.749, subdivision 2; or

(4) the respondent is incarcerated and about to be released, or has recently been released from incarceration.

A petitioner does not need to show that physical harm is imminent to obtain an extension or a subsequent order under this subdivision.

(b) Relief granted by the order for protection may be for a period of up to 50 years, if the court finds:

(1) the respondent has violated a prior or existing order for protection on two or more occasions; or

(2) the petitioner has had two or more orders for protection in effect against the same respondent.

An order issued under this paragraph may restrain the abusing party from committing acts of domestic abuse; or prohibit the abusing party from having any contact with the petitioner, whether in person, by telephone, mail or electronic mail or messaging, through electronic devices, through a third party, or by any other means.

EFFECTIVE DATE. This section is effective July 1, 2008.

Sec. 3. Minnesota Statutes 2006, section 518B.01, subdivision 11, is amended to read:

Subd. 11. **Modification of order.** (a) Upon application, notice to all parties, and hearing, the court may modify the terms of an existing order for protection.

(b) If the court orders relief under subdivision 6a, paragraph (b), the respondent named in the order for protection may request to have the order vacated or modified if the order has been in effect for at least five years and the respondent has not violated the order during that time. Application for relief under this subdivision must be made in the county in which the order for protection was issued. Upon receipt of the request, the court shall set a hearing date. Personal service must be made upon the petitioner named in the order for protection not less than 30 days before the date of the hearing. At the hearing, the respondent named in the order for protection has the burden of proving by a preponderance of the evidence that there has been a material change in circumstances and that the reasons upon which the court relied in granting or extending the order for protection no longer apply and are unlikely to occur. If the court finds that the respondent named in the order for protection has met the burden of proof, the court may vacate or modify the order. If the court finds that the respondent named in the order for protection has not met the burden of proof, the court shall deny the request and no request may be made to vacate or modify the order for protection until five years have elapsed from the date of denial. An order vacated or modified under this paragraph must be personally served on the petitioner named in the order for protection.

EFFECTIVE DATE. This section is effective July 1, 2008.

Sec. 4. Minnesota Statutes 2006, section 518B.01, subdivision 18, is amended to read:

Subd. 18. **Notices.** (a) Each order for protection granted under this chapter must contain a conspicuous notice to the respondent or person to be restrained that:

(1) violation of an order for protection is either (i) a misdemeanor punishable by imprisonment for up to 90 days or a fine of up to $1,000, or both, (ii) a gross misdemeanor punishable by imprisonment of up to one year or a fine of up to $3,000, or both, or (iii) a felony punishable by imprisonment of up to five years or a fine of up to $10,000, or both;

(2) the respondent is forbidden to enter or stay at the petitioner's residence, even if invited to do so by the petitioner or any other person; in no event is the order for protection voided;

(3) a peace officer must arrest without warrant and take into custody a person whom the peace officer has probable cause to believe has violated an order for protection restraining the person or excluding the person from a residence; and

(4) pursuant to the Violence Against Women Act of 1994, United States Code, title 18, section 2265, the order is enforceable in all 50 states, the District of Columbia, tribal lands, and United States territories, that violation of the order may also subject the respondent to federal charges and punishment under United States Code, title 18, sections 2261 and 2262, and that if a final order is entered against the respondent after the hearing, the respondent may be prohibited from possessing, transporting, or accepting a firearm under the 1994 amendment to the Gun Control Act, United States Code, title 18, section 922(g)(8).

(b) If the court grants relief under subdivision 6a, paragraph (b), the order for protection must also contain a conspicuous notice to the respondent or person to be restrained that the respondent must wait five years to seek a modification of the order.

EFFECTIVE DATE. This section is effective July 1, 2008.

Sec. 5. Minnesota Statutes 2006, section 609.748, subdivision 3, is amended to read:

Subd. 3. **Contents of petition; hearing; notice.** (a) A petition for relief must allege facts sufficient to show the following:

(1) the name of the alleged harassment victim;

(2) the name of the respondent; and

(3) that the respondent has engaged in harassment.

A petition for relief must state whether the petitioner has had a previous restraining order in effect against the respondent. The petition shall be accompanied by an affidavit made under oath stating the specific facts and circumstances from which relief is sought. The court shall provide simplified forms and clerical assistance to help with the writing and filing of a petition under this section and shall advise the petitioner of the right to sue in forma pauperis under section 563.01. The court shall advise the petitioner of the right to request a hearing. If the petitioner does not request a hearing, the court shall advise the petitioner that the respondent may request a hearing and that notice of the hearing date and time will be provided to the petitioner by mail at least five days before the hearing. Upon receipt of the petition and a request for a hearing by the petitioner, the court shall order a hearing. Personal service must be made upon the respondent not less than five days before the hearing. If personal service cannot be completed in time to give the respondent the minimum

notice required under this paragraph, the court may set a new hearing date. Nothing in this section shall be construed as requiring a hearing on a matter that has no merit.

(b) Notwithstanding paragraph (a), the order for a hearing and a temporary order issued under subdivision 4 may be served on the respondent by means of a one-week published notice under section 645.11, if:

(1) the petitioner files an affidavit with the court stating that an attempt at personal service made by a sheriff was unsuccessful because the respondent is avoiding service by concealment or otherwise; and

(2) a copy of the petition and order for hearing and any temporary restraining order has been mailed to the respondent at the respondent's residence or place of business, if the respondent is an organization, or the respondent's residence or place of business is not known to the petitioner.

(c) Regardless of the method of service, if the respondent is a juvenile, whenever possible, the court also shall have notice of the pendency of the case and of the time and place of the hearing served by mail at the last known address upon any parent or guardian of the juvenile respondent who is not the petitioner.

(d) A request for a hearing under this subdivision must be made within 45 days of the filing or receipt of the petition.

EFFECTIVE DATE. This section is effective July 1, 2008.

Sec. 6. Minnesota Statutes 2006, section 609.748, subdivision 5, is amended to read:

Subd. 5. **Restraining order.** (a) The court may grant a restraining order ordering the respondent to cease or avoid the harassment of another person or to have no contact with that person if all of the following occur:

(1) the petitioner has filed a petition under subdivision 3;

(2) the sheriff has served respondent with a copy of the temporary restraining order obtained under subdivision 4, and with notice of the right to request a hearing, or service has been made by publication under subdivision 3, paragraph (b); and

(3) the court finds at the hearing that there are reasonable grounds to believe that the respondent has engaged in harassment.

A restraining order may be issued only against the respondent named in the petition; except that if the respondent is an organization, the order may be issued against and apply to all of the members of the organization. If the court finds that the petitioner has had two or more previous restraining orders in effect against the same respondent or the respondent has violated a prior or existing restraining order on two or more occasions, relief granted by the restraining order may be for a period of up to 50 years. In all other cases, relief granted by the restraining order must be for a fixed period of not more than two years. When a referee presides at the hearing on the petition, the restraining order becomes effective upon the referee's signature.

(b) An order issued under this subdivision must be personally served upon the respondent.

(c) If the court orders relief for a period of up to 50 years under paragraph (a), the respondent

named in the restraining order may request to have the restraining order vacated or modified if the order has been in effect for at least five years and the respondent has not violated the order. Application for relief under this paragraph must be made in the county in which the restraining order was issued. Upon receipt of the request, the court shall set a hearing date. Personal service must be made upon the petitioner named in the restraining order not less than 30 days before the date of the hearing. At the hearing, the respondent named in the restraining order has the burden of proving by a preponderance of the evidence that there has been a material change in circumstances and that the reasons upon which the court relied in granting the restraining order no longer apply and are unlikely to occur. If the court finds that the respondent named in the restraining order has met the burden of proof, the court may vacate or modify the order. If the court finds that the respondent named in the restraining order has not met the burden of proof, the court shall deny the request and no request may be made to vacate or modify the restraining order until five years have elapsed from the date of denial. An order vacated or modified under this paragraph must be personally served on the petitioner named in the restraining order.

EFFECTIVE DATE. This section is effective July 1, 2008.

Sec. 7. Minnesota Statutes 2006, section 609.748, subdivision 8, is amended to read:

Subd. 8. **Notice.** (a) An order granted under this section must contain a conspicuous notice to the respondent:

(1) of the specific conduct that will constitute a violation of the order;

(2) that violation of an order is either (i) a misdemeanor punishable by imprisonment for up to 90 days or a fine of up to $1,000, or both, (ii) a gross misdemeanor punishable by imprisonment for up to one year or a fine of up to $3,000, or both, or (iii) a felony punishable by imprisonment for up to five years or a fine of up to $10,000, or both; and

(3) that a peace officer must arrest without warrant and take into custody a person if the peace officer has probable cause to believe the person has violated a restraining order.

(b) If the court grants relief for a period of up to 50 years under subdivision 5, the order must also contain a conspicuous notice to the respondent that the respondent must wait five years to seek a modification of the order.

EFFECTIVE DATE. This section is effective July 1, 2008."

Delete the title and insert:

"A bill for an act relating to public safety; extending the duration of orders for protection and restraining orders after multiple violations or continued threats; amending Minnesota Statutes 2006, sections 518B.01, subdivisions 6, 6a, 11, 18; 609.748, subdivisions 3, 5, 8."

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

Senator Moua from the Committee on Judiciary, to which was re-referred

S.F. No. 2876: A bill for an act relating to animals; changing provisions regulating dangerous dogs; imposing penalties; amending Minnesota Statutes 2006, sections 347.50, by adding a subdivision; 347.51, subdivisions 2, 2a, 3, 4, 7, 9; 347.52; 347.53; 347.54, subdivisions 1, 3;

347.55; 347.56; proposing coding for new law in Minnesota Statutes, chapter 347.

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

Page 1, line 10, delete "an adult"

Page 1, line 11, delete "expect may"

Page 1, line 16, after "sign" insert "that there is a dangerous dog on the property" and strike everything after "children"

Page 1, line 17, strike everything before the semicolon

Page 5, line 1, delete "found not guilty" and insert "not convicted"

Page 5, line 30, delete "that can be used by the owner of the dog that was seized for requesting" and insert "to request"

Page 6, line 1, delete "30" and insert "seven"

Page 6, line 20, delete everything after the third period and insert "If any member of a household is prohibited from owning a dog in subdivision 1, no person in the household is permitted to own the dog."

Page 6, delete line 21

Page 6, line 23, after "1" insert a comma and delete "that" and insert "which"

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

Senator Moua from the Committee on Judiciary, to which was re-referred

S.F. No. 3494: A bill for an act relating to state government; providing additional whistleblower protection to state executive branch employees; amending Minnesota Statutes 2007 Supplement, section 181.932, subdivision 1.

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

Page 2, line 4, delete "the executive" and insert "a"

Page 2, line 6, delete "the executive" and insert "that" and delete ": (1)" and delete "or an" and insert a comma

Page 2, line 7, delete everything before "an" and before the period, insert ", or a constitutional officer"

And when so amended the bill do pass.

Pursuant to Joint Rule 2.03, the bill was referred to the Committee on Rules and Administration.

Senator Moua from the Committee on Judiciary, to which was referred

S.F. No. 3360: A bill for an act relating to animals; changing provisions prohibiting animal fights and possession of certain items; imposing penalties; amending Minnesota Statutes 2006, section

343.31, subdivision 1.

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

Page 1, line 7, after the second period, insert "(a)"

Page 1, line 13, reinstate the stricken "or"

Page 1, line 15, delete the semicolon

Page 1, delete lines 16 to 20 and insert "is guilty of a felony.

(b) A person who:

(1) purchases a ticket of admission or otherwise gains admission to that activity; or

(2) possesses any device or substance intended to enhance an animal's ability to fight

is guilty of a misdemeanor.

EFFECTIVE DATE. This section is effective August 1, 2008, and applies to crimes committed on or after that date."

Amend the title as follows:

Page 1, line 2, delete everything after the semicolon and insert "prohibiting the possession of certain items related to animal fighting; imposing criminal penalties;"

Page 1, line 3, delete everything before "amending"

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

Senator Moua from the Committee on Judiciary, to which was referred

S.F. No. 3647: A bill for an act relating to public safety; making certain emergency responders exempt from permit requirement for emergency communications equipment; amending Minnesota Statutes 2006, section 299C.37, subdivision 3.

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

Page 1, delete lines 15 to 17 and insert "subdivision 1, paragraph (a), when:

(1) the holder of a Federal Communications Commission (FCC) license has granted the public safety agency written permission for the use of the frequencies authorized under the FCC license; or

(2) the agency is authorized to monitor or operate on any police emergency talkgroup on the ARMER public safety radio system in accordance with the technical and operational standards adopted by the Statewide Radio Board, as provided in section 403.37 or where the public safety agency use of a frequency allocated to police interoperability is consistent with any applicable rules or regulations."

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

Senator Moua from the Committee on Judiciary, to which was referred

S.F. No. 2919: A bill for an act relating to civil commitments; modifying and clarifying time requirements for hearings; providing an exception from prehearing discharge for commitment petitions involving persons alleged to be mentally ill and dangerous or a sexual psychopathic personality or sexually dangerous person; amending Minnesota Statutes 2006, section 253B.08, subdivision 1.

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

Page 1, after line 23, insert:

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

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

Senator Moua from the Committee on Judiciary, to which was re-referred

S.F. No. 1520: A bill for an act relating to occupations and professions; providing for registration of naturopathic doctors; amending Minnesota Statutes 2006, sections 116J.70, subdivision 2a; 145.61, subdivision 2; 146.23, subdivision 7; 148B.60, subdivision 3; 214.23, subdivision 1; 604A.01, subdivision 2; 604A.015; proposing coding for new law as Minnesota Statutes, chapter 147E.

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

Delete everything after the enacting clause and insert:

"Section 1. **[147E.01] DEFINITIONS.**

Subdivision 1. **Applicability.** The definitions in this section apply to this chapter.

Subd. 2. **Approved naturopathic medical education program.** "Approved naturopathic medical education program" means a naturopathic medical education program in the United States or Canada that meets the requirements for accreditation by the Council on Naturopathic Medical Education (CNME) or an equivalent federally recognized accrediting body for the naturopathic medical profession recognized by the board. The program must offer graduate-level full-time didactic and supervised clinical training leading to the degree of Doctor of Naturopathy or Doctor of Naturopathic Medicine. The program must be an institution, or part of an institution, of higher education that at the time the student completes the program is:

(1) either accredited or is a candidate for accreditation by a regional institution accrediting agency recognized by the United States Secretary of Education; or

(2) a degree granting college or university that prior to the existence of CNME offered a full-time structured curriculum in basic sciences and supervised patient care comprising a doctoral naturopathic medical education that is at least 132 weeks in duration, must be completed in at least 35 months, and is reputable and in good standing in the judgment of the board.

Subd. 3. **Board.** "Board" means the Board of Medical Practice or its designee.

Subd. 4. **Contact hour.** "Contact hour" means an instructional session of 50 consecutive minutes,

excluding coffee breaks, registration, meals without a speaker, and social activities.

Subd. 5. **Homeopathic preparations.** "Homeopathic preparations" means medicines prepared according to the Homeopathic Pharmacopoeia of the United States.

Subd. 6. **Registered naturopathic doctor.** "Registered naturopathic doctor" means an individual registered under this chapter.

Subd. 7. **Minor office procedures.** "Minor office procedures" means the use of operative, electrical, or other methods for the repair and care incidental to superficial lacerations and abrasions, superficial lesions, and the removal of foreign bodies located in the superficial tissues and the use of antiseptics and local topical anesthetics in connection with such methods.

Subd. 8. **Naturopathic licensing examination.** "Naturopathic licensing examination" means the Naturopathic Physicians Licensing Examination or its successor administered by the North American Board of Naturopathic Examiners or its successor as recognized by the board.

Subd. 9. **Naturopathic medicine.** "Naturopathic medicine" means a system of primary health care for the prevention, assessment, and treatment of human health conditions, injuries, and diseases that uses:

(1) services and treatments as described in section 147E.05; and

(2) complementary and alternative health care practices as defined in section 146A.01, subdivision 4.

Subd. 10. **Naturopathic physical medicine.** "Naturopathic physical medicine" includes, but is not limited to, the therapeutic use of the physical agents of air, water, heat, cold, sound, light, and electromagnetic nonionizing radiation and the physical modalities of electrotherapy, diathermy, ultraviolet light, hydrotherapy, massage, stretching, colon hydrotherapy, frequency specific microcurrent, electrical muscle stimulation, transcutaneous electrical nerve stimulation, and therapeutic exercise.

Sec. 2. **[147E.05] SCOPE OF PRACTICE.**

Subdivision 1. **Practice parameters.** (a) The practice of naturopathic medicine includes, but is not limited to, the following services:

(1) ordering, administering, prescribing, or dispensing for preventive and therapeutic purposes: food, extracts of food, nutraceuticals, vitamins, minerals, amino acids, enzymes, botanicals and their extracts, botanical medicines, herbal remedies, homeopathic medicines, all dietary supplements and nonprescription drugs as defined by the federal Food, Drug, and Cosmetic Act, glandulars, protomorphogens, lifestyle counseling, hypnotherapy, biofeedback, dietary therapy, electrotherapy, galvanic therapy, naturopathic physical medicine, oxygen, therapeutic devices, barrier devices for contraception, and minor office procedures, including obtaining specimens to assess and treat disease;

(2) performing or ordering physical examinations, clinical laboratory tests and examinations, and physiological function tests;

(3) referring a patient for diagnostic imaging studies including x-ray, CT scan, MRI, ultrasound, mammogram, bone densitometry, and referring the studies to an appropriately licensed health care

professional to conduct the study and interpret the results;

(4) prescribing nonprescription medications and therapeutic devices or ordering noninvasive diagnostic procedures commonly used by physicians in general practice; and

(5) prescribing or performing naturopathic physical medicine.

(b) A registered naturopathic doctor may admit patients to a hospital if the naturopathic doctor meets the hospital's governing body requirements regarding credentialing and privileging process.

Subd. 2. **Prohibitions on practice.** (a) The practice of naturopathic medicine does not include:

(1) administering therapeutic ionizing radiation or radioactive substances;

(2) administering general or spinal anesthesia;

(3) prescribing, dispensing, or administering legend drugs or controlled substances, including chemotherapeutic substances; or

(4) performing or inducing abortions.

(b) A naturopathic doctor registered under this chapter shall not perform surgical procedures using a laser device or perform surgical procedures beyond superficial tissue.

(c) A naturopathic doctor shall not practice or claim to practice as a medical doctor, surgeon, osteopath, dentist, podiatrist, optometrist, psychologist, advanced practice professional nurse, physician assistant, chiropractor, physical therapist, acupuncturist, dietician, nutritionist, or any other health care professional, unless the naturopathic doctor also holds the appropriate license or registration for the health care practice profession.

Sec. 3. **[147E.06] PROFESSIONAL CONDUCT.**

Subdivision 1. **Disclosure.** The registered naturopathic doctor shall obtain a signed disclosure form from the patient prior to initiating treatment and after advising the patient of the naturopathic doctor's qualifications, including education and registration information, and outlining the scope of practice of registered naturopathic doctors in Minnesota. This information must be supplied to the patient in writing before or at the time of the initial visit.

Subd. 2. **Informed consent.** (a) The registrant shall obtain a signed informed consent describing treatment facts and options accurately to the patient or to the individual responsible for the patient's care and making treatment recommendations according to standards of good naturopathic medical practice.

(b) Upon request, the registered naturopathic doctor must provide a copy of the signed disclosure and informed consent forms to the board.

Subd. 3. **Patient records.** (a) A registered naturopathic doctor shall maintain a record for seven years for each patient treated, including:

(1) a copy of the signed disclosure form and informed consent form;

(2) evidence of a patient interview concerning the patient's medical history and current physical condition;

(3) evidence of an examination and assessment;

(4) record of the treatment provided to the patient; and

(5) evidence of evaluation and instructions given to the patient, including acknowledgment by the patient in writing that, if deemed necessary by the registered naturopathic doctor, the patient has been advised to consult with another health care provider.

(b) A registered naturopathic doctor shall maintain the records of minor patients for seven years or until the minor's 19th birthday, whichever is longer.

Subd. 4. **Data practices.** All records maintained on each naturopathic patient by a registered naturopathic doctor are subject to sections 144.291 to 144.298.

Subd. 5. **State and municipal public health regulations**. A registered naturopathic doctor shall comply with all applicable state and municipal requirements regarding public health.

Sec. 4. **[147E.10] PROTECTED TITLES.**

Subdivision 1. **Registration designation.** (a) After July 1, 2008, no individual may use the title "registered naturopathic doctor," "naturopathic doctor," "doctor of naturopathic medicine," or use, in connection with the individual's name, the letters "N.D.," "R.N.D.," or "N.M.D.," or any other titles, words, letters, abbreviations, or insignia indicating or implying that the individual is eligible for registration by the state as a registered naturopath or a registered naturopathic doctor unless the individual has been registered as a registered naturopathic doctor according to this chapter.

(b) After July 1, 2008, individuals who are registered under this chapter and who represent themselves as practicing naturopathic medicine by use of a term in subdivision 2, shall conspicuously display the registration in the place of practice.

Subd. 2. **Other health care practitioners.** Nothing in this chapter may be construed to prohibit or to restrict:

(1) the practice of a profession by individuals who are licensed, certified, or registered under other laws of this state and are performing services within their authorized scope of practice;

(2) the provision of the complementary and alternative healing methods and treatments, including naturopathy as described in chapter 146A;

(3) the practice of naturopathic medicine by an individual licensed, registered, or certified in another state and employed by the government of the United States while the individual is engaged in the performance of duties prescribed by the laws and regulations of the United States;

(4) the practice by a naturopathic doctor duly licensed, registered, or certified in another state, territory, or the District of Columbia when incidentally called into this state for consultation with a Minnesota licensed physician or Minnesota registered naturopathic doctor; or

(5) individuals not registered by this chapter from the use of individual modalities that make up the practice of naturopathic medicine.

Subd. 3. **Penalty.** A person who violates this section is guilty of a misdemeanor.

Sec. 5. **[147E.15] REGISTRATION REQUIREMENTS.**

Subdivision 1. **General requirements for registration.** To be eligible for registration, an applicant must:

(1) submit a completed application on forms provided by the board along with all fees required under section 147E.40 that includes:

(i) the applicant's name, Social Security number, home address and telephone number, and business address and telephone number;

(ii) the name and location of the naturopathic medical education program the applicant completed;

(iii) a list of degrees received from other educational institutions;

(iv) a description of the applicant's professional training;

(v) a list of registrations, certifications, and licenses held in other jurisdictions;

(vi) a description of any other jurisdiction's refusal to credential the applicant;

(vii) a description of all professional disciplinary actions initiated against the applicant in any jurisdiction; and

(viii) any history of drug or alcohol abuse, and any misdemeanor or felony conviction;

(2) submit a copy of a diploma from an approved naturopathic medical education program;

(3) have successfully passed the Naturopathic Physicians Licensing Examination, a competency-based national naturopathic licensing examination administered by the North American Board of Naturopathic Examiners or successor agency as recognized by the board; passing scores shall be determined by the Naturopathic Physicians Licensing Examination;

(4) submit additional information as requested by the board, including any additional information necessary to ensure that the applicant is able to practice with reasonable skill and safety to the public;

(5) sign a statement that the information in the application is true and correct to the best of the applicant's knowledge and belief; and

(6) sign a waiver authorizing the board to obtain access to the applicant's records in this or any other state in which the applicant has completed an approved naturopathic medical education program or engaged in the practice of naturopathic medicine.

Subd. 2. **Registration by endorsement; reciprocity.** (a) To be eligible for registration by endorsement or reciprocity, the applicant must hold a current naturopathic license, registration, or certification in another state, Canadian province, the District of Columbia, or territory of the United States, whose standards for licensure, registration, or certification are at least equivalent to those of Minnesota, and must:

(1) submit the application materials and fees as required by subdivision 1, clauses (1), (2), and (4) to (6);

(2) have successfully passed either:

(i) the Naturopathic Physicians Licensing Examination; or

(ii) if prior to 1986, the state or provincial naturopathic board licensing examination required by that regulating state or province;

(3) provide a verified copy from the appropriate government body of a current license, registration, or certification for the practice of naturopathic medicine in another jurisdiction that has initial licensing, registration, or certification requirements equivalent to or higher than the requirements in subdivision 1; and

(4) provide letters of verification from the appropriate government body in each jurisdiction in which the applicant holds a license, registration, or certification. Each letter must state the applicant's name; date of birth; license, registration, or certification number; date of issuance; a statement regarding disciplinary actions, if any, taken against the applicant; and the terms under which the license, registration, or certification was issued.

(b) An applicant applying for license, registration, or certification by endorsement must be licensed, registered, or certified in another state or Canadian province prior to January 1, 2005, and have completed a 60-hour course and examination in pharmacotherapeutics.

Subd. 3. **Temporary registration.** The board may issue a temporary registration to practice as a registered naturopathic doctor to an applicant who is licensed, registered, or certified in another state or Canadian province and is eligible for registration under this section, if the application for registration is complete, all applicable requirements in this section have been met, and a nonrefundable fee has been paid. The temporary registration remains valid only until the meeting of the board at which time a decision is made on the registered naturopathic doctor's application for registration.

Subd. 4. **Registration expiration.** Registrations issued under this chapter expire annually.

Subd. 5. **Renewal.** (a) To be eligible for registration renewal a registrant must:

(1) annually, or as determined by the board, complete a renewal application on a form provided by the board;

(2) submit the renewal fee;

(3) provide evidence of a total of 25 hours of continuing education approved by the board as described in section 147E.25; and

(4) submit any additional information requested by the board to clarify information presented in the renewal application. The information must be submitted within 30 days after the board's request, or the renewal request is nullified.

Subd. 6. **Change of address.** A registrant who changes addresses must inform the board within 30 days, in writing, of the change of address. All notices or other correspondence mailed to or served on a registrant by the board are considered as having been received by the registrant.

Subd. 7. **Registration renewal notice.** At least 45 days before the registration renewal date, the board shall send out a renewal notice to the last known address of the registrant on file. The notice must include a renewal application and a notice of fees required for renewal or instructions for online renewal. It must also inform the registrant that registration will expire without further

action by the board if an application for registration renewal is not received before the deadline for renewal. The registrant's failure to receive this notice does not relieve the registrant of the obligation to meet the deadline and other requirements for registration renewal. Failure to receive this notice is not grounds for challenging expiration of registration status.

Subd. 8. **Renewal deadline.** The renewal application and fee must be postmarked on or before December 31 of the year of renewal. If the postmark is illegible, the application is considered timely if received by the third working day after the deadline.

Subd. 9. **Inactive status and return to active status.** (a) A registrant may be placed in inactive status upon application to the board by the registrant and upon payment of an inactive status fee.

(b) Registrants seeking restoration to active from inactive status must pay the current renewal fees and all unpaid back inactive fees. They must meet the criteria for renewal specified in subdivision 5, including continuing education hours.

(c) Registrants whose inactive status period has been five years or longer must additionally have a period of no less than eight weeks of board-approved supervision by another registered naturopathic doctor.

Subd. 10. **Registration following lapse of registration status for two years or less.** For any individual whose registration status has lapsed for two years or less, to regain registration status, the individual must:

(1) apply for registration renewal according to subdivision 5;

(2) document compliance with the continuing education requirements of section 147E.25 since the registrant's initial registration or last renewal; and

(3) submit the fees required under section 147E.40 for the period not registered, including the fee for late renewal.

Subd. 11. **Cancellation due to nonrenewal.** The board shall not renew, reissue, reinstate, or restore a registration that has lapsed and has not been renewed within two annual registration renewal cycles starting January 2009. A registrant whose registration is canceled for nonrenewal must obtain a new registration by applying for registration and fulfilling all requirements then in existence for initial registration as a registered naturopathic doctor.

Subd. 12. **Cancellation of registration in good standing.** (a) A registrant holding an active registration as a registered naturopathic doctor in the state may, upon approval of the board, be granted registration cancellation if the board is not investigating the person as a result of a complaint or information received or if the board has not begun disciplinary proceedings against the registrant. Such action by the board must be reported as a cancellation of registration in good standing.

(b) A registrant who receives board approval for registration cancellation is not entitled to a refund of any registration fees paid for the registration year in which cancellation of the registration occurred.

(c) To obtain registration after cancellation, a registrant must obtain a new registration by applying for registration and fulfilling the requirements then in existence for obtaining initial registration as a registered naturopathic doctor.

Subd. 13. **Emeritus status of registration.** A registrant may change the status of the registration to "emeritus" by filing the appropriate forms and paying the onetime fee of $50 to the board. This status allows the registrant to retain the title of registered naturopathic doctor but restricts the registrant from actively seeing patients.

Sec. 6. **[147E.20] BOARD ACTION ON APPLICATIONS FOR REGISTRATION.**

(a) The board shall act on each application for registration according to paragraphs (b) to (d).

(b) The board shall determine if the applicant meets the requirements for registration under section 147E.15. The board may investigate information provided by an applicant to determine whether the information is accurate and complete.

(c) The board shall notify each applicant in writing of action taken on the application, the grounds for denying registration if registration is denied, and the applicant's right to review under paragraph (d).

(d) Applicants denied registration may make a written request to the board, within 30 days of the board's notice, to appear before the board for reconsideration of the board's decision to deny the applicant's registration. After reviewing the denial, the board shall determine whether the denial shall be affirmed. Each applicant is allowed only one request for review each yearly registration period.

Sec. 7. **[147E.25] CONTINUING EDUCATION REQUIREMENT.**

Subdivision 1. **Number of required contact hours.** (a) A registrant applying for registration renewal must complete a minimum of 25 contact hours of board-approved continuing education in the year preceding registration renewal, with the exception of the registrant's first incomplete year, and attest to completion of continuing education requirements by reporting to the board.

(b) Of the 25 contact hours of continuing education requirement in paragraph (a), at least five hours of continuing education must be in pharmacotherapeutics.

Subd. 2. **Approved programs.** The board shall approve continuing education programs that have been approved for continuing education credit by the American Association of Naturopathic Physicians or any of its constituent state associations, the American Chiropractic Association or any of its constituent state associations, the American Osteopathic Association Bureau of Professional Education, the American Pharmacists Association or any of its constituent state associations, or an organization approved by the Accreditation Council for Continuing Medical Education.

Subd. 3. **Approval of continuing education programs.** The board shall also approve continuing education programs that do not meet the requirements of subdivision 2 but meet the following criteria:

(1) the program content directly relates to the practice of naturopathic medicine;

(2) each member of the program faculty is knowledgeable in the subject matter as demonstrated by a degree from an accredited education program, verifiable experience in the field of naturopathic medicine, special training in the subject matter, or experience teaching in the subject area;

(3) the program lasts at least 50 minutes per contact hour;

(4) there are specific, measurable, written objectives, consistent with the program, describing the expected outcomes for the participants; and

(5) the program sponsor has a mechanism to verify participation and maintains attendance records for three years.

Subd. 4. **Accumulation of contact hours.** A registrant may not apply contact hours acquired in one one-year reporting period to a future continuing education reporting period.

Subd. 5. **Verification of continuing education credits.** The board shall periodically select a random sample of registrants and require those registrants to supply the board with evidence of having completed the continuing education to which they attested. Documentation may come directly from the registrants from state or national organizations that maintain continuing education records.

Subd. 6. **Continuing education topics.** Continuing education program topics may include, but are not limited to, naturopathic medical theory and techniques including diagnostic techniques, nutrition, botanical medicine, homeopathic medicine, physical medicine, lifestyle modification counseling, anatomy, physiology, biochemistry, pharmacology, pharmacognosy, microbiology, medical ethics, psychology, history of medicine, and medical terminology or coding.

Subd. 7. **Restriction on continuing education topics.** (a) A registrant may apply no more than five hours of practice management to a one-year reporting period.

(b) A registrant may apply no more than 15 hours to any single subject area.

Subd. 8. **Continuing education exemptions.** The board may exempt any person holding a registration under this chapter from the requirements of subdivision 1 upon application showing evidence satisfactory to the board of inability to comply with the requirements because of physical or mental condition or because of other unusual or extenuating circumstances. However, no person may be exempted from the requirements of subdivision 1 more than once in any five-year period.

Sec. 8. **[147E.30] DISCIPLINE; REPORTING.**

For purposes of this chapter, registered naturopathic doctors and applicants are subject to sections 147.091 to 147.162.

Sec. 9. **[147E.40] FEES.**

Subdivision 1. **Fees.** Fees are as follows:

(1) registration application fee, $200;

(2) renewal fee, $150;

(3) late fee, $75;

(4) inactive status fee, $50; and

(5) temporary permit fee, $25.

Subd. 2. **Proration of fees.** The board may prorate the initial annual registration fee. All registrants are required to pay the full fee upon registration renewal.

Subd. 3. **Penalty fee for late renewals.** An application for registration renewal submitted after the deadline must be accompanied by a late fee in addition to the required fees.

Subd. 4. **Nonrefundable fees.** All of the fees in subdivision 1 are nonrefundable.

Sec. 10. **EFFECTIVE DATE.**

This act is effective July 1, 2008."

Delete the title and insert:

"A bill for an act relating to occupations and professions; providing for registration of naturopathic doctors; proposing coding for new law as Minnesota Statutes, chapter 147E."

And when so amended the bill do pass and be re-referred to the Committee on Finance. Amendments adopted. Report adopted.

Senator Moua from the Committee on Judiciary, to which was referred

H.F. No. 413: A bill for an act relating to commerce; creating an outdoor sport equipment dealership agreement task force.

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

Delete everything after the enacting clause and insert:

"Section 1. **[80G.01] DEFINITIONS.**

Subdivision 1. **Scope.** For the purposes of sections 80G.01 to 80G.11, the terms defined in this section have the meanings given them.

Subd. 2. **Dealership agreement.** "Dealership agreement" means a written agreement of definite or indefinite duration between an outdoor sport equipment manufacturer and an outdoor sport equipment dealer or distributor that enables the dealer to purchase equipment from the manufacturer or dealer and provides for the rights and obligations of the parties with respect to the purchase or sale of outdoor sport equipment.

Subd. 3. **Designated successor.** "Designated successor" means one or more persons nominated by the dealer, in a written document filed by the dealer with the manufacturer or distributor at the time the dealership agreement is executed, to succeed the dealer in the event of the dealer's death or incapacity.

Subd. 4. **Outdoor sport equipment.** "Outdoor sport equipment" means snowmobiles as defined in section 84.81, subdivision 3; all-terrain vehicles as defined in section 84.92, subdivision 8; personal watercraft as defined in section 86B.005, subdivision 14a; watercraft as defined in section 86C.01; and off-highway motorcycles, as defined in section 84.787, subdivision 7, and all attachments and repair parts for all of this equipment.

Subd. 5. **Outdoor sport equipment dealer or dealer.** "Outdoor sport equipment dealer" or "dealer" means a person engaged in acquiring outdoor sport equipment from a manufacturer and reselling the outdoor sport equipment at wholesale or retail.

Subd. 6. **Outdoor sport equipment distributor or distributor.** "Outdoor sports equipment

distributor" means a person, other than a manufacturer, who offers for sale, sells, or distributes outdoor sport equipment to an outdoor sport equipment dealer or who maintains a factory representative, or who controls a person who offers for sale, sells, or distributes outdoor equipment to an outdoor sport equipment dealer. "Distributor" includes a wholesaler.

Subd. 7. **Outdoor sport equipment manufacturer or manufacturer.** "Outdoor sport equipment manufacturer" or "manufacturer" means a person engaged in the manufacture or assembly of outdoor sport equipment. The term also includes any successor in interest of the outdoor sport equipment manufacturer, including any purchaser of assets or stock, any surviving corporation resulting from a merger or liquidation, any receiver or assignee, or any trustee of the original outdoor sport equipment manufacturer.

Subd. 8. **Person.** "Person" means an individual, partnership, limited partnership, corporation, limited liability company, trustee of a trust, personal representative of an estate, or any other type of business entity.

Subd. 9. **Proposed outdoor sport equipment dealer.** "Proposed outdoor sport equipment dealer" or "proposed dealer" means a person who has an application for a new dealership agreement pending with a manufacturer or distributor. Proposed dealer does not include a person whose dealership agreement is being renewed or continued.

Sec. 2. **[80G.02] DEALERSHIP AGREEMENT AND COMPLIANCE REQUIRED FOR SALE OR PURCHASE OF OUTDOOR SPORT EQUIPMENT.**

A manufacturer or distributor shall not offer for sale to a new outdoor sport equipment dealer, and a new or proposed new outdoor sport equipment dealer shall not offer to purchase from a manufacturer, new outdoor sport equipment without first entering into a written dealership agreement and complying with all other applicable provisions of this act. The written agreement may provide for certain types of routine transactions to be done orally.

Sec. 3. **[80G.03] CONTENTS OF DEALERSHIP AGREEMENT.**

Each dealership agreement shall include, but is not limited to, all of the following:

(1) the territory or market area;

(2) the period of time covered by the dealership agreement;

(3) performance and marketing standards;

(4) notice provisions for termination, cancellation, or nonrenewal;

(5) obligations in the preparation and delivery of product and warranty service;

(6) disposition obligations upon termination, cancellation, or nonrenewal relating to inventory, equipment, furnishings, special tools, and required signs acquired within the 18 months immediately prior to the date of termination, cancellation, or nonrenewal; and

(7) dispute resolution procedures.

Sec. 4. **[80G.04] SALE, TRANSFER, EXCHANGE OF DEALERSHIP; CONSENT; CRITERIA; PROHIBITED CONDUCT.**

(a) A manufacturer or distributor shall not unreasonably withhold consent to the sale, transfer, or exchange of a dealership to a person who meets the criteria, if any, set forth in the dealership agreement.

(b) Failure by a manufacturer or distributor to respond within 60 days after receipt of a written request by the dealer to the manufacturer or distributor for consent to the sale, transfer, or exchange of a dealership shall be considered consent to the request.

Sec. 5. **[80G.05] INABILITY OF DESIGNATED SUCCESSOR TO SUCCEED OUTDOOR SPORT EQUIPMENT DEALER.**

If a designated successor is not able to succeed the outdoor sport equipment dealer because of the designated successor's death or legal incapacity, the dealer may, at any time after that death or incapacity, execute and deliver to the manufacturer or distributor a new document nominating a designated successor.

Sec. 6. **[80G.06] DESIGNATED SUCCESSOR OF DECEASED OR INCAPACITATED SPORT EQUIPMENT DEALER; NOTICE OF INTENT; EXISTING DEALERSHIP AGREEMENT; PERSONAL AND FINANCIAL DATA; NOTICE OF REFUSAL TO APPROVE SUCCESSION.**

(a) A designated successor of a deceased or incapacitated new sport equipment dealer may succeed the dealer in the ownership or operation of the dealership under the existing dealership agreement if the designated successor gives the manufacturer or distributor written notice of the designated successor's intention to succeed to the dealership within 60 days after the dealer's death or incapacity and agrees to be bound by all of the terms and conditions of the dealership agreement. A manufacturer or distributor may refuse to honor the existing dealer agreement with the designated successor for good cause or on the basis of criteria agreed to in the existing dealership agreement.

(b) The manufacturer or distributor may request from a designated successor the personal and financial data necessary to determine whether the existing dealership agreement should be honored with the designated successor. Upon request, the designated successor shall supply the personal and financial data.

(c) Within 60 days after receiving the notice of the designated successor's intent to succeed the dealer in the ownership and operation of the dealership or within 60 days after receiving the requested personal and financial data, whichever occurs last, if a manufacturer or distributor believes that good cause or other criteria agreed to in the existing dealership agreement exist for refusing to honor the succession, the manufacturer or distributor may provide written notice to the designated successor of its refusal to approve the succession.

Sec. 7. **[80G.07] CANCELLATION AND ALTERATION OF DEALERSHIPS.**

Subdivision 1. **Termination by manufacturer or distributor.** (a) No manufacturer or distributor, directly or through any officer, agent, or employee, may terminate, cancel, or fail to renew a dealership agreement without good cause.

(b) The burden of proving good cause is on the manufacturer or distributor.

(c) For purposes of this section, "good cause" means:

(1) failure by the dealer to comply substantially with essential and reasonable requirements imposed or sought to be imposed by the manufacturer or distributor, which requirements are not discriminatory as compared to requirements imposed by the manufacturer or distributor on other similarly situated dealers, either by the terms or in the manner of their enforcement;

(2) a substantial breach of the dealership agreement that the dealer has not cured within a reasonable time after notice of the breach by the manufacturer;

(3) without the consent of the outdoor sport equipment manufacturer, who shall not withhold consent unreasonably:

(i) the outdoor sport equipment dealer has transferred an interest in the outdoor sport equipment dealership;

(ii) there has been a withdrawal from the dealership of an individual proprietor, partner, major shareholder, or the manager of the dealership; or

(iii) there has been a substantial reduction in interest of a partner or major stockholder;

(4) the outdoor sport equipment dealer has filed a voluntary petition in bankruptcy or has had an involuntary petition in bankruptcy filed against it that has not been discharged within 30 days after the filing, there has been a closeout or other sale of a substantial part of the dealer's assets related to the outdoor sport equipment business, or there has been a commencement of dissolution or liquidation of the dealer;

(5) there has been a change without the prior written approval of the manufacturer, in the location of the dealer's principal place of business under the dealership agreement;

(6) the outdoor sport equipment dealer has defaulted under a chattel mortgage or other security agreement between the dealer and the outdoor sport equipment manufacturer, or there has been a revocation or discontinuance of a guarantee of the dealer's present or future obligations to the outdoor sport equipment manufacturer;

(7) the outdoor sport equipment dealer has failed to operate in the normal course of business for seven consecutive days or has otherwise abandoned the business;

(8) the outdoor sport equipment dealer has pleaded guilty to or has been convicted of a felony affecting the relationship between the dealer and manufacturer;

(9) the outdoor sport equipment dealer has engaged in conduct that is injurious or detrimental to the dealer's customers or to the public welfare; or

(10) the outdoor sport equipment dealer, after receiving notice from the manufacturer of its requirements for reasonable market penetration based on the manufacturer's experience in other comparable marketing areas, fails to meet the manufacturer's market penetration requirements.

Subd. 2. **Termination by dealer.** A dealer shall not terminate, cancel, or fail to renew a dealership agreement except on 90 days written notice to the manufacturer or distributor, unless a shorter period is agreed upon by the parties. This prohibition does not apply to a termination, cancellation, or failure to renew due to the death of the dealer or the death of an individual who is at least a 50 percent owner of the dealership.

Sec. 8. **[80G.08] REPURCHASE OF INVENTORY REQUIRED.**

(a) If a manufacturer or distributor terminates a dealer agreement as a result of any action, except for good cause under section 80G.07, the manufacturer or distributor shall repurchase the inventory as provided in this section. The dealer may keep part or all of the inventory if it desires to do so, and the manufacturer agrees in writing. If the dealer has an outstanding debt to the manufacturer or distributor, then the repurchase amount may be adjusted by the manufacturer to take into account those unpaid debts.

(b) After written notice by the dealer to the manufacturer or distributor in person or by registered or certified mail or by a commercial delivery service, return receipt requested, provided by the dealer within 30 days after termination of the dealer agreement, the manufacturer or distributor shall, within 30 days after receiving the notice, repurchase that inventory previously purchased from the manufacturer or distributor as provided in this section except as otherwise provided in paragraph (a).

(c) Upon payment within a reasonable time of the repurchase amount to the dealer, the title, if any, and the right of possession to the repurchased inventory transfers to the manufacturer or distributor.

(d) The repurchase amount for the inventory must be at least the amount the dealer paid for the inventory.

Sec. 9. **[80G.09] WARRANTIES.**

Subdivision 1. **Application.** This section applies to all warranty claims submitted by a dealer to an outdoor sport equipment manufacturer in which the outdoor sport equipment dealer has complied with the policies and procedures contained in the outdoor sport equipment manufacturer's warranty.

Subd. 2. **Prompt payment.** Claims filed for payment under warranty agreements must be approved or disapproved within 30 days after receipt by the outdoor sport equipment manufacturer. Unless the outdoor sport equipment dealer agrees to a later date, approved claims for payment must be paid within 30 days after approval. When a claim is disapproved, the outdoor sport equipment manufacturer shall notify the dealer within the 30-day period stating the specific grounds on which the disapproval is based. Any claim not specifically disapproved within 30 days of receipt is deemed approved and must be paid within 30 days after the deemed approval.

Subd. 3. **Post-termination claims.** If, after termination of a dealership agreement, a dealer submits a warranty claim for warranty work performed before the effective date of the termination, the outdoor sport equipment manufacturer shall handle the claim as provided in subdivision 2.

Subd. 4. **Compensation for warranty work.** Warranty work performed by the dealer must be compensated in accordance with the reasonable and customary amount of time required to complete the work, expressed in hours and fractions of hours multiplied by the dealer's established customer hourly retail labor rate, which the dealer shall communicate to the outdoor sport equipment manufacturer before performing the warranty work.

Subd. 5. **Expenses.** Expenses expressly excluded under the outdoor sport equipment manufacturer's warranty to the customer must not be included in claims and are not required to be paid on requests for compensation from the dealer for warranty work performed.

Subd. 6. **Compensation for parts.** Payment for all parts used by the dealer in performing warranty work must be paid to the dealer in the amount equal to the dealer's net price for the parts, plus a minimum of 15 percent to reimburse the dealer for reasonable costs of doing business in performing warranty service on the outdoor sport equipment manufacturer's behalf, including, but not limited to, freight and handling costs.

Subd. 7. **Adjustment for errors.** The outdoor sport equipment manufacturer may adjust for errors discovered during audit, and if necessary, adjust claims paid in error.

Subd. 8. **Alternate terms and conditions.** A dealer may choose to accept alternate reimbursement terms and conditions in lieu of the requirements of subdivisions 2 to 7, provided there is a written dealership agreement between the outdoor sport equipment manufacturer and the dealer providing for compensation to the dealer for warranty labor costs either as:

(1) a discount in the pricing of the equipment to the dealer; or

(2) a lump-sum payment to the dealer.

The discount or lump sum must be no less than five percent of the suggested retail price of the equipment. If the requirements of this subdivision are met and alternate terms and conditions are in place, subdivisions 2 to 7 do not apply and the alternate terms and conditions are enforceable.

Subd. 9. **Warranty work on units not sold by the dealer.** Upon request of the manufacturer or distributor, the dealer shall perform warranty repair work on units that were not sold by the dealer. Compensation for that work must be on the same terms and conditions otherwise required in this section.

Sec. 10. **[80G.10] STATUS OF INCONSISTENT AGREEMENTS.**

A term of a dealership agreement either expressed or implied, including a choice of law provision that is inconsistent with sections 80G.01 to 80G.11 or that purports to waive an outdoor sport equipment manufacturer's or distributor's compliance with sections 80G.01 to 80G.11 is void and unenforceable and does not waive any rights provided to a person by sections 80G.01 to 80G.11.

Sec. 11. **[80G.11] REMEDIES.**

If either party to a dealership agreement violates any provision of sections 80G.01 to 80G.11, the other party may bring an action against the alleged violator in a court of competent jurisdiction for damages sustained by the allegedly wronged party as a consequence of the violation, and the allegedly wronged party may also be granted injunctive relief against any action or inaction prohibited under sections 80G.01 to 80G.11. The remedies in this section are in addition to any other remedies permitted by law.

Sec. 12. **[80G.12] APPLICABILITY.**

Sections 80G.01 to 80G.11 are effective August 1, 2008, and apply to all dealership agreements entered into, amended, or renewed on or after that date. Any dealership agreement in force and effect on August 1, 2008, that has a stated expiration date after that date and is not renewed or amended on or after August 1, 2008, is not subject to sections 80G.01 to 80G.11. Sections 80G.01 to 80G.11 apply as of August 1, 2008, to any dealership agreement then in effect that has no stated expiration

date."

Delete the title and insert:

"A bill for an act relating to commerce; regulating franchise agreements between outdoor sport equipment dealers, manufacturers, and distributors; proposing coding for new law as Minnesota Statutes, chapter 80G."

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

Senator Rest from the Committee on State and Local Government Operations and Oversight, to which was re-referred

S.F. No. 3488: A bill for an act relating to natural resources; establishing the Lessard-Heritage Enhancement Council; providing appointments; proposing coding for new law in Minnesota Statutes, chapter 97A.

Reports the same back with the recommendation that the bill be re-referred to the Committee on Rules and Administration without recommendation. Report adopted.

SECOND READING OF SENATE BILLS

S.F. Nos. 3193, 3492, 2876, 3360, 3647 and 2919 were read the second time.

SECOND READING OF HOUSE BILLS

H.F. No. 413 was read the second time.

MOTIONS AND RESOLUTIONS

Senator Dille moved that the name of Senator Stumpf be added as a co-author to S.F. No. 2884. The motion prevailed.

Senator Chaudhary moved that the name of Senator Saxhaug be added as a co-author to S.F. No. 3385. The motion prevailed.

Senator Pappas moved that the name of Senator Marty be added as a co-author to S.F. No. 3731. The motion prevailed.

Senators Koering, Berglin, Dille, Pogemiller and Senjem introduced –

Senate Resolution No. 161: A Senate resolution honoring the life of Allen Koering.

Referred to the Committee on Rules and Administration.

Senator Sheran moved that S.F. No. 3573, No. 88 on General Orders, be stricken and re-referred to the Committee on Finance. The motion prevailed.

Senator Pariseau moved that S.F. No. 3646 be withdrawn from the Committee on Business,

Industry and Jobs and re-referred to the Committee on State and Local Government Operations and Oversight. The motion prevailed.

Senator Stumpf moved that S.F. No. 3631 be withdrawn from the Committee on Education and re-referred to the Committee on Finance. The motion prevailed.

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate proceeded to the Order of Business of Introduction and First Reading of Senate Bills.

INTRODUCTION AND FIRST READING OF SENATE BILLS

The following bills were read the first time.

Senators Gimse, Ingebrigtsen, Hann and Gerlach introduced–

S.F. No. 3802: A bill for an act relating to public safety; providing penalties for employers hiring illegal immigrants; adding documents that are included in the crime of aggravated forgery; increasing penalty for aggravated forgery; establishing sex trafficking as a separate crime from the promotion of prostitution; amending Minnesota Statutes 2006, sections 609.281, subdivision 4, by adding subdivisions; 609.282, subdivisions 1, 2; 609.321, subdivision 7a; 609.625, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 181.

Referred to the Committee on Judiciary.

Senators Pariseau, Betzold and Wergin introduced–

S.F. No. 3803: A bill for an act relating to retirement; increasing the percentage of salary upon which police and fire duty disability benefits are based; amending Minnesota Statutes 2007 Supplement, section 353.656, subdivision 1a.

Referred to the Committee on State and Local Government Operations and Oversight.

Senator Prettner Solon introduced–

S.F. No. 3804: A bill for an act relating to public health; requiring information on meningococcal and human papillomavirus vaccines and vaccines for other diseases to be provided; proposing coding for new law in Minnesota Statutes, chapter 144.

Referred to the Committee on Health, Housing and Family Security.

Senator Ingebrigtsen introduced–

S.F. No. 3805: A bill for an act relating to State Lottery; authorizing the director of the State Lottery to establish video lottery terminals; providing duties and powers to the director of the State Lottery; providing for the use of video lottery revenues; modifying certain lawful gambling taxes; making clarifying, conforming, and technical changes; amending Minnesota Statutes 2006, sections 297A.94; 297E.02, subdivision 1; 299L.02, subdivision 1; 299L.07, subdivisions 2, 2a; 340A.410, subdivision 5; 349.15, subdivision 1, as amended; 349A.01, subdivisions 10, 11, 12, by adding subdivisions; 349A.04; 349A.06, subdivisions 1, 5, 8, 10, by adding subdivisions;

349A.08, subdivisions 1, 5, 8; 349A.09, subdivision 1; 349A.10, subdivisions 2, 3, 4, 6; 349A.11, subdivision 1; 349A.12, subdivisions 1, 2; 349A.13; 541.20; 541.21; 609.651, subdivision 1; 609.75, subdivisions 3, 4; 609.761, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 297A; 349A; repealing Minnesota Statutes 2006, sections 297E.01, subdivision 7; 297E.02, subdivisions 4, 6, 7.

Referred to the Committee on State and Local Government Operations and Oversight.

Senator Olseen introduced–

S.F. No. 3806: A bill for an act relating to taxation; individual income; creating a subtraction for voluntary firefighter pensions; amending Minnesota Statutes 2006, section 290.091, subdivision 2; Minnesota Statutes 2007 Supplement, section 290.01, subdivision 19b.

Referred to the Committee on Taxes.

Senator Olseen introduced–

S.F. No. 3807: A bill for an act relating to retirement; requiring an actuarial cost study of a special retirement plan for postsentencing officers.

Referred to the Committee on State and Local Government Operations and Oversight.

MOTIONS AND RESOLUTIONS - CONTINUED

Remaining on the Order of Business of Motions and Resolutions, Senator Pogemiller 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 Senator Metzen in the chair.

After some time spent therein, the committee arose, and Senator Metzen reported that the committee had considered the following:

S.F. No. 2706, which the committee recommends to pass.

S.F. No. 2915, which the committee recommends to pass with the following amendment offered by Senator Moua:

Page 1, line 22, reinstate the stricken "in an amount not more than" and after the stricken "$8,500" insert "$25,000"

The motion prevailed. So the amendment was adopted.

On motion of Senator Pogemiller, the report of the Committee of the Whole, as kept by the Secretary, was adopted.

RECESS

Senator Pogemiller 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.

CALL OF THE SENATE

Senator Pogemiller imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

MOTIONS AND RESOLUTIONS - CONTINUED

Remaining on the Order of Business of Motions and Resolutions, Senator Pogemiller 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 Senator Metzen in the chair.

After some time spent therein, the committee arose, and Senator Murphy reported that the committee had considered the following:

S.F. No. 3099, which the committee recommends to pass, subject to the following motions:

Senator Berglin moved to amend S.F. No. 3099 as follows:

Page 5, line 34, after the period, insert "Nothing in this section requires a nonprofit health plan company to increase its total level of community benefit beyond its current level."

Page 6, line 30, delete "require" and insert "encourage"

Page 7, line 12, delete "potential"

Page 7, line 28, delete "all" and delete "beginning first with"

Page 8, line 9, delete "(a)"

Page 8, delete lines 16 to 19

Page 8, line 27, delete "primary"

Page 8, line 32, delete "and in health care home"

Page 8, line 33, delete "quality improvement initiatives" and delete "primary"

Page 9, line 19, after "develop" insert ", maintain, and ensure"

Page 9, delete line 20 and insert "implementation of a comprehensive care plan for each enrollee who has or who is at risk of developing a complex or chronic condition based"

Page 9, line 21, after "assessment" insert ", health history, tests,"

Page 9, line 22, delete "plans" and insert "plan" and after "meet" insert "the"

Page 9, line 23, before "Health" insert "(a)"

Page 9, line 25, delete everything after the first period

Page 9, delete line 26

Page 9, before line 27, insert:

"(b) Care coordination includes:"

Page 9, line 33, delete "and"

Page 9, line 34, delete the period and insert "; and"

Page 9, after line 34, insert:

"(6) overseeing the development, maintenance, and implementation of care plans.

(c) Care coordination must meet the criteria as specified by the commissioner.

Subd. 8. **Health care home collaborative.** Health care homes must participate in the health care home collaborative described in section 256B.0754, subdivision 4, and as required by the commissioner for certification."

Page 10, line 10, delete everything after the period

Page 10, line 11, delete everything before "The"

Page 10, after line 19, insert:

"**EFFECTIVE DATE.** Subdivisions 1 and 2 are effective July 1, 2009, or upon federal approval, whichever is later."

Page 11, line 21, delete "the Institute for Clinical Systems" and insert "organizations with expertise in care coordination models"

Page 11, line 22, delete everything before the second comma

Page 13, delete lines 8 to 13

Page 13, line 14, delete "(d)" and insert "(c)"

Page 13, line 18, delete "(e)" and insert "(d)"

Page 13, line 20, delete "required under section 256B.0431, subdivision 2" and insert "under paragraph (c)"

Page 13, line 24, after the period, insert "Managed care plans shall require health care homes to develop, maintain, and ensure the implementation of a comprehensive care plan for each enrollee who has or who is at risk of developing a complex or chronic condition based on the comprehensive health assessment, health history, tests, and other relevant information."

Page 13, line 25, delete "(f)" and insert "(e)"

Page 13, line 26, delete "require" and insert "encourage"

Page 13, line 27, delete "provider" and insert "certified primary care clinic or medical group"

The motion prevailed. So the amendment was adopted.

Senator Berglin moved to amend S.F. No. 3099 as follows:

Page 27, delete section 2

Page 38, delete section 10

Page 42, delete subdivision 6

Page 42, delete section 14 and insert:

"Sec. 14. **[62U.02] HEALTH INSURANCE ACCESS BROKERS.**

Subdivision 1. **Establishment.** Any corporation authorized to do business in the state may apply to the commissioner of commerce for registration as a health insurance access broker to establish and operate a health insurance access broker under this section.

Subd. 2. **Registration criteria.** (a) In order to be registered as a health insurance access broker, a corporation must submit an application to the commissioner of commerce on a form prescribed by the commissioner and provide evidence to the satisfaction of the commissioner that the applicant meets the following requirements:

(1) is licensed under chapter 60K to sell health and life insurance;

(2) has sufficient knowledge of health insurance, the health insurance market, and of the federal and state laws that are relevant to health insurance;

(3) has the ability to assist clients in enrolling in private health coverage by offering a range of private health plan products from at least four health plan companies;

(4) agrees to provide applications and information on how to obtain application assistance for clients who may be eligible for state health care programs;

(5) has the capacity to transact the establishment and administration of Section 125 Plans on behalf of an employer;

(6) provides a range of services and transparent information on coverage options for current and potential clients, including, but not limited to, providing information by telephone, e-mail, and Web based;

(7) the ability to assist employees in understanding health plan coverage options and in enrolling in appropriate coverage; and

(8) has the financial and transactional ability to collect, hold, and disperse funds on behalf of clients, employers, or health plan companies.

(b) The commissioner of commerce may establish a fee to be paid by applicants and submitted with the application to cover the cost of registration and the cost of the online registry established under subdivision 4. The fee shall be deposited in the state government special revenue fund.

Subd. 3. **Duties by the commissioner of commerce.** The commissioner of commerce shall provide oversight of the health insurance access brokers registered under this section to ensure that the brokers continue to meet the requirements of this section and to provide consumer protection. The commissioner may require registered health insurance access brokers to submit periodic reports to the commissioner as specified by the commissioner.

Subd. 4. **Online registry.** The commissioner shall establish a Web-based registry of registered health insurance access brokers, and shall make the registry available to the public, upon request."

Page 48, delete lines 27 and 28

Page 49, line 10, delete everything after the second comma

Page 49, line 11, delete "commissioners of commerce," and insert "commissioner of commerce, in consultation with the commissioners of"

Page 49, line 12, after "revenue" insert a comma

Page 49, line 28, delete everything after the third period

Page 49, delete lines 29 to 33

Page 49, line 34, delete "(b)"

Page 65, line 11, delete everything after "the" and insert "employer"

Page 65, line 12, delete "Exchange"

Page 65, delete lines 13 to 15

Page 65, delete section 29

Page 70, line 26, delete "29,588,000" and insert "21,588,000"

Page 71, delete lines 30 to 34

Page 74, after line 6, insert:

"Sec. 5. **HEALTH INSURANCE ACCESS BROKER FEES.**

All fees received by the commissioner of commerce under Minnesota Statutes, section 62U.02, and deposited in the state government special revenue fund are appropriated to the commissioner of commerce for the purpose of implementing Minnesota Statutes, section 62U.02."

Renumber the subdivisions and sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Berglin moved to amend S.F. No. 3099 as follows:

Page 8, line 8, before the period, insert "or criteria established by a managed care plan if the criteria has been approved by the commissioner"

Page 9, line 23, after "must" insert "directly manage or"

Page 51, line 4, delete everything after the period

Page 51, line 5, delete everything before "The"

Page 51, line 8, delete "payment bids" and insert "package prices"

Page 51, line 10, delete "bids" and insert "prices"

Page 51, line 13, delete "assembling bids" and insert "developing package prices"

Page 51, line 14, delete "assemble or submit bids" and insert "develop or submit package prices"

Page 51, line 23, delete "July 1, 2009" and insert "January 15, 2010"

Page 56, line 16, delete "AND EFFICIENCY"

Page 56, line 17, delete "November 15, 2008" and insert "January 1, 2009"

Page 56, line 18, delete "and efficiency"

Page 56, line 19, delete "to providers that meets the criteria listed in subdivision 2" and insert "that link the level of payments to providers to the quality of care"

Page 56, line 24, delete "and efficiency"

Page 56, line 27, delete "and efficiency" and after "payments" insert "that are in addition to existing payment levels"

Page 57, lines 1 and 3, delete "and efficiency"

Page 57, line 2, delete "and"

Page 57, after line 2, insert:

"(6) to the greatest extent possible, quality measures must be adjusted for variation in patient population; and"

Page 57, line 3, delete "(6)" and insert "(7)"

Page 57, line 5, delete "measures of efficiency for specific procedures,"

Page 57, line 7, delete "January 1" and insert "July 1"

Page 57, line 23, after "and" insert "directly managing onsite or"

Page 57, line 26, delete everything after "fee" and insert "payment system"

Page 57, delete line 27

Page 57, line 28, delete "Commission and" and after "vary" insert "the fees paid"

Page 57, line 34, delete "must" and insert "may"

Page 58, line 1, delete "Quality and efficiency-based " and insert "Quality-based incentive"

Page 58, line 2, delete "and efficiency"

Page 58, line 3, delete everything after the period

Page 58, delete line 4

Page 58, delete section 22 and insert:

"Sec. 22. **[62U.10] PAYMENT RESTRUCTURING; PROVIDER INNOVATION TO IMPROVE COSTS AND QUALITY.**

Subdivision 1. **Development.** (a) By January 15, 2009, the Health Care Transformation Commission shall report to the legislature recommendations for advancing an innovative payment system for the chronic conditions of coronary artery and heart disease, diabetes, asthma, chronic obstructive pulmonary disease, and depression.

(b) By January 15, 2010, the Health Care Transformation Commission shall report to the legislature additional changes necessary to accomplish comprehensive payment reform designed to support an innovative payment system to reduce costs and improve quality.

(c) By January 1, 2011, the Health Care Transformation Commission shall develop rules to implement a comprehensive payment system that encourages provider innovation to reduce costs and improve quality.

Subd. 2. **Encounter data.** (a) Beginning September 1, 2009, and every three months thereafter, all health plan companies and third-party administrators shall submit encounter data to the Health Care Transformation Commission. The data shall be submitted in a form and manner specified by the commission subject to the following requirements:

(1) the data must be de-identified data as described under the Code of Federal Regulations, title 45, section 164.514;

(2) the data for each encounter must include an identifier for the patient's health care home if the patient has selected a health care home; and

(3) except for the identifier described in clause (2), the data must not include information that is not included in a health care claim or equivalent encounter information transaction that is required under section 62J.536.

(b) The commission shall only use the data submitted under paragraph (a) for the purpose of carrying out its responsibilities in designing and implementing a payment restructuring system. If the commission contracts with other organizations or entities to carry out any of its duties or responsibilities described in this chapter, the contract must require that the organization or entity maintain the data that it receives according to the provisions of this section.

(c) Data on providers collected under this subdivision are private data on individuals or nonpublic data, as defined in section 13.02. Notwithstanding the definition of summary data in section 13.02, subdivision 19, summary data prepared under this section may be derived from nonpublic data. The commission shall establish procedures and safeguards to protect the integrity and confidentiality of any data that it maintains.

(d) The commission shall not publish analyses or reports that identify, or could potentially

identify, individual patients.

(e) The commission may publish analyses and reports that identify specific providers but only after the provider has been provided the opportunity by the commission to review the data and submit comments. The provider shall have 21 days to review and comment, after which time the commission may release the data along with any comments submitted by the provider.

Subd. 3. **Utilization and health care costs.** (a) The commission shall develop a method of calculating the relative utilization and health care costs of providers. The method must exclude the costs of catastrophic cases and must include risk adjustments to reflect differences in the demographics, health, and special needs of the providers' patient population. The risk adjustment must be developed in accordance with generally accepted risk adjustment methodologies.

(b) Beginning April 1, 2010, the commission shall disseminate information to providers on their utilization and cost in comparison to an appropriate peer group.

(c) The commission shall develop a system to index providers based on their total risk-adjusted resource use and quality of care, and separately for the conditions of coronary artery and heart disease, diabetes, asthma, chronic obstructive pulmonary disease, and depression. In developing this system, the commission shall consult and coordinate with health care providers, health plan companies, and organizations that work to improve health care quality in Minnesota.

Subd. 4. **Chronic care package pricing and total care bids.** (a) The commission shall develop a standard method and format for providers to use for submitting package prices for the total cost of care or separately for the conditions of coronary artery and heart disease, diabetes, asthma, chronic obstructive pulmonary disease, or depression. This method shall be published in the State Register and must be made available to all providers.

(b) Beginning July 1, 2010, and annually thereafter, using the information developed in subdivision 3, providers may submit package prices to the commission for the cost of providing all necessary services to a patient or separately for the cost of providing services for patients with the chronic conditions of coronary artery and heart disease, diabetes, asthma, chronic obstructive pulmonary disease, or depression based on their disclosed prices under section 62U.11 combined with their actual risk-adjusted resource use for the most recent analytic period. The package prices submitted must reflect the providers' commitment to manage their risk-adjusted patient population within this cost.

(c) Until January 1, 2013, no provider shall submit a package price for the risk-adjusted cost of care that represents an increase of more than the increase in the previous calendar year's Consumer Price Index for all urban consumers plus two percentage points or a decrease of more than 15 percent below the provider's risk-adjusted cost of care calculated based on their average pricing levels for the previous calendar year.

(d) Beginning January 1, 2011, the commission shall annually publish the results of the process described in paragraph (b), and shall include only providers who choose to submit package prices. The results that are published must be on a risk-neutral basis. Effective January 1, 2012, the published results shall include all providers. For providers that have not submitted package prices, these results must be based on their weighted average contract prices for all health plan companies and third-party administrators, combined with their risk-adjusted historic resource use.

Subd. 5. **Provider assistance.** The commission shall provide education and technical assistance to providers on how to calculate and submit package prices for the risk-adjusted cost of care for the total cost of care and separately for the conditions of coronary artery and heart disease, diabetes, asthma, chronic obstructive pulmonary disease, and depression.

Subd. 6. **Payments.** The commission shall establish a method by which providers who have submitted a package price shall be paid for their total cost of care or separately for their cost of care in treating patients with the conditions of coronary artery and heart disease, diabetes, asthma, chronic obstructive pulmonary disease, and depression. The method must include periodic adjustments to payments to reflect providers' actual risk-adjusted cost relative to their package price.

Subd. 7. **Implementation.** By January 1, 2012:

(1) the commissioner of human services shall pay providers based on their package prices for all enrollees in the state's public health care programs;

(2) the commissioner of employee relations shall pay providers based on their package prices for participants in the state employee group program;

(3) all political subdivisions as defined in section 13.02, subdivision 11, that offer health benefits to their employees must pay providers based on their package prices or purchase a health plan that uses this payment system;

(4) all health plan companies shall use the information and methods developed under this section to develop products that encourage consumers to use high-quality, low-cost providers; and

(5) health plan companies that issue health plans in the individual market or the small employer market must offer at least one health plan that uses the information developed under subdivision 3 to establish financial incentives for consumers to choose high-quality, low-cost providers through enrollee cost-sharing or selective provider networks."

Page 61, line 2, delete "By January" and insert "Beginning July" and delete "health care provider" and insert "physician clinic and hospital"

Page 61, line 3, after the second comma, insert "package of services,"

Page 61, line 6, after the period, insert "Providers may update this periodically to reflect new services, supply cost changes, and other factors."

Page 61, after line 6, insert:

"(b) The Health Care Transformation Commission shall develop a plan that requires all health care providers to comply with paragraph (a) beginning January 1, 2010."

Page 61, line 7, delete "(b)" and insert "(c)"

Page 61, line 11, delete "No" and insert "Effective July 1, 2010, no"

Page 61, after line 16, insert:

"(c) This section does not apply to workers' compensation or no-fault automobile insurance payments."

Page 61, line 17, delete "(c)" and insert "(d)"

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Berglin moved to amend S.F. No. 3099 as follows:

Page 66, delete lines 6 to 9 and insert:

		"**2009**		**Total**
General Fund	$	200,000	$	200,000
Health Care Access Fund		39,113,000		39,113,000
Health Improvement Fund		20,000,000		20,000,000
Total	**$**	**59,313,000**	**$**	**59,313,000**"

Page 66, delete lines 24 to 26 and insert:

"Appropriations by Fund

	2009
General Fund	200,000
Health Care Access Fund	9,525,000"

Page 66, after line 32, insert:

"This is a onetime appropriation."

Page 67, after line 4, insert:

"**Medical Assistance Basic Health Care Grants; Families and Children**

General Fund	200,000

Primary Care Physician Rate Increases. (a) Of the general fund appropriation, $200,000 is to the commissioner for the medical assistance reimbursement rate increase described in Minnesota Statutes, section 256B.766.

(b) Notwithstanding Minnesota Statutes, section 295.581, the commissioner of finance shall reimburse the medical assistance general fund account from the health care access fund the amount of general fund expenditures for this activity. The amount reimbursed under this paragraph is appropriated to the

commissioner."

Page 67, line 5, delete "(b)" and insert "(c)"

Page 67, line 6, delete "1,050,000" and insert "850,000"

Page 67, delete lines 7 to 12

Page 68, after line 8, insert:

"This is a onetime appropriation."

Page 68, line 14, after the period, insert "This is a onetime appropriation."

Page 68, after line 22, insert:

"**Base Adjustment.** The health care access fund base is increased by $19,150,000 in fiscal year 2010 and increased by $34,150,000 in fiscal year 2011."

Page 68, after line 27, insert:

"**Base Adjustment.** The health care access fund is increased by $111,000 in fiscal year 2010 and decreased by $171,000 in fiscal year 2011.

Base Adjustment. The general fund base is increased by $2,121,000 in fiscal year 2010 and increased by $1,792,000 in fiscal year 2011."

Page 68, line 30, before "Of" insert "(a)"

Page 68, line 31, delete "$350,000" and insert "$100,000"

Page 69, after line 5, insert:

"(b) Notwithstanding Minnesota Statutes, section 295.581, the commissioner of finance shall reimburse the medical assistance general fund account from the health care access fund by $701,000 in fiscal year 2010 and $1,527,000 in fiscal year 2011 for the cost to the general fund for the increase in enrollment to the medical assistance program for families with children due to the outreach efforts.

Base Adjustment. The health care access fund base is decreased by $979,000 in fiscal year 2010 and increased by $556,000 in fiscal year 2011."

Page 70, after line 21, insert:

"This is a onetime appropriation."

Page 71, line 5, delete everything before "Of"

Page 71, line 9, after the period, insert "The base level funding for the statewide health improvement program shall be $40,000,000 in fiscal year 2010."

Page 72, delete lines 20 to 34

Page 73, delete lines 1 to 34

Page 74, delete lines 1 to 6 and insert:

"Sec. 5. **ADMINISTRATIVE ACTIVITIES FOR THE SAVINGS REINVESTMENT ASSESSMENT.**

$302,000 is appropriated from the health savings investment fund in fiscal year 2010 to the commissioner of health for administrative activities of the health reinvestment assessment under Minnesota Statutes, section 62U.13. This is a onetime appropriation.

Sec. 6. **TRANSFERS.**

(a) After the transfer to the general fund in accordance with Minnesota Statutes, section 16A.727, to the extent there are remaining funds in the health savings reinvestment fund, the commissioner of finance shall transfer to the general fund $2,121,000 in fiscal year 2010 to be appropriated to the commissioner of human services for the health care homes under Minnesota Statutes, sections 256B.0751 to 256B.0754.

(b) To the extent funds are remaining in the health savings reinvestment fund after the transfer described in paragraph (a), the commissioner of finance shall transfer to the general fund $1,250,000 in fiscal year 2010 to be appropriated in equal amounts to:

(1) to the Board of Regents of the Univerity of Minnesota to increase the number of primary care physicians who practice in underserved communities in the state and the number of primary care physician slots in residency programs in the state;

(2) to the Mayo Medical Foundation for medical school initiatives to increase the number of primary care physicians who practice in underserved communities in the state and the number of primary care physician slots in residency programs in the state;

(3) to the Office of Higher Education to increase the number of primary care physicians who practice in underserved communities in the state and the number of primary care physician slots in residency programs in the state;

(4) to the Duluth Graduate Medical Education Council, Inc. for medical school initiatives to increase the number of primary care physician slots in residency programs in the state;

(5) to the Office of Higher Education to provide grants to schools of nursing in Minnesota to increase the number of graduates of advanced practice registered nurse programs;

(6) to the Board of Regents of the University of Minnesota to address faculty shortages in primary

care medicine;

(7) to the Mayo Medical Foundation to address faculty shortages in primary care medicine; and

(8) to the Office of Higher Education to provide grants to schools of nursing in Minnesota to address faculty shortages.

(c) To the extent funds are remaining in the health savings reinvestment fund after the transfers described in paragraphs (a) and (b), the commissioner of finance shall transfer to the health care access fund an amount sufficient to cover any structural deficit in the health care access fund, beginning in fiscal year 2011."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Berglin moved to amend S.F. No. 3099 as follows:

Page 68, after line 29, insert:

"**Incentive Program and Outreach Grants.** Of the appropriation for the Minnesota health care outreach program in Laws 2007, chapter 147, article 19, section 3, subdivision 7, paragraph (b):

(1) $400,000 in fiscal year 2009 from the general fund and $200,000 in fiscal year 2009 from the health care access fund are for the incentive program under Minnesota Statutes, section 256.962, subdivision 5. For the biennium beginning July 1, 2009, base level funding for this activity shall be $360,000 from the general fund and $160,000 from the health care access fund; and

(2) $100,000 in fiscal year 2009 from the general fund and $50,000 in fiscal year 2009 from the health care access fund are for the outreach grants under Minnesota Statutes, section 256.962, subdivision 2. For the biennium beginning July 1, 2009, base level funding for this activity shall be $90,000 from the general fund and $40,000 from the health care access fund."

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Lynch moved to amend S.F. No. 3099 as follows:

Page 51, delete subdivision 4 and insert:

"Subd. 4. **Advisory committee established; responsibilities of the advisory committee and commission.** (a) There is established an advisory committee to the commission whose membership shall include, but not be limited to, the following members:

(1) two members appointed by the Minnesota Medical Association;

(2) two members appointed by the Minnesota Council on Health Plans;

(3) two members appointed by the Minnesota Hospital Association, at least one of which must be a rural hospital administrator;

(4) two members appointed by the Minnesota Medical Group Managers Association;

(5) one member appointed by the Minnesota Business Partnership; and

(6) one member appointed by the Minnesota Chamber of Commerce.

The appointing authorities under this paragraph must complete their appointments no later than July 30, 2008.

(b) The representatives from the Minnesota Hospital Association shall convene the first meeting of the advisory committee no later than 30 days following the completion of appointments under paragraph (a). The advisory group may accept staff support and use meeting facilities provided by the Minnesota Hospital Association. The committee shall select a chair at its first meeting. At any time, the committee may appoint additional members by majority vote of the entire committee.

(c) The advisory committee shall develop a design and implementation plan for a health care payment restructuring system within the parameters described in this chapter. The plan must provide for the full implementation of the payment restructuring system by January 1, 2011. The design and plan must include:

(1) uniform definitions for the baskets of care and a comprehensive set of services as required under section 62U.10;

(2) a mechanism for soliciting and accepting payment bids from health care providers and health care systems as required under section 62U.10. The mechanism must ensure that the bids from different providers and care systems can be compared by consumers on both quality and cost;

(3) procedures to facilitate providers in participating in the payment system and, if needed, provide technical assistance to providers in assembling bids, contracting with other providers in order to assemble or submit bids, or otherwise participate in the payment system; and

(4) a method for monitoring, measuring, and evaluating the effectiveness of the payment restructuring system and for making adjustments, as necessary, to address any barriers or unintended consequences.

(d) In developing the payment restructuring system described in this chapter, the advisory committee shall consult and coordinate with the commissioners of health and human services, health care providers, health plan companies, organizations that work to improve health care

quality in Minnesota, consumers, and employers.

(e) The advisory committee shall submit the design and implementation plan to the commission for review and adoption.

(f) By July 1, 2009, the commission shall make recommendations to the governor and the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over health care policy and finance on how to incorporate Medicare into the payment restructuring system. In developing these recommendations, the commission shall negotiate with the Centers for Medicare and Medicaid Services and with the Minnesota congressional delegation and explore participation in a demonstration project or advocate for changes in federal law to enable a successful transformation of the health care system.

(g) The commission and the advisory committee may contract with other organizations and entities to carry out any of the duties described in this chapter, including evaluating the effectiveness of the payment restructuring system.

(h) The advisory committee expires July 1, 2012."

Senator Senjem moved to amend the Lynch amendment to S.F. No. 3099 as follows:

Page 1, line 22, delete "develop" and insert "advise on"

The motion prevailed. So the amendment to the amendment was adopted.

The question recurred on the adoption of the Lynch amendment, as amended. The motion prevailed. So the amendment, as amended, was adopted.

Senator Marty moved to amend S.F. No. 3099 as follows:

Page 27, delete sections 1 and 2

Page 32, line 2, delete everything before "A"

Page 32, delete subdivision 2

Page 38, delete section 9

Page 39, lines 29 and 30, delete the new language

Page 40, lines 4, 6, 7, 10, 16, 17, 18, and 19, delete the new language

Page 41, delete section 12

Page 42, delete subdivisions 4, 6, and 14

Page 42, delete section 14

Page 50, delete section 16

Page 52, delete section 17

Page 53, line 21, delete "Health Care Transformation Commission established" and insert "commissioner of health"

Page 53, line 22, delete everything before "shall"

Page 53, lines 25 and 32, delete "commission" and insert "commissioner"

Page 53, line 28, delete everything after "(a)" and insert "The commissioner"

Page 53, line 29, delete "Transformation Commission"

Page 53, line 35, delete everything after the period

Page 54, delete lines 1 to 2

Page 54, line 4, delete "commission" and insert "commissioner"

Page 54, line 31, delete "Health Care" and insert "commissioner of health"

Page 54, line 32, delete "Transformation Commission"

Page 54, line 33, delete "commission" and insert "commissioner"

Page 55, lines 2 and 8, delete "commission" and insert "commissioner"

Page 55, line 9, delete "chair of the commission" and insert "commissioner"

Page 55, line 17, delete everything after the period

Page 55, delete lines 18 to 19

Page 55, line 20, delete "commission" and insert "commissioner"

Page 56, line 3, delete "commission" and insert "commissioner"

Page 56, delete section 20

Page 57, line 16, delete "Health Care Transformation" and insert "commissioner of health, in consultation with the commissioner of human services,"

Page 57, line 17, delete "Commission"

Page 57, line 26, delete everything after "(b)" and insert "The coordination fee must be determined by the commissioner"

Page 57, delete line 27

Page 57, line 28, delete "Commission"

Page 57, line 31, delete "commission" and insert "commissioner"

Page 58, delete subdivision 3

Page 58, delete section 22

Page 61, line 4, delete "Health Care" and insert "commissioner of health"

Page 61, line 5, delete "Transformation Commission" and delete "commission" and insert "commissioner"

Page 61, line 9, delete "Health Care Value Reporting Committee" and insert "commissioner of health"

Page 61, delete section 24

Page 64, line 34, delete "Health Care Transformation" and insert "commissioner of health"

Page 64, line 35, delete "Commission"

Page 65, delete sections 29 and 30 and insert:

"Sec. 21. **GLOBAL MODELING OF HEALTH CARE REFORMS.**

Subdivision 1. **Reform modeling tool.** The commissioner of health shall award a grant to the University of Minnesota School of Public Health, health policy and management division, to develop a model that will assess the impact of proposed health care reforms or major health care-related legislation on all sectors of the health care system, including access to the full range of health care, public health, public and private health insurance coverage, long-term and continuing care, programs for persons with disabilities, social services and other sectors related to Minnesotans' health. The model must be:

(1) developed with safeguards to make sure that the model and its assumptions and formulas are based on valid and objective data, research, and expert opinions;

(2) designed to enable policy makers and state agencies to enter into the model and study each component of health care reform, including access to all aspects of health care services, health care homes, payment reforms, population-wide prevention, health status of Minnesotans, and incidence of chronic disease;

(3) capable of assessing the interaction of different legislative and policy changes to determine the net effect on costs, access, and health status within sectors of the health care system, and the net overall impact across all sectors;

(4) designed to identify risks of unpredictable or unintended consequences, cost shifting between or within sectors of the health care system, and opportunities to make changes in one sector that will produce a benefit to other sectors; and

(5) capable of being adjusted based on both the proposed changes and the resulting impact in the following areas:

(i) access to all aspects of health care services;

(ii) health status of Minnesotans, including the incidence of chronic disease, health disparities, and risk factors such as obesity and smoking;

(iii) utilization of preventive care services such as screenings, immunizations, and physical examinations; and

(iv) costs and cost distribution, including costs to individuals and families, businesses, and government, including for total cost of health care, health-related services, and social services.

Subd. 2. **Fiscal notes on health care reform legislation.** (a) The University of Minnesota model shall be available to state agencies and the legislature to:

(1) conduct a global impact assessment of major health policy changes proposed in legislation;

(2) measure the impact of the proposed legislation on health and well-being; and

(3) quantify the costs and savings in every part of the state's budget, in local government budgets, and for individuals and businesses.

(b) The commissioners of human services, finance, and health, in consultation with the chairs of the senate and house health care policy and finance committees, shall develop recommendations for the governor and the legislature on changes to state budgeting approaches and legislative processes that will bridge across traditional budget boundaries in order to both assess the impact of proposed legislative changes across these boundaries and to allow the reallocation of resources across boundaries. These approaches shall also cover a time period longer than the existing two-year budgeting cycle so that longer term return-on-investment projections can be considered when making short-term budget decisions.

Sec. 22. **ECONOMIC ANALYSIS OF HEALTH CARE REFORM PLANS.**

(a) The commissioner of health shall award a grant to the University of Minnesota School of Public Health, health policy and management division, to conduct a study and economic analysis of costs and benefits of various health care reform proposals, including an analysis of the recommendations of the Legislative Health Care Access Commission, the governor's transformation task force, and a single statewide plan.

(b) The analysis of each proposal should measure the impact on total public and private health care spending in Minnesota that would result from each proposal, including whether there are savings or additional costs due to:

(1) increased or reduced insurance, billing, underwriting, marketing, and other administrative functions;

(2) timely and appropriate use of medical care;

(3) market-driven or negotiated prices on medical services and products, including pharmaceuticals;

(4) a shortage or excess capacity of medical facilities and equipment;

(5) increased utilization, better health outcomes, increased wellness due to prevention, early intervention, and health-promoting activities;

(6) increases or decreases in administrative expenses and health care expenses due to payment reforms;

(7) increases or decreases in administrative expenses and health care expenses due to coordination of care;

(8) increases or decreases in up-front and long-term utilization due to access to comprehensive medically necessary benefits, including dental care, mental health care, prescription drugs, and other health care; and

(9) nonhealth care impacts on state and local expenditures such as reduced out-of-home

placement or crime costs due to mental health or chemical dependency coverage.

(c) The study should also analyze for each proposal the number of Minnesotans without access to health care, including those lacking access to certain types of medical care, such as dental care, mental health care, and prescription drugs."

Page 69, line 10, delete "$804,000" and insert "$100,000"

Page 71, delete lines 24 to 34 and insert:

"**Global Modeling of Health Care Reforms.** Of the health care access fund appropriation, $300,000 is for a grant to the University of Minnesota School of Public Health to develop a model to assess the impact of proposed health care reforms. This is a onetime appropriation and is available until expended.

Economic Analysis of Health Care Reform Plans. Of the health care access fund appropriation, $300,000 is for a grant to the University of Minnesota School of Public Health to conduct a study and economic analysis of cost and benefits of health care reform proposals. This is a onetime appropriation and is available until expended."

Page 72, line 20, delete everything after "(a)"

Page 72, delete lines 21 and 22

Page 72, line 23, delete "there are remaining" and insert "To the extent there are"

Renumber the subdivisions and sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 32 and nays 33, as follows:

Those who voted in the affirmative were:

Anderson	Gerlach	Langseth	Pappas	Vandeveer
Bakk	Gimse	Marty	Prettner Solon	Vickerman
Carlson	Hann	Michel	Robling	Wergin
Doll	Ingebrigtsen	Murphy	Rummel	Wiger
Erickson Ropes	Jungbauer	Olseen	Skogen	
Fischbach	Koch	Olson, M.	Sparks	
Foley	Kubly	Ortman	Torres Ray	

Those who voted in the negative were:

Berglin	Day	Latz	Pogemiller	Sheran
Betzold	Dibble	Lourey	Rest	Sieben
Bonoff	Dille	Lynch	Rosen	Skoe
Chaudhary	Frederickson	Metzen	Saltzman	Stumpf
Clark	Higgins	Moua	Saxhaug	Tomassoni
Cohen	Koering	Olson, G.	Scheid	
Dahle	Larson	Pariseau	Senjem	

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

Senator Vandeveer moved to amend S.F. No. 3099 as follows:

Page 1, delete section 1

Page 4, delete section 3

Page 70, delete lines 27 and 33

Page 71, delete lines 1 to 9

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 17 and nays 44, as follows:

Those who voted in the affirmative were:

Day	Hann	Kubly	Ortman	Wergin
Fischbach	Ingebrigtsen	Michel	Pariseau	
Gerlach	Jungbauer	Olson, G.	Senjem	
Gimse	Koch	Olson, M.	Vandeveer	

Those who voted in the negative were:

Anderson	Dahle	Larson	Pappas	Sieben
Bakk	Dibble	Latz	Pogemiller	Skoe
Berglin	Dille	Lourey	Prettner Solon	Skogen
Betzold	Doll	Lynch	Robling	Sparks
Bonoff	Erickson Ropes	Marty	Rosen	Tomassoni
Carlson	Foley	Metzen	Rummel	Torres Ray
Chaudhary	Higgins	Moua	Saltzman	Vickerman
Clark	Koering	Murphy	Saxhaug	Wiger
Cohen	Langseth	Olseen	Sheran	

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

Senator Hann moved to amend S.F. No. 3099 as follows:

Page 1, after line 30, insert:

"Section 1. Minnesota Statutes 2006, section 13.461, is amended by adding a subdivision to read:

Subd. 32. **Health care homes evaluation.** Data collected by the commissioner of human services and the commissioner of health for purposes of monitoring and evaluating health care homes are classified in sections 256B.074, subdivision 2, and 256B.69, subdivision 29."

Page 9, line 14, delete "publicly"

Page 9, line 15, after the period, insert "The data reported must not include medical data on individuals, as defined in section 13.384, subdivision 1, or health records on a patient, as defined in section 144.291."

Page 11, line 5, after the period, insert "Data on patients collected under this subdivision are private data on individuals, as defined in section 13.02, subdivision 12."

Page 11, line 35, after the period, insert "The information exchanged under this subdivision must not include data on individuals, as defined in section 13.02, subdivision 5."

Page 13, line 5, after the period, insert "Data on patients collected under this subdivision are private data on individuals, as defined in section 13.02, subdivision 12."

Page 16, line 10, after "programs" insert "and data practices laws"

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 22 and nays 41, as follows:

Those who voted in the affirmative were:

Day	Gimse	Michel	Robling	Vandeveer
Doll	Hann	Olson, G.	Saltzman	Wergin
Erickson Ropes	Ingebrigtsen	Olson, M.	Senjem	
Fischbach	Jungbauer	Ortman	Skogen	
Gerlach	Koch	Pariseau	Sparks	

Those who voted in the negative were:

Anderson	Dahle	Larson	Pappas	Stumpf
Bakk	Dibble	Latz	Pogemiller	Tomassoni
Berglin	Dille	Lourey	Prettner Solon	Torres Ray
Betzold	Foley	Lynch	Rosen	Vickerman
Bonoff	Frederickson	Marty	Rummel	Wiger
Carlson	Higgins	Metzen	Saxhaug	
Chaudhary	Koering	Moua	Sheran	
Clark	Kubly	Murphy	Sieben	
Cohen	Langseth	Olseen	Skoe	

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

Senator Vandeveer moved to amend S.F. No. 3099 as follows:

Page 32, line 2, delete everything before "A"

Page 32, delete subdivision 2

Page 42, delete subdivision 13

Page 48, delete section 15

Renumber the sections and subdivisions in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 15 and nays 47, as follows:

Those who voted in the affirmative were:

Fischbach	Hann	Koch	Ortman	Senjem
Gerlach	Ingebrigtsen	Michel	Pariseau	Vandeveer
Gimse	Jungbauer	Olson, G.	Robling	Wergin

Those who voted in the negative were:

Anderson	Day	Langseth	Olson, M.	Skoe
Bakk	Dibble	Larson	Pappas	Sparks
Berglin	Dille	Latz	Pogemiller	Stumpf
Betzold	Doll	Lourey	Prettner Solon	Tomassoni
Bonoff	Erickson Ropes	Lynch	Rosen	Torres Ray
Carlson	Foley	Marty	Rummel	Vickerman
Chaudhary	Frederickson	Metzen	Saltzman	Wiger
Clark	Higgins	Moua	Saxhaug	
Cohen	Koering	Murphy	Sheran	
Dahle	Kubly	Olseen	Sieben	

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

Senator Hann moved to amend S.F. No. 3099 as follows:

Page 49, delete line 9

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 13 and nays 49, as follows:

Those who voted in the affirmative were:

Fischbach	Ingebrigtsen	Koering	Ortman	Vandeveer
Gerlach	Jungbauer	Michel	Pariseau	
Gimse	Koch	Olson, G.	Robling	

Those who voted in the negative were:

Anderson	Day	Larson	Pappas	Skoe
Bakk	Dibble	Latz	Pogemiller	Skogen
Berglin	Dille	Lourey	Prettner Solon	Sparks
Betzold	Doll	Lynch	Rosen	Stumpf
Bonoff	Erickson Ropes	Marty	Rummel	Tomassoni
Carlson	Foley	Metzen	Saltzman	Torres Ray
Chaudhary	Frederickson	Moua	Saxhaug	Vickerman
Clark	Higgins	Murphy	Senjem	Wergin
Cohen	Kubly	Olseen	Sheran	Wiger
Dahle	Langseth	Olson, M.	Sieben	

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

RECONSIDERATION

Having voted on the prevailing side, Senator Berglin moved that the vote whereby the second Hann amendment to S.F. No. 3099 was not adopted on March 27, 2008, be now reconsidered. The

motion prevailed. So the vote was reconsidered.

The question was taken on the adoption of the second Hann amendment.

The roll was called, and there were yeas 18 and nays 43, as follows:

Those who voted in the affirmative were:

Carlson	Gimse	Koch	Olson, G.	Tomassoni
Erickson Ropes	Hann	Koering	Ortman	Vandeveer
Fischbach	Ingebrigtsen	Kubly	Pariseau	
Gerlach	Jungbauer	Michel	Robling	

Those who voted in the negative were:

Anderson	Dibble	Lynch	Prettner Solon	Skogen
Bakk	Dille	Marty	Rosen	Sparks
Betzold	Foley	Metzen	Rummel	Stumpf
Bonoff	Frederickson	Moua	Saltzman	Torres Ray
Chaudhary	Higgins	Murphy	Saxhaug	Vickerman
Clark	Langseth	Olseen	Senjem	Wergin
Cohen	Larson	Olson, M.	Sheran	Wiger
Dahle	Latz	Pappas	Sieben	
Day	Lourey	Pogemiller	Skoe	

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

Senator Vandeveer moved to amend S.F. No. 3099 as follows:

Page 32, delete section 3

Page 62, line 1, delete "(a)"

Page 62, line 6, delete everything after the period

Page 62, delete lines 7 to 12

Page 62, delete subdivision 4

Page 72, delete lines 20 to 34

Page 73, delete lines 1 to 34

Page 74, delete lines 1 to 6

Renumber the sections and subdivisions in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 15 and nays 47, as follows:

Those who voted in the affirmative were:

Fischbach	Hann	Koch	Ortman	Senjem
Gerlach	Ingebrigtsen	Michel	Pariseau	Vandeveer
Gimse	Jungbauer	Olson, G.	Robling	Wergin

Those who voted in the negative were:

Anderson	Dibble	Larson	Pappas	Skogen
Bakk	Dille	Latz	Pogemiller	Sparks
Berglin	Doll	Lourey	Prettner Solon	Stumpf
Betzold	Erickson Ropes	Lynch	Rosen	Tomassoni
Bonoff	Foley	Marty	Rummel	Torres Ray
Carlson	Frederickson	Metzen	Saltzman	Vickerman
Chaudhary	Higgins	Moua	Saxhaug	Wiger
Clark	Koering	Murphy	Sheran	
Cohen	Kubly	Olseen	Sieben	
Dahle	Langseth	Olson, M.	Skoe	

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

Senator Hann moved to amend S.F. No. 3099 as follows:

Page 6, delete section 4

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 22 and nays 40, as follows:

Those who voted in the affirmative were:

Chaudhary	Gerlach	Koering	Pariseau	Vandeveer
Day	Gimse	Michel	Prettner Solon	Wergin
Dille	Hann	Olson, G.	Robling	
Erickson Ropes	Ingebrigtsen	Olson, M.	Senjem	
Fischbach	Koch	Ortman	Tomassoni	

Those who voted in the negative were:

Anderson	Dahle	Langseth	Pappas	Sieben
Bakk	Dibble	Larson	Pogemiller	Skoe
Berglin	Doll	Latz	Rosen	Skogen
Betzold	Foley	Lourey	Rummel	Sparks
Bonoff	Frederickson	Metzen	Saltzman	Stumpf
Carlson	Higgins	Moua	Saxhaug	Torres Ray
Clark	Jungbauer	Murphy	Scheid	Vickerman
Cohen	Kubly	Olseen	Sheran	Wiger

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

The question was taken on the recommendation to pass S.F. No. 3099.

The roll was called, and there were yeas 41 and nays 22, as follows:

Those who voted in the affirmative were:

Anderson	Dahle	Larson	Pogemiller	Sparks
Bakk	Day	Latz	Prettner Solon	Stumpf
Berglin	Dibble	Lourey	Rosen	Tomassoni
Betzold	Dille	Lynch	Saltzman	Torres Ray
Bonoff	Foley	Metzen	Saxhaug	Wiger
Carlson	Frederickson	Michel	Scheid	
Chaudhary	Higgins	Moua	Sheran	
Clark	Koering	Olseen	Sieben	
Cohen	Langseth	Pappas	Skoe	

Those who voted in the negative were:

Doll	Hann	Marty	Pariseau	Vickerman
Erickson Ropes	Ingebrigtsen	Murphy	Robling	Wergin
Fischbach	Jungbauer	Olson, G.	Senjem	
Gerlach	Koch	Olson, M.	Skogen	
Gimse	Kubly	Ortman	Vandeveer	

The motion prevailed. So S.F. No. 3099 was recommended to pass.

On motion of Senator Pogemiller, the report of the Committee of the Whole, as kept by the Secretary, was adopted.

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

Senator Pogemiller moved that the Committee Report at the Desk be now adopted. The motion prevailed.

Senator Bakk from the Committee on Taxes, to which was referred

S.F. No. 2869: A bill for an act relating to taxation; making policy, technical, administrative, and clarifying changes to various taxes and fees and related provisions; changing provisions relating to government data practices and debt collection; providing for compliance with job opportunity building zone requirements; amending Minnesota Statutes 2006, sections 13.51, subdivision 3; 13.585, subdivision 5; 16D.02, subdivisions 3, 6; 16D.04, subdivision 2; 163.051, subdivision 5; 270A.08, subdivision 1; 270C.33, subdivision 5; 270C.56, subdivision 1; 272.02, subdivisions 13, 20, 21, 27, 31, 38, 49; 272.03, subdivision 3, by adding a subdivision; 273.11, subdivision 8; 273.124, subdivisions 6, 13, 21; 273.128, subdivision 1; 273.13, subdivisions 22, 23, 25, 33; 274.01, subdivision 3; 274.014, subdivision 3; 276.04, subdivision 2; 287.20, subdivisions 3a, 9, by adding a subdivision; 289A.18, subdivision 1; 289A.55, by adding a subdivision; 289A.60, by adding a subdivision; 290.01, subdivision 6b; 290.068, subdivision 3; 290.07, subdivision 1; 290.21, subdivision 4; 290.92, subdivision 26; 290B.04, subdivision 1; 295.50, subdivision 4; 295.52, subdivision 4; 295.53, subdivision 4a; 296A.07, subdivision 4; 296A.08, subdivision 3; 296A.16, subdivision 2; 297A.61, subdivisions 22, 29; 297A.665; 297A.67, subdivision 7; 297A.995, subdivision 10, by adding subdivisions; 297B.01, subdivision 7; 297B.03; 297F.01, subdivision 8; 297F.21, subdivision 1; 297G.01, subdivision 9; 297H.09; 297I.05, subdivision 12; 469.040, subdivision 4; 469.174, subdivision 10b; 469.177, subdivision 1c; 469.319; 477A.03, subdivision 2a; Minnesota Statutes 2007 Supplement, sections 115A.1314, subdivision 2; 273.1231, subdivision 7, by adding a subdivision; 273.1232, subdivision 1; 273.1233, subdivisions 1, 3; 273.1234; 273.1235, subdivisions 1, 3; proposing coding for new law in Minnesota Statutes, chapters 273; 469; repealing Minnesota Statutes 2006, section 477A.014, subdivision 5; Minnesota Statutes 2007 Supplement, section 477A.014, subdivision 4; Minnesota Rules, parts 8031.0100, subpart 3; 8093.2100.

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

Delete everything after the enacting clause and insert:

"**ARTICLE 1**

AIDS TO LOCAL GOVERNMENTS

Section 1. Minnesota Statutes 2006, section 477A.011, subdivision 34, is amended to read:

Subd. 34. **City revenue need.** (a) For a city with a population equal to or greater than 2,500, "city revenue need" is the sum of (1) 5.0734098 times the pre-1940 housing percentage; plus (2) 19.141678 times the population decline percentage; plus (3) 2504.06334 times the road accidents factor; plus (4) 355.0547; minus (5) the metropolitan area factor; minus (6) 49.10638 times the household size. The city revenue need under this paragraph may not be less than 290.

(b) For a city with a population less than 2,500, "city revenue need" is the sum of (1) 2.387 times the pre-1940 housing percentage; plus (2) 2.67591 times the commercial industrial percentage; plus (3) 3.16042 times the population decline percentage; plus (4) 1.206 times the transformed population; minus (5) 62.772.

(c) For a city with a population of 2,500 or more and a population in one of the most recently available five years that was less than 2,500, "city revenue need" is the sum of (1) its city revenue need calculated under paragraph (a) multiplied by its transition factor; plus (2) its city revenue need calculated under the formula in paragraph (b) multiplied by the difference between one and its transition factor. For purposes of this paragraph, a city's "transition factor" is equal to 0.2 multiplied by the number of years that the city's population estimate has been 2,500 or more. This provision only applies for aids payable in calendar years 2006 to 2008 to cities with a 2002 population of less than 2,500. It applies to any city for aids payable in 2009 and thereafter.

(d) The city revenue need cannot be less than zero.

(e) For calendar year 2005 and subsequent years, the city revenue need for a city, as determined in paragraphs (a) to (d), is multiplied by the ratio of the annual implicit price deflator for government consumption expenditures and gross investment for state and local governments as prepared by the United States Department of Commerce, for the most recently available year to the 2003 implicit price deflator for state and local government purchases.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2009 and thereafter.

Sec. 2. Minnesota Statutes 2006, section 477A.011, subdivision 36, as amended by Laws 2008, chapter 154, article 1, section 1, is amended to read:

Subd. 36. **City aid base.** (a) Except as otherwise provided in this subdivision, "city aid base" is zero.

(b) 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.

(c) The city aid base for a city is increased by $20,000 in 1998 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $20,000 in calendar year 1998 only, provided that:

(i) the city has a population in 1994 of 2,500 or more;

(ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;

(iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than $400 per capita; and

(iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

(d) The city aid base for a city is increased by $200,000 in 1999 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $200,000 in calendar year 1999 only, provided that:

(i) the city was incorporated as a statutory city after December 1, 1993;

(ii) its city aid base does not exceed $5,600; and

(iii) the city had a population in 1996 of 5,000 or more.

(e) The city aid base for a city is increased by $450,000 in 1999 to 2008 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $450,000 in calendar year 1999 only, provided that:

(i) the city had a population in 1996 of at least 50,000;

(ii) its population had increased by at least 40 percent in the ten-year period ending in 1996; and

(iii) its city's net tax capacity for aids payable in 1998 is less than $700 per capita.

(f) The city aid base for a city is increased by $150,000 for aids payable in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $150,000 in calendar year 2000 only, provided that:

(1) the city has a population that is greater than 1,000 and less than 2,500;

(2) its commercial and industrial percentage for aids payable in 1999 is greater than 45 percent; and

(3) the total market value of all commercial and industrial property in the city for assessment year 1999 is at least 15 percent less than the total market value of all commercial and industrial property in the city for assessment year 1998.

(g) The city aid base for a city is increased by $200,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also

increased by $200,000 in calendar year 2000 only, provided that:

(1) the city had a population in 1997 of 2,500 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than $650 per capita;

(3) the pre-1940 housing percentage of the city used in calculating 1999 aid under section 477A.013 is greater than 12 percent;

(4) the 1999 local government aid of the city under section 477A.013 is less than 20 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent; and

(5) the city aid base of the city used in calculating aid under section 477A.013 is less than $7 per capita.

(h) The city aid base for a city is increased by $102,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $102,000 in calendar year 2000 only, provided that:

(1) the city has a population in 1997 of 2,000 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than $455 per capita;

(3) the net levy of the city used in calculating 1999 aid under section 477A.013 is greater than $195 per capita; and

(4) the 1999 local government aid of the city under section 477A.013 is less than 38 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent.

(i) The city aid base for a city is increased by $32,000 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $32,000 in calendar year 2001 only, provided that:

(1) the city has a population in 1998 that is greater than 200 but less than 500;

(2) the city's revenue need used in calculating aids payable in 2000 was greater than $200 per capita;

(3) the city net tax capacity for the city used in calculating aids available in 2000 was equal to or less than $200 per capita;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than $65 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

(j) The city aid base for a city is increased by $7,200 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $7,200 in calendar year 2001 only, provided that:

(1) the city had a population in 1998 that is greater than 200 but less than 500;

(2) the city's commercial industrial percentage used in calculating aids payable in 2000 was less than ten percent;

(3) more than 25 percent of the city's population was 60 years old or older according to the 1990 census;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than $15 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

(k) The city aid base for a city is increased by $45,000 in 2001 and thereafter and by an additional $50,000 in calendar years 2002 to 2011, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $45,000 in calendar year 2001 only, and by $50,000 in calendar year 2002 only, provided that:

(1) the net tax capacity of the city used in calculating its 2000 aid under section 477A.013 is less than $810 per capita;

(2) the population of the city declined more than two percent between 1988 and 1998;

(3) the net levy of the city used in calculating 2000 aid under section 477A.013 is greater than $240 per capita; and

(4) the city received less than $36 per capita in aid under section 477A.013, subdivision 9, for aids payable in 2000.

(l) ~~The city aid base for a city with a population of 10,000 or more which is located outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to the lesser of:~~

~~(1)(i) the total population of the city, as determined by the United States Bureau of the Census, in the 2000 census, (ii) minus 5,000, (iii) times 60; or~~

~~(2) $2,500,000.~~

~~(m)~~ The city aid base is increased by $50,000 in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $50,000 in calendar year 2002 only, provided that:

(1) the city is located in the seven-county metropolitan area;

(2) its population in 2000 is between 10,000 and 20,000; and

(3) its commercial industrial percentage, as calculated for city aid payable in 2001, was greater than 25 percent.

~~(n)~~ (m) The city aid base for a city is increased by $150,000 in calendar years 2002 to 2011 and by an additional $75,000 in calendar years 2009 to 2014 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $150,000 in

calendar year 2002 only and by $75,000 in calendar year 2009 only, provided that:

(1) the city had a population of at least 3,000 but no more than 4,000 in 1999;

(2) its home county is located within the seven-county metropolitan area;

(3) its pre-1940 housing percentage is less than 15 percent; and

(4) its city net tax capacity per capita for taxes payable in 2000 is less than $900 per capita.

~~(o)~~ (n) The city aid base for a city is increased by $200,000 beginning in calendar year 2003 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $200,000 in calendar year 2003 only, provided that the city qualified for an increase in homestead and agricultural credit aid under Laws 1995, chapter 264, article 8, section 18.

~~(p)~~ (o) The city aid base for a city is increased by $200,000 in 2004 only and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by $200,000 in calendar year 2004 only, if the city is the site of a nuclear dry cask storage facility.

~~(q)~~ (p)The city aid base for a city is increased by $10,000 in 2004 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by $10,000 in calendar year 2004 only, if the city was included in a federal major disaster designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by more than 40 percent between 1990 and 2000.

~~(r)~~ (q) The city aid base for a city is increased by $30,000 in 2009 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by $25,000 in calendar year 2006 only if the city had a population in 2003 of at least 1,000 and has a state park for which the city provides rescue services and which comprised at least 14 percent of the total geographic area included within the city boundaries in 2000.

~~(s) The city aid base for a city with a population less than 5,000 is increased in 2006 and thereafter and the minimum and maximum amount of total aid it may receive under this section is also increased in calendar year 2006 only by an amount equal to $6 multiplied by its population.~~

~~(t)~~ (r) The city aid base for a city is increased by $80,000 in 2009 and thereafter and the minimum and maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by $80,000 in calendar year 2009 only, if:

(1) as of May 1, 2006, at least 25 percent of the tax capacity of the city is proposed to be placed in trust status as tax-exempt Indian land;

(2) the placement of the land is being challenged administratively or in court; and

(3) due to the challenge, the land proposed to be placed in trust is still on the tax rolls as of May 1, 2006.

~~(u)~~ (s) The city aid base for a city is increased by $100,000 in 2007 and thereafter and the minimum and maximum total amount of aid it may receive under this section is also increased in calendar year 2007 only, provided that:

(1) the city has a 2004 estimated population greater than 200 but less than 2,000;

(2) its city net tax capacity for aids payable in 2006 was less than $300 per capita;

(3) the ratio of its pay 2005 tax levy compared to its city net tax capacity for aids payable in 2006 was greater than 110 percent; and

(4) it is located in a county where at least 15,000 acres of land are classified as tax-exempt Indian reservations according to the 2004 abstract of tax-exempt property.

~~(v)~~ (t) The city aid base for a city is increased by $30,000 in 2009 only, and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by $30,000 in calendar year 2009, only if the city had a population in 2005 of less than 3,000 and the city's boundaries as of 2007 were formed by the consolidation of two cities and one township in 2002.

(u) The city aid base for a city is increased by $135,000 in 2009 only and the minimum and maximum total amount of aid it may receive under section 477A.013, subdivision 9, is also increased by $135,000 in calendar year 2009 only, provided that:

(1) the city is located in the metropolitan area and its 2006 population is less than 2,500;

(2) at least 25 percent of its housing was built before 1940 and at least 50 percent of its housing is rental housing, according to the 2000 United States Census;

(3) the median household income in the city is 80 percent or less than the median household income in the metropolitan area and 50 percent or less than the median household income for all cities contiguous to that city, according to the 2000 United States Census; and

(4) at least 60 percent of the land and water acres in the city are classified as tax-exempt property, according to its 2008 planning document.

(v) The city aid base is increased by $14,700 in calendar year 2009 only and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is increased by $14,700 in calendar year 2009 only, provided that:

(1) the city is located in the seven-county metropolitan area;

(2) its population in 2006 is less than 200; and

(3) the percentage of its housing stock built before 1940, according to the 2000 United States Census, is greater than 40 percent.

EFFECTIVE DATE. This section is effective for aid payable in calendar year 2009 and thereafter.

Sec. 3. Minnesota Statutes 2006, section 477A.011, is amended by adding a subdivision to read:

Subd. 41. **Small city aid base.** "Small city aid base" for a city with a population as defined in subdivision 3, less than 5,000 is equal to $12 multiplied by its population. Aid under this subdivision must be calculated using the greater of a city's highest federal census population since 1940 or its current population estimate. The small city aid base for all other cities is equal to zero.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2009 and

thereafter.

Sec. 4. Minnesota Statutes 2006, section 477A.011, is amended by adding a subdivision to read:

Subd. 42. **City jobs base.** (a) (1) "City jobs base" for a city that receives disparity reduction credits under section 273.1398, subdivision 4, and has a population of 10,000 or more, is equal to the product of (i) $75, (ii) the number of jobs per capita in the city, and (iii) its population. (2) For all other cities with a population of 5,000 or more the city jobs base is equal to the product of (i) $55, (ii) the number of jobs per capita in the city, and (iii) its population. (3) For cities with a population less than 5,000, the city jobs base is equal to zero.

(b) A city with a population greater than 15,000 but less than 30,000 that is located outside of the metropolitan area shall have its city jobs base increased by $100,000. A city with a population greater than 30,000 that is located outside of the metropolitan area shall have its city jobs base increased by $350,000.

(c) No city's city jobs base may exceed $12,000,000.

(d) For purposes of this subdivision, "jobs per capita in the city" means (1) the average annual number of employees in the city based on the data from the Quarterly Census of Employment and Wages, as reported by the Department of Employment and Economic Development, for the most recent calendar year available as of January 1 of the year in which the aid is calculated, divided by (2) the city's population for the same calendar year as the employment data.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2009 and thereafter.

Sec. 5. Minnesota Statutes 2006, section 477A.0124, subdivision 4, is amended to read:

Subd. 4. **County tax-base equalization aid.** (a) For 2006 and subsequent years, the money appropriated to county tax-base equalization aid each calendar year, after the payment under paragraph (f), shall be apportioned among the counties according to each county's tax-base equalization aid factor.

(b) A county's tax-base equalization aid factor is equal to the amount by which (i) ~~$185~~ $228 times the county's population, exceeds (ii) ~~9.45~~ 8.6 percent of the county's net tax capacity.

(c) In the case of a county with a population less than 10,000, the factor determined in paragraph (b) shall be multiplied by a factor of three.

(d) In the case of a county with a population greater than or equal to 10,000, but less than 12,500, the factor determined in paragraph (b) shall be multiplied by a factor of two.

(e) In the case of a county with a population greater than 500,000, the factor determined in paragraph (b) shall be multiplied by a factor of 0.25.

(f) Before the money appropriated to county base equalization aid is apportioned among the counties as provided in paragraph (a), an amount up to $73,259 is allocated annually to Anoka County and up to $59,664 is annually allocated to Washington County for the county to pay postretirement costs of health insurance premiums for court employees. The allocation under this paragraph is in addition to the allocations under paragraphs (a) to (e).

EFFECTIVE DATE. This section is effective for aids payable in 2009 and subsequent years.

Sec. 6. Minnesota Statutes 2006, section 477A.0124, subdivision 5, is amended to read:

Subd. 5. **County transition aid.** ~~(a)~~ For ~~2005~~ 2009 and subsequent years, a county is eligible for transition aid equal to ~~the amount, if any, by which:~~

~~(1) the difference between:~~

~~(i) the aid the county received under subdivision 1 in 2004, divided by the total aid paid to all counties under subdivision 1, multiplied by $205,000,000; and~~

~~(ii) the amount of aid the county is certified to receive in 2005 under subdivisions 3 and 4;~~

~~exceeds:~~

~~(2) three percent of the county's adjusted net tax capacity.~~

~~A county's aid under this paragraph may not be less than zero.~~

~~(b) In 2006, a county is eligible to receive two-thirds of the transition aid it received in 2005.~~

~~(c) In 2007, a county is eligible to receive~~ one-third of the transition aid it received in 2005.

~~(d) No county shall receive aid under this subdivision after 2007.~~

Sec. 7. Minnesota Statutes 2006, section 477A.0124, is amended by adding a subdivision to read:

Subd. 6. **Out-of-home placement aid.** In calendar year 2009 only, $500,000 shall be distributed to any county in which the percentage of households receiving food stamps divided by its age-adjusted population is greater than five percent using data for county program aid certified for aids payable in 2008. The aid must be used to meet the county's cost of out-of-home placement programs.

Sec. 8. Minnesota Statutes 2006, section 477A.013, subdivision 1, is amended to read:

Subdivision 1. **Towns.** In ~~2002, no~~ 2009 and subsequent years, each town is eligible for a distribution under this subdivision equal to the product of (i) its agricultural property factor, (ii) its town area factor, (iii) its population factor, and (iv) 0.00225. As used in this subdivision, the following terms have the meanings given them:

(1) "agricultural property factor" means the ratio of the adjusted net tax capacity of agricultural property located in a town, divided by the adjusted net tax capacity of all other property located in the town. The agricultural property factor cannot exceed eight;

(2) "agricultural property" means property classified under section 273.13, as homestead and nonhomestead agricultural property, timber land, and noncommercial seasonal recreational property;

(3) "town area factor" means the most recent estimate of total acreage, not to exceed 50,000 acres, located in the township available as of July 1 in the aid calculation year, estimated or established by:

(i) the United States Bureau of the Census;

(ii) the State Land Management Information Center; or

(iii) the secretary of state; and

(4) "population factor" means the square root of the town's population.

If the sum of the aids payable to all towns under this subdivision exceeds the limit under section 477A.03, subdivision 2c, the distribution to each town must be reduced proportionately so that the total amount of aids distributed under this section does not exceed the limit in section 477A.03, subdivision 2c.

Sec. 9. Minnesota Statutes 2006, section 477A.013, subdivision 8, as amended by Laws 2008, chapter 154, article 1, section 2, is amended to read:

Subd. 8. **City formula aid.** In calendar year ~~2004 and subsequent years~~ 2009, the formula aid for a city is equal to (1) the sum of (i) its city jobs base, (ii) its small city aid base, and (iii) the need increase percentage multiplied by the difference between ~~(1)~~ (2) the city's revenue need multiplied by its population, and ~~(2) the sum of~~ (3) the city's net tax capacity multiplied by the tax effort rate. For aids payable in 2009 only, a city's revenue need, population, net tax capacity, maximum, minimum, and tax effort rate will be based on the data available for calculating these factors for aids payable in 2008.

No city may have a formula aid amount less than zero. The need increase percentage must be the same for all cities.

The applicable need increase percentage must be calculated by the Department of Revenue so that the total of the aid under subdivision 9 equals the total amount available for aid under section 477A.03 after the subtraction under section 477A.014, subdivisions 4 and 5.

EFFECTIVE DATE. This section is effective beginning with aids payable in 2009.

Sec. 10. Minnesota Statutes 2006, section 477A.013, subdivision 9, as amended by Laws 2008, chapter 154, article 1, section 3, is amended to read:

Subd. 9. **City aid distribution.** (a) In calendar year 2009, each city shall receive an aid distribution equal to the sum of (1) the city formula aid under subdivision 8, and (2) its city aid base~~, and (3) one-half of the difference between its total aid in the previous year under this subdivision and its city aid base in the previous year~~.

(b) For aids payable in 2010 and thereafter, each city shall receive an aid distribution equal to ~~(1) the city aid formula under subdivision 8, (2) its city aid base, and (3) its formula aid under subdivision 8 in the previous year, prior to any adjustments under this subdivision~~ the amount it received under this section in the previous year, multiplied by the inflation adjustment in paragraph (e).

(c) For aids payable in 2009 ~~and thereafter~~, the total aid for any city shall not exceed the sum of (1) ~~ten~~ 75 percent of the city's net levy for the year prior to the aid distribution plus (2) its total aid in the previous year. For aids payable in 2009, the total aid for any city may not be less than its total aid under this section in the previous year. For aids payable in 2010 and thereafter, the total aid for any city with a population of 2,500 or more may not ~~be less than~~ decrease from its total aid under this section in the previous year ~~minus the lesser of $15 multiplied by its population, or~~ by an

amount greater than ten percent of its net levy in the year prior to the aid distribution.

(d) For aids payable in 2009 and thereafter, the total aid for a city with a population less than 2,500 must not be less than the amount it was certified to receive in the previous year minus ~~the lesser of $15 multiplied by its population, or~~ five percent of its 2003 certified aid amount.

(e) If a city's net tax capacity used in calculating aid under this section has decreased in any year by more than 25 percent from its net tax capacity in the previous year due to property becoming tax-exempt Indian land, the city's maximum allowed aid increase under paragraph (c) shall be increased by an amount equal to (1) the city's tax rate in the year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease resulting from the property becoming tax exempt.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2009 and thereafter.

Sec. 11. Minnesota Statutes 2006, section 477A.013, is amended by adding a subdivision to read:

Subd. 11. **2009 aid adjustment.** If the limit under section 477A.03, subdivision 2a, for aids payable in 2009 is less than $575,052,000, the aid paid to each city under this section is equal to the sum of (1) the amount the city received under subdivision 9 in calendar year 2008 and (2) an adjustment percentage multiplied by the difference between what the city received in subdivision 9 in calendar year 2008 and its aid in calendar year 2009 under subdivision 9. The "adjustment percentage," which is the same for all cities, is the percentage necessary for the total aids under this section to equal the amount available under section 477A.03, subdivision 2a, after the subtraction under section 477A.014, subdivisions 4 and 5.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2009.

Sec. 12. Minnesota Statutes 2006, section 477A.03, subdivision 2a, is amended to read:

Subd. 2a. **Cities.** For aids payable in ~~2004~~ 2009, the total aids paid to cities under section 477A.013, ~~subdivision 9~~ subdivisions 9 and 11, are limited to ~~$429,000,000. For aids payable in 2005, the total aids paid under section 477A.013, subdivision 9, are limited to $437,052,000. For aids payable in 2006 and thereafter, the total aids paid under section 477A.013, subdivision 9, is limited to $485,052,000~~ $555,052,000.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2009 and thereafter.

Sec. 13. Minnesota Statutes 2006, section 477A.03, subdivision 2b, is amended to read:

Subd. 2b. **Counties.** (a) For aids payable in calendar year 2005 ~~and thereafter~~ to 2008, the total aids paid to counties under section 477A.0124, subdivision 3, are limited to $100,500,000. For aids payable in calendar year 2009, the total aids paid to counties under section 477A.0124, subdivision 3, are limited to $120,500,000. For aids payable in 2010 and subsequent years, the total aid limitation shall be the amount of the previous year's limitation, increased by the percentage increase determined for the year under subdivision 5. Each calendar year, $500,000 shall be retained by the commissioner of revenue to make reimbursements to the commissioner of finance for payments made under section 611.27. ~~For calendar year 2004, the amount shall be in addition to the payments authorized under section 477A.0124, subdivision 1. For calendar year 2005 and~~

~~subsequent years,~~ The amount shall be deducted from the appropriation under this paragraph. The reimbursements shall be to defray the additional costs associated with court-ordered counsel under section 611.27. Any retained amounts not used for reimbursement in a year shall be included in the next distribution of county need aid that is certified to the county auditors for the purpose of property tax reduction for the next taxes payable year.

(b) For aids payable in 2005, the total aids under section 477A.0124, subdivision 4, are limited to $105,000,000. For aids payable in 2006 ~~and thereafter~~ to 2008, the total aid under section 477A.0124, subdivision 4, is limited to $105,132,923. For aids payable in 2009, the total aid under section 477A.0124, subdivision 4, is limited to $125,132,923. For aids payable in 2010 and subsequent years, the total aid limitation shall be the amount of the previous year's limitation, increased by the percentage increase determined under subdivision 5. The commissioner of finance shall annually bill the commissioner of revenue for the cost of preparation of local impact notes as required by section 3.987, not to exceed $207,000 ~~in fiscal year 2004 and thereafter~~. The commissioner of education shall annually bill the commissioner of revenue for the cost of preparation of local impact notes for school districts as required by section 3.987, not to exceed $7,000 ~~in fiscal year 2004 and thereafter~~. The commissioner of revenue shall deduct the amounts billed under this paragraph from the appropriation under this paragraph. The amounts deducted are appropriated to the commissioner of finance and the commissioner of education for the preparation of local impact notes.

Sec. 14. Minnesota Statutes 2006, section 477A.03, is amended by adding a subdivision to read:

Subd. 2c. **Towns.** For aids payable in 2009, the total aids paid under section 477A.013, subdivision 1, is limited to $5,000,000. For aids payable in 2010 and thereafter, the total aids paid under section 477A.013, subdivision 1, is limited to the amount certified to be paid in the previous year, adjusted for inflation as provided in subdivision 5.

Sec. 15. Minnesota Statutes 2006, section 477A.03, is amended by adding a subdivision to read:

Subd. 5. **Inflation adjustment.** In 2010 and thereafter, the amounts paid under subdivisions 2a, 2b, and 2c, shall be equal to the amount adjusted for inflation and shall be equal to:

(1) the amount certified to be paid under that subdivision in the previous year multiplied by

(2) one plus the percentage increase in the implicit price deflator for government consumption expenditures and gross investment for state and local government as prepared by the United States Department of Commerce for the 12-month period ending March 31 of the previous year.

The percentage increase used in this subdivision may not be less than 2.5 percent or greater than 5.0 percent.

Sec. 16. **STATE PARKS LOCATED ON LAKE VERMILION; DISTRIBUTION OF PAYMENTS IN LIEU OF TAXES.**

(a) Notwithstanding Minnesota Statutes, section 477A.14, payments in lieu of taxation under Minnesota Statutes, sections 477A.11 to 477A.145, for the land included in any state park located in whole or in part on the shores of Lake Vermilion must be distributed to the taxing jurisdictions containing the property as follows: one-third to the school district, one-third to the township, and one-third to the county. Each of those taxing jurisdictions may use the payments for their general purposes.

(b) Notwithstanding Minnesota Statutes, section 477A.11, the payments for all lands described in paragraph (a) must be made at the rate set for acquired natural resources land.

Sec. 17. **USE OF LOCAL GOVERNMENT AIDS.**

If a city of the first class located in the metropolitan area defined in Minnesota Statutes, section 473.121, subdivision 2, receives aid under Minnesota Statutes, section 477A.013, in any of the calendar years 2010, 2011, and 2012, that exceeds the aid it received in 2008, the city may expend all or a portion of the increase for payment of outstanding debt obligations of the city related to public facilities, or for neighborhood revitalization activities.

Sec. 18. **STUDY OF AIDS TO LOCAL GOVERNMENTS.**

The chairs of the senate and house of representatives committees on taxes shall each appoint five members to a study group of the tax committees to examine the current system of aids to local governments and make recommendations on improvements to the system. Of the five members appointed by each chair, two must be members of the tax committee, one who is a majority party member and one who is a minority party member. The remaining members must represent local units of government. The chairs of the divisions of the tax committees having jurisdiction over property taxes shall also be members and shall serve as co-chairs of the study group. The study shall include, but not be limited to, consideration of existing disparities in the distribution of local government aid, an analysis of current law need and capacity factors as well as alternative need factors, alternative analytical methods for determining correlations between factors and need, the formula used to calculate aid for small cities, and volatility in the local government aid distribution. The group must report on its specific recommendations to the legislature by December 15, 2010.

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

ARTICLE 2

PROPERTY TAXES

Section 1. Minnesota Statutes 2006, section 126C.01, subdivision 3, is amended to read:

Subd. 3. **Referendum market value.** "Referendum market value" means the market value of all taxable property, excluding property classified as class 2, ~~noncommercial 4c(1), or 4c(4)~~ under section 273.13. The portion of class 2a property consisting of the house, garage, and surrounding one acre of land of an agricultural homestead is included in referendum market value. Any class of property, or any portion of a class of property, that is included in the definition of referendum market value and that has a class rate of less than one percent under section 273.13 shall have a referendum market value equal to its net tax capacity multiplied by 100.

EFFECTIVE DATE. This section is effective for taxes levied in 2008, payable in 2009, and thereafter.

Sec. 2. Minnesota Statutes 2006, section 126C.41, subdivision 2, is amended to read:

Subd. 2. **Retired employee health benefits.** A district may levy an amount up to the amount the district is required by the collective bargaining agreement in effect on March 30, 1992, to pay for health insurance or unreimbursed medical expenses for licensed and nonlicensed employees who have terminated services in the employing district and withdrawn from active teaching service or

other active service, as applicable, before July 1, ~~1992~~ 1998, if a sunset clause is in effect for the current collective bargaining agreement. The total amount of the levy each year may not exceed $600,000.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

Sec. 3. Minnesota Statutes 2006, section 216B.1646, is amended to read:

216B.1646 RATE ~~REDUCTION~~ ADJUSTMENT; PROPERTY TAX ~~REDUCTION~~ CHANGE.

(a) The commission shall, by any method the commission finds appropriate, ~~reduce~~ adjust the rates each ~~electric~~ utility subject to rate regulation by the commission charges its customers to reflect, on an ongoing basis, the amount by which each utility's property tax, including the state general tax, if applicable, on the personal property of its electric system ~~from taxes payable in 2001 to taxes payable in 2002 is reduced~~ or pipeline system transporting or distributing natural gas is changed under this act. The commission must ensure that, to the extent feasible, each dollar of personal property tax ~~reduction allocated to Minnesota consumers retroactive to January 1, 2002,~~ change in taxes payable in 2009 and subsequent years results in a dollar of ~~savings~~ adjustment to the utility's ~~customers~~ rates. ~~A utility may voluntarily pass on any additional property tax savings allocated in the same manner as approved by the commission under this paragraph.~~ The adjustment under this paragraph is outside of a general rate case proceeding under section 216B.16.

(b) ~~By April 10, 2002,~~ Each utility ~~shall~~ may submit a filing to the commission containing:

(1) certified information regarding the utility's property tax ~~savings~~ change allocated to Minnesota retail customers; and

(2) a proposed method of ~~passing these savings on~~ adjusting rates to Minnesota retail customers.

The utility shall provide the information in clause (1) to the commissioner of revenue at the same time. The commissioner shall notify the commission within 30 days as to the accuracy of the property tax data submitted by the utility.

(c) For purposes of this section, "personal property" means tools, implements, and machinery of ~~the generating plant. It does not apply to transformers, transmission lines, distribution lines, or any other tools, implements, and machinery that are part of an electric substation, wherever located~~ an electric system or of a pipeline system transporting or distributing natural gas.

Sec. 4. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision to read:

Subd. 18a. **Leased lands.** Lands of a county, city, or town that are leased or rented by that entity for noncommercial seasonal recreational or noncommercial seasonal recreational residential use are exempt.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

Sec. 5. Minnesota Statutes 2006, section 272.02, subdivision 55, is amended to read:

Subd. 55. **Electric generation facility; personal property.** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electric generating facility that meets the requirements of this subdivision is exempt. At the time of construction, the

facility must (i) be designated as an innovative energy project as defined in section 216B.1694, (ii) be within a tax relief area as defined in section 273.134, (iii) have access to existing railroad infrastructure within less than three miles, (iv) have received by resolution approval from the governing body of the county and township or city in which the proposed facility is to be located for the exemption of personal property under this subdivision, and (v) be designed to host at least 500 megawatts of electrical generation.

Construction of the first 500 megawatts of the facility must be commenced after January 1, 2006, and before January 1, ~~2010~~ 2012. Construction of up to an additional 750 megawatts of generation must be commenced before January 1, 2015. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility. To qualify for an exemption under this subdivision, the owner of the electric generation facility must have an agreement with the host county, township or city, and school district, for payment in lieu of personal property taxes to the host county, township or city, and school district.

Sec. 6. Minnesota Statutes 2006, section 272.02, subdivision 82, is amended to read:

Subd. 82. **Biomass electric generation facility; personal property.** (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is a part of an electric generation facility, including remote boilers that comprise part of the district heating system, generating up to 30 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

(1) be designed to utilize a minimum 90 percent waste biomass as a fuel;

(2) not be owned by a public utility as defined in section 216B.02, subdivision 4;

(3) be located within a city of the first class and have its primary location at a former garbage transfer station; and

(4) be designed to have capability to provide baseload energy and district heating.

(b) Construction of the facility must be commenced after January 1, 2004, and before January 1, ~~2008~~ 2010. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

EFFECTIVE DATE. This section is effective for property taxes payable in 2009 and thereafter.

Sec. 7. Minnesota Statutes 2006, section 272.02, subdivision 84, is amended to read:

Subd. 84. **Electric generation facility; personal property.** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a 10.3 megawatt run-of-the-river hydroelectric generation facility and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

(1) utilize between 12 and 16 turbine generators at a dam site existing on March 31, 1994;

(2) be located on land within 3,000 feet of a 13.8 kilovolt distribution substation; and

(3) be eligible to receive a renewable energy production incentive payment under section 216C.41.

Construction of the facility must be commenced after April 30, 2006, and before January 1, ~~2009~~ 2011. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

Sec. 8. Minnesota Statutes 2006, section 272.03, subdivision 2, is amended to read:

Subd. 2. **Personal property.** For the purposes of taxation, "personal property" includes:

(1) All goods, chattels, money and effects;

(2) All ships, boats, and vessels belonging to inhabitants of this state and all capital invested therein;

(3) All improvements upon land the fee of which is vested in the United States, the state, except lands held in trust by the state under section 281.25, or by a county, city, or town, and all improvements upon land the title to which is vested in any corporation whose property is not subject to the same mode and rule of taxation as other property;

(4) All stock of nursery operators, growing or otherwise;

(5) All gas, electric, and water mains, pipes, conduits, subways, poles, and wires of gas, electric light, water, heat, or power companies, and all tracks, roads, conduits, poles, and wires of street railway, plank road, gravel road, and turnpike companies;

(6) All credits over and above debts owed by the creditor;

(7) The income of every annuity, unless the capital of the annuity is taxed within this state;

(8) All public stocks and securities;

(9) All personal estate of moneyed corporations, whether the owners reside within or without the state;

(10) All shares in foreign corporations owned by residents of this state; and

(11) All shares in banks organized under the laws of the United States or of this state.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

Sec. 9. Minnesota Statutes 2006, section 273.111, subdivision 3, as amended by Laws 2008, chapter 154, article 13, section 26, is amended to read:

Subd. 3. **Requirements.** (a) Real estate consisting of ten acres or more or a nursery or greenhouse, and qualifying for classification as class 1b, 2a, or 2b under section 273.13, shall be entitled to valuation and tax deferment under this section ~~only~~ if it ~~is primarily devoted to agricultural use, and~~ meets the qualifications in subdivision 6, and either:

(1) is the homestead of the owner, or of a surviving spouse, child, or sibling of the owner or is real estate which is farmed with the real estate which contains the homestead property; or

(2) has been in possession of the applicant, the applicant's spouse, parent, or sibling, or any combination thereof, for a period of at least seven years prior to application for benefits under the provisions of this section, or is real estate which is farmed with the real estate which qualifies under this clause and is within four townships or cities or combination thereof from the qualifying real

estate; or

(3) is the homestead of a shareholder in a family farm corporation as defined in section 500.24, notwithstanding the fact that legal title to the real estate may be held in the name of the family farm corporation; or

(4) is in the possession of a nursery or greenhouse or an entity owned by a proprietor, partnership, or corporation which also owns the nursery or greenhouse operations on the parcel or parcels, provided that only the acreage that is used to grow nursery stock qualify for treatment under this section.

(b) Valuation of real estate under this section is limited to parcels the ownership of which is in noncorporate entities except for:

(1) family farm corporations organized pursuant to section 500.24; and

(2) corporations that derive 80 percent or more of their gross receipts from the wholesale or retail sale of horticultural or nursery stock.

(c) Land that previously qualified for tax deferment under this section and no longer qualifies because it is not primarily used for agricultural purposes but would otherwise qualify under subdivisions 3 and 6 for a period of at least three years will not be required to make payment of the previously deferred taxes, notwithstanding the provisions of subdivision 9. Sale of the land prior to the expiration of the three-year period requires payment of deferred taxes as follows: sale in the year the land no longer qualifies requires payment of the current year's deferred taxes plus payment of deferred taxes for the two prior years; sale during the second year the land no longer qualifies requires payment of the current year's deferred taxes plus payment of the deferred taxes for the prior year; and sale during the third year the land no longer qualifies requires payment of the current year's deferred taxes. Deferred taxes shall be paid even if the land qualifies pursuant to subdivision 11a. When such property is sold or no longer qualifies under this paragraph, or at the end of the three-year period, whichever comes first, all deferred special assessments plus interest are payable in equal installments spread over the time remaining until the last maturity date of the bonds issued to finance the improvement for which the assessments were levied. If the bonds have matured, the deferred special assessments plus interest are payable within 90 days. The provisions of section 429.061, subdivision 2, apply to the collection of these installments. Penalties are not imposed on any such special assessments if timely paid.

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

Sec. 10. Minnesota Statutes 2006, section 273.111, subdivision 6, is amended to read:

Subd. 6. **Agricultural use.** (a) Real property qualifying under subdivision 3 shall be considered to be in agricultural use provided that annually:

(1) ~~at least 33 1/3 percent of the total family income of the owner is derived therefrom, or the total production income including rental from the property is $300 plus $10 per tillable acre; and~~

~~(2)~~ it is devoted to the production for sale of agricultural products as defined in section 273.13, subdivision 23, paragraph (e); and

(2) in the case of real estate consisting of at least ten but no more than 20 acres, in at least one

of the three calendar years preceding the assessment year:

(i) the total production income from the property is no less than an amount equal to five percent of the per acre agricultural value determined under subdivision 16 for the county where the property is located for the previous assessment year, multiplied by the number of acres in the parcel subject to this section; or

(ii) the amount of total farm expenses shown on Schedule F of the property owner's federal income tax return exceeds 25 percent of the federal adjusted gross income of the owner for federal tax purposes.

In this subdivision, "total production income" means gross income as reported for federal income tax purposes on Schedule F or Schedule E for farm rental income for the calendar year ending in the year preceding the assessment year.

(b) Slough, wasteland, and woodland ~~contiguous to or surrounded by land that is~~ are not entitled to valuation and tax deferment under this section ~~is considered to be in agricultural use if under the same ownership and management~~ unless:

(1) it is used for agricultural production; or

(2) it is impracticable for the assessor to separate its value from the value of the production acreage.

(c) Land that is enrolled in the Reinvest in Minnesota program under sections 103F.501 to 103F.535, the federal Conservation Reserve Program as contained in Public Law 99-198, or a similar state or federal conservation program do not qualify for valuation and assessment deferral under this section.

Sec. 11. Minnesota Statutes 2006, section 273.111, subdivision 8, is amended to read:

Subd. 8. **Application.** Application for deferment of taxes and assessment under this section shall be filed by May 1 of the year prior to the year in which the taxes are payable. Any application filed hereunder and granted shall continue in effect for subsequent years until the property no longer qualifies. Such application shall be filed with the assessor of the taxing district in which the real property is located on ~~such~~ the form ~~as may be~~ prescribed by the commissioner of revenue, and must include a copy of the Schedule F or Schedule E showing farm rental income included in the most recently filed federal income tax return of the applicant. The assessor may require proof by affidavit or otherwise that the property qualifies under subdivisions 3 and 6.

EFFECTIVE DATE. This section is effective for applications filed after May 1, 2008.

Sec. 12. Minnesota Statutes 2006, section 273.111, subdivision 14, is amended to read:

Subd. 14. **Applicability of special assessment provisions.** This section shall apply to special local assessments levied after July 1, 1967, and payable in the years thereafter, but shall not apply to any special assessments levied at any time by a county or district court under ~~the provisions of~~ chapter 116A or by a watershed district under chapter 103D.

EFFECTIVE DATE. This section is effective for special assessments levied after May 31, 2008, or, as applied to special assessments levied before June 1, 2008, to property that initially qualifies for valuation under section 273.111, for taxes levied in 2008.

Sec. 13. Minnesota Statutes 2006, section 273.111, is amended by adding a subdivision to read:

Subd. 16. **Agricultural value determination.** (a) In order to account for the presence of nonagricultural influences that may affect the sales of agricultural land, the commissioner of revenue shall develop a fair and uniform method of determining, for each county in the state, a median agricultural value that is consistent with subdivision 4. The commissioner shall annually assign the resulting agricultural value to each county, and this value shall be used as the median agricultural value for the county under this section.

(b) When property classified as agricultural is sold and the purchaser changes its use in a manner that would result in a change of classification of the property, and the sale price exceeds the agricultural value determined under paragraph (a), the assessor and the commissioner must review the sale along with other appropriate sales information to determine if there are nonagricultural influences on the value. If upon review it is determined that nonagricultural factors have affected the value, the resulting sales ratio shall be excluded from use in any study measuring agricultural value and applied to a study measuring market value.

EFFECTIVE DATE. This section is effective for taxes levied in 2009, payable in 2010 and thereafter.

Sec. 14. Minnesota Statutes 2006, section 273.111, is amended by adding a subdivision to read:

Subd. 17. **Implementation of program.** This section must be applied to eligible properties by all county assessors, beginning no later than assessments for taxes levied in 2009, payable in 2010, and thereafter, unless the commissioner of revenue determines that a county is unable to comply with this requirement, in which case the county must implement it for the earliest assessment year determined by the commissioner to be feasible.

Sec. 15. **[273.1115] AGGREGATE RESOURCE PRESERVATION PROPERTY TAX LAW.**

Subdivision 1. **Definitions.** For purposes of this section, "commercial aggregate deposit" and "actively mined" have the meanings given them in section 273.13, subdivision 23, paragraph (h).

Subd. 2. **Requirement.** Real estate is entitled to valuation under this section only if all of the following requirements are met:

(1) the property is classified 1a, 1b, 2a, or 2b property under section 273.13, subdivisions 22 and 23;

(2) the property is at least ten contiguous acres, when the application is filed under subdivision 3;

(3) the owner has filed a completed application for deferment as specified in subdivision 3 with the county assessor in the county in which the property is located;

(4) there are no delinquent taxes on the property; and

(5) a covenant on the land restricts its use as provided in subdivision 3, clause (4).

Subd. 3. **Application.** Application for valuation deferment under this section must be filed by May 1 of the assessment year. Any application filed and granted continues in effect for subsequent

years until the property no longer qualifies, provided that supplemental affidavits under subdivision 8 are timely filed. The application must be filed with the assessor of the county in which the real property is located on such form as may be prescribed by the commissioner of revenue. The application must be executed and acknowledged in the manner required by law to execute and acknowledge a deed and must contain at least the following information and any other information the commissioner deems necessary:

(1) the legal description of the area;

(2) the name and address of owner;

(3) a copy of the affidavit filed under section 273.13, subdivision 23, paragraph (h), when property is classified as:

(i) 2b under section 273.13, subdivision 23, paragraph (b), clause (4);

(ii) 1b under section 273.13, subdivision 22, paragraph (b);

(iii) 2a under section 273.13, subdivision 23, paragraph (a); or

(iv) 2b under section 273.13, subdivision 23, paragraph (b), clauses (1) to (3).

The application must include a similar document with the same information as contained in the affidavit under section 273.13, subdivision 23, paragraph (h); and

(4) a statement of proof from the owner that the land contains a restrictive covenant limiting its use for the property's surface to that which exists on the date of the application and limiting its future use to the preparation and removal of the commercial aggregate deposit under its surface. To qualify under this clause, the covenant must be binding on the owner or the owner's successor or assignee, and run with the land, except as provided in subdivision 5 allowing for the cancellation of the covenant under certain conditions.

Subd. 4. **Determination of value.** Upon timely application by the owner as provided in subdivision 3, notwithstanding sections 272.03, subdivision 8, and 273.11, the value of any qualifying land described in subdivision 3 must be valued as if it were agricultural property, using a per acre valuation equal to the current assessment year's average per acre valuation of agricultural land in the county. The assessor shall not consider any additional value resulting from potential alternative and future uses of the property. The buildings located on the land shall be valued by the assessor in the normal manner.

Subd. 5. **Cancellation of covenant.** The covenant required under subdivision 3 may be canceled in two ways:

(1) by the owner beginning with the next subsequent assessment year provided that the additional taxes as determined under subdivision 7 are paid by the owner at the time of cancellation; or

(2) by the city or town in which the property is located beginning with the next subsequent assessment year, if the city council or town board:

(i) changes the conditional use of the property;

(ii) revokes the mining permit; or

(iii) changes the zoning to disallow mining.

No additional taxes are imposed on the property under this clause.

Subd. 6. **County termination.** Within two years of the effective date of this section, a county may, following notice and public hearing, terminate application of this section in the county. The termination is effective upon adoption of a resolution of the county board. A county has 60 days from receipt of the first application for enrollment under this section to notify the applicant and any subsequent applicants of the county's intent to begin the process of terminating application of this section in the county. The county must act on the termination within six months. Upon termination by a vote of the county board, all applications received prior to and during notification of intent to terminate shall be deemed void. If the county board does not act on the termination within six months of notification, all applications for valuation for deferment received shall be deemed eligible for consideration to be enrolled under this section. Following this initial 60-day grace period, a termination applies prospectively and does not affect property enrolled under this section prior to the termination date. A county may reauthorize application of this section by a resolution of the county board revoking the termination.

Subd. 7. **Additional taxes.** When real property which has been valued and assessed under this section no longer qualifies, the portion of the land classified under subdivision 2, clause (1), is subject to additional taxes. The additional tax amount is determined by:

(1) computing the difference between (i) the current year's taxes determined in accordance with subdivision 4, and (ii) an amount as determined by the assessor based upon the property's current year's estimated market value of like real estate at its highest and best use and the appropriate local tax rate; and

(2) multiplying the amount determined in clause (1) by the number of years the land was in the program under this section. The current year's estimated market value as determined by the assessor must not exceed the market value that would result if the property was sold in an arms-length transaction and must not be greater than it would have been had the actual bona fide sale price of the property been used in lieu of that market value. The additional taxes must be extended against the property on the tax list for the current year, except that interest or penalties must not be levied on these additional taxes if timely paid. The additional tax under this subdivision must not be imposed on that portion of the property which has actively been mined and has been removed from the program based upon the supplemental affidavits filed under subdivision 8.

Subd. 8. **Supplemental affidavits; mining activity on land.** When any portion of the property begins to be actively mined, the owner must file a supplemental affidavit within 60 days from the day any aggregate is removed stating the number of acres of the property that is actively being mined. The acres actively being mined shall be (1) valued and classified under section 273.13, subdivision 24, in the next subsequent assessment year, and (2) removed from the aggregate resource preservation property tax program under this section. The additional taxes under subdivision 7 must not be imposed on the acres that are actively being mined and have been removed from the program under this section. Copies of the original affidavit and all supplemental affidavits must be filed with the county assessor, the local zoning administrator, and the Department of Natural Resources, Division of Land and Minerals. A supplemental affidavit must be filed each time a subsequent portion of the property is actively mined, provided that the minimum acreage change is five acres, even if the actual mining activity constitutes less than five acres. Failure to file the affidavits timely

shall result in the property losing its valuation deferment under this section, and additional taxes must be imposed as calculated under subdivision 7.

Subd. 9. **Lien.** The additional tax imposed by this section is a lien upon the property assessed to the same extent and for the same duration as other taxes imposed upon property within this state and, when collected, must be distributed in the manner provided by law for the collection and distribution of other property taxes.

Subd. 10. **Continuation of tax treatment upon sale.** When real property qualifying under subdivision 2 is sold, additional taxes must not be extended against the property if the property continues to qualify under subdivision 2, and the new owner files an application with the assessor for continued deferment within 30 days after the sale.

EFFECTIVE DATE. This section is effective for taxes assessed in 2009, payable in 2010, and thereafter, except that for the 2009 assessment year, the application date under subdivision 5 shall be September 1, 2009, and subdivision 6 is effective the day following final enactment.

Sec. 16. Minnesota Statutes 2006, section 273.112, subdivision 3, is amended to read:

Subd. 3. **Requirements.** 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, polo, soccer, or archery or firearms range recreational use or other recreational 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;

(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 for use in the case of real estate devoted to golf 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.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

Sec. 17. **[273.113] TAX CREDIT FOR PROPERTY IN BOVINE TUBERCULOSIS MANAGEMENT ZONES.**

Subdivision 1. **Definition.** For the purposes of this section, the following terms have the meaning given to them:

(1) "bovine tuberculosis management zone" means the area within the ten-mile radius around the five presumptive tuberculosis-positive deer sampled during the fall 2006 hunter-harvested surveillance effort; and

(2) "located within" means that the herd is kept in the area for at least a part of the year.

Subd. 2. **Eligibility; amount of credit.** Agricultural land classified as class 2a or 2b under section 273.13, subdivision 23, located in a bovine tuberculosis management zone is eligible for a property tax credit if the owner has eradicated a cattle herd that had been located within that land in order to prevent the onset or spreading of bovine tuberculosis. The credit is equal to the property tax on the parcel where the herd had been located. To begin to qualify for the tax credit, the owner shall file an application with the county by January 2 of the year after the calendar year when the herd was eradicated. The credit must be given for each payable tax year following the calendar year when the herd was eradicated and must terminate for all payable tax years beginning after the calendar year when a new herd of cattle was placed on the land. The assessor shall indicate the amount of the property tax reduction on the property tax statement of each taxpayer receiving a credit under this section. The credit paid pursuant to this section shall be deducted from the tax due on the property as provided in section 273.1393.

Subd. 3. **Reimbursement for lost revenue.** The county auditor shall certify to the commissioner of revenue, as part of the abstracts of tax lists required to be filed with the commissioner under section 275.29, the amount of tax lost to the county from the property tax credit under subdivision 2. Any prior year adjustments must also be certified in the abstracts of tax lists. The commissioner of revenue shall review the certifications to determine their accuracy. The commissioner may make the changes in the certification that are considered necessary or return a certification to the county auditor for corrections. The commissioner shall reimburse each taxing district for the taxes lost. The payments must be made at the time provided in section 273.1398, subdivision 6, for payment to taxing jurisdictions in the same proportion that the ad valorem tax is distributed. The amount

necessary to make the reimbursements under this section is annually appropriated from the general fund to the commissioner of revenue.

Subd. 4. **Termination of credit.** The credit provided under this section ceases to be available beginning with any assessment year following the date when the Board of Animal Health has certified that the state is free of bovine tuberculosis.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

Sec. 18. Minnesota Statutes 2006, section 273.124, subdivision 11, is amended to read:

Subd. 11. **Limitation on homestead treatment.** ~~(a) For taxes payable in 2003 through 2005 only,~~ If the assessor has classified a property as both homestead and nonhomestead, the greater o~~f:~~ (1) the value attributable to the portion of the property used as a homestead~~;~~ or (2) ~~the homestead value amount determined under paragraph (b)~~ $76,000, is entitled to assessment as a homestead under section 273.13, subdivision 22 or 23.

~~(b) For taxes payable in 2003 only, the homestead value amount is $60,000. For taxes payable in 2004 only, the homestead value amount is $45,000. For taxes payable in 2005 only, the homestead value amount is $30,000.~~

~~The homestead value amount must not exceed the property's taxable market value.~~

~~(c)~~ The limitation in this section does not apply to buildings containing fewer than four residential units or to a single rented or leased dwelling unit located within or attached to a private garage or similar structure owned by the owner of a homestead and located on the premises of that homestead. If the assessor has classified a property as both homestead and nonhomestead, the reductions in tax provided under sections 273.135 and 273.1391 apply to the value of both the homestead and the nonhomestead portions of the property.

EFFECTIVE DATE. This section is effective for taxes levied in 2008, payable in 2009, and thereafter.

Sec. 19. Minnesota Statutes 2006, section 273.13, subdivision 23, as amended by Laws 2008, chapter 154, article 2, section 12, 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 the first tier valuation limit of agricultural homestead property has a net class rate of ~~0.55~~ 0.5 percent of market value. The remaining property over the first tier has a class rate of one percent of market value. For purposes of this subdivision, the "first tier valuation limit of agricultural homestead property" and "first tier" means the limit certified under section 273.11, subdivision 23.

(b) Class 2b property is (1) unplatted 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),~~ that consists of at least ten acres, including land used

for growing trees for timber, lumber, and wood and wood products, but not including land used for agricultural purposes, provided that the presence of a minor, ancillary nonresidential structure does not disqualify property from classification under this clause; (2) real estate that is nonhomestead agricultural land; ~~or (4)~~ (3) a landing area or public access area of a privately owned public use airport; or (4) land with a commercial aggregate deposit that is not actively being mined and is not otherwise classified as class 2a under paragraph (a) or 2b, under clauses (1) to (3). Class 2b property has a net class rate of one percent of market value, except that property described in clause (1) has a net class rate of .65 percent if it consists of no more than 1,920 acres and is being managed under a forest management plan that meets the requirements of chapter 290C, but is not enrolled in the sustainable forest resource management incentive program, provided that the owner of the property must apply to the assessor annually to receive the reduced class rate and provide the information required by the assessor to verify that the property qualifies for the reduced rate.

(c) Agricultural land as used in this section means contiguous acreage of ~~ten~~ 20 acres or more, used during the preceding year for agricultural purposes. "Agricultural purposes" as used in this section means the raising or cultivation of agricultural products. "Agricultural purposes" also includes enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198 or a similar state or federal conservation program, but only if the property was classified as agricultural (i) under this subdivision for the assessment year 2002 or (ii) in the year prior to its enrollment. Contiguous acreage on the same parcel, or contiguous acreage on an immediately adjacent parcel under the same ownership, may also qualify as agricultural land, but only if it is pasture, timber, waste, unusable wild land, or land included in state or federal farm programs. Agricultural classification for property shall be determined excluding the house, garage, and immediately surrounding one acre of land, and shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

(d) Real estate, excluding the house, garage, and immediately surrounding one acre of land, of less than ~~ten~~ 20 acres ~~which is exclusively and intensively used for raising or cultivating agricultural products,~~ shall be considered as agricultural land only if:

(1) at least ten contiguous acres were tilled or pastured to produce an agricultural product for sale in three of the last five years;

(2) at least 75 percent of the acres are used exclusively for storage of grain or storage of machinery or equipment used to support the agricultural activities on other parcels under the same ownership;

(3) the entire parcel is tilled or used for pasture;

(4) the land mass contains a licensed nursery, provided that only those acres used to produce nursery stock are considered agricultural land;

(5) the parcel is used primarily for a livestock or poultry confinement process; or

(6) the parcel is used primarily for market farming; for purposes of this subdivision, "market farming" means the cultivation of one or more fruits or vegetables or production of animal or other agricultural products for sale to local markets by the farmer or an organization with which the farmer is affiliated.

Land shall be classified as agricultural even if all or a portion of the agricultural use of that property is the leasing to, or use by another person for agricultural purposes.

An assessor may classify the part of a parcel described in this paragraph that is used for agricultural purposes as class 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use.

Classification under this subdivision is not determinative for qualifying under section 273.111.

The property classification under this section supersedes, for property tax purposes only, any locally administered agricultural policies or land use restrictions that define minimum or maximum farm acreage.

(e) The term "agricultural products" as used in this subdivision includes production for sale of:

(1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains, bees, and apiary products by the owner;

(2) fish bred for sale and consumption if the fish breeding occurs on land zoned for agricultural use;

(3) the commercial boarding of horses 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;

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

(6) insects primarily bred to be used as food for animals;

(7) trees, grown for sale as a crop, including short rotation woody crops, and not sold for timber, lumber, wood, or wood products; and

(8) maple syrup taken from trees grown by a person licensed by the Minnesota Department of Agriculture under chapter 28A as a food processor.

(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) To qualify for classification under paragraph (b), clause (4), the property must be at least ten contiguous acres in size and the owner of the property must record with the county recorder of the county in which the property is located an affidavit containing:

(1) a legal description of the property;

(2) a disclosure that the property contains a commercial aggregate deposit that is not actively being mined but is present on the entire parcel enrolled;

(3) documentation that the conditional use under the county or local zoning ordinance of this property is for mining; and

(4) documentation that a permit has been issued by the local unit of government or the mining activity is allowed under local ordinance. The disclosure must include a statement from a registered professional geologist, engineer, or soil scientist delineating the deposit and certifying that it is a commercial aggregate deposit.

For purposes of this section and section 273.1115, "commercial aggregate deposit" means a deposit that will yield crushed stone or sand and gravel that is suitable for use as a construction

aggregate; and "actively mined" means the removal of top soil and overburden in preparation for excavation or excavation of a commercial deposit.

(i) When any portion of the property under this subdivision or subdivision 22 begins to be actively mined, the owner must file a supplemental affidavit within 60 days from the day any aggregate is removed stating the number of acres of the property that is actively being mined. The acres actively being mined must be (1) valued and classified under subdivision 24 in the next subsequent assessment year, and (2) removed from the aggregate resource preservation property tax program under section 273.1115, if the land was enrolled in that program. Copies of the original affidavit and all supplemental affidavits must be filed with the county assessor, the local zoning administrator, and the Department of Natural Resources, Division of Land and Minerals. A supplemental affidavit must be filed each time a subsequent portion of the property is actively mined, provided that the minimum acreage change is five acres, even if the actual mining activity constitutes less than five acres.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

Sec. 20. Minnesota Statutes 2006, section 273.13, subdivision 24, is amended to read:

Subd. 24. **Class 3.** (a) Commercial and industrial property and utility real and personal property is class 3a.

(1) Except as otherwise provided, each parcel of commercial, industrial, or utility real property has a class rate of 1.5 percent of the first tier of market value, and 2.0 percent of the remaining market value. In the case of contiguous parcels of property owned by the same person or entity, only the value equal to the first-tier value of the contiguous parcels qualifies for the reduced class rate, except that contiguous parcels owned by the same person or entity shall be eligible for the first-tier value class rate on each separate business operated by the owner of the property, provided the business is housed in a separate structure. For the purposes of this subdivision, the first tier means the first $150,000 of market value. Real property owned in fee by a utility for transmission line right-of-way shall be classified at the class rate for the higher tier.

For purposes of this subdivision, parcels are considered to be contiguous even if they are separated from each other by a road, street, waterway, or other similar intervening type of property. Connections between parcels that consist of power lines or pipelines do not cause the parcels to be contiguous. Property owners who have contiguous parcels of property that constitute separate businesses that may qualify for the first-tier class rate shall notify the assessor by July 1, for treatment beginning in the following taxes payable year.

(2) ~~All~~ Personal property that is~~: (i)~~ part of an electric generation~~, transmission, or distribution~~ system~~; or (ii)~~, including tools, implements, and machinery, has a class rate of 2.5 percent for taxes levied in 2008, payable in 2009, and 2.8 percent for taxes levied in 2009, payable in 2010, and thereafter.

(3) Personal property that is either: (i) part of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products~~; and (iii) not described in clause (3), and all~~, including tools, implements, and machinery, or (ii) part of an electric transmission or distribution system, including tools, implements, and machinery, has a class rate of 2.15 percent for taxes levied in 2008, payable in 2009, and 2.25 percent for taxes levied in 2009, payable in 2010, and thereafter.

(4) railroad operating property has a class rate as provided under clause (1) for the first tier of market value and the remaining market value. In the case of multiple parcels in one county that are owned by one person or entity, only one first tier amount is eligible for the reduced rate.

~~(3) The entire market value of personal property that is: (i) tools, implements, and machinery of an electric generation, transmission, or distribution system; (ii) tools, implements, and machinery of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; or (iii) the~~ (5) Personal property consisting of mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, has a class rate as provided under clause (1) for the remaining market value in excess of the first tier.

(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b. The class rates for class 3b property are determined under paragraph (a).

EFFECTIVE DATE. This section is effective for taxes levied in 2008, payable in 2009, and thereafter.

Sec. 21. Minnesota Statutes 2006, section 273.13, subdivision 25, as amended by Laws 2008, chapter 154, article 2, section 13, is amended to read:

Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. The market value of class 4a property has a class rate of 1.25 percent.

(b) Class 4b includes:

(1) residential real estate containing less than four units that does not qualify as class 4bb~~, other than seasonal residential recreational property~~;

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

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units; and

(4) unimproved property that is classified residential as determined under subdivision 33.

The market value of class 4b property has a class rate of 1.25 percent.

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit~~, other than seasonal residential recreational property~~; and

(2) a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4bb property has the same class rates as class 1a property under subdivision 22.

~~Property that has been classified as seasonal residential recreational property at any time during~~

~~which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.~~

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), or subdivision 23, paragraph (b), clause (1), real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes, ~~including real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes~~ and not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. Class 4c property must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 4c property must provide recreational activities such as renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. A camping pad offered for rent by a property that otherwise qualifies for class 4c is also class 4c regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. In order for a property to be classified as class 4c, ~~seasonal residential recreational for commercial purposes,~~ at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (ii) at least 20 percent of the annual gross receipts must be from charges for rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for marina services, launch services, and guide services, or the sale of bait and fishing tackle. For purposes of this determination, a paid booking of five or more nights shall be counted as two bookings. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 4c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated class 4c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 4c property must provide guest registers or other records demonstrating that the units for which class 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 4c;

(2) qualified property used as a golf course if:

(i) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property;

(3) real property up to a maximum of three acres of land owned and used by a nonprofit community service oriented organization and that is not used for residential purposes on either a temporary or permanent basis, qualifies for class 4c provided that it meets either of the following:

(i) the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment; or

(ii) the organization makes annual charitable contributions and donations at least equal to the property's previous year's property taxes and the property is allowed to be used for public and community meetings or events for no charge, as appropriate to the size of the facility.

For purposes of this clause,

(A) "charitable contributions and donations" has the same meaning as lawful gambling purposes under section 349.12, subdivision 25, excluding those purposes relating to the payment of taxes, assessments, fees, auditing costs, and utility payments;

(B) "property taxes" excludes the state general tax;

(C) a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31, 1990; and

(D) "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises.

Any portion of the property qualifying under item (i) 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.

The organization shall maintain records of its charitable contributions and donations and of public meetings and events held on the property and make them available upon request any time to the assessor to ensure eligibility. An organization meeting the requirement under item (ii) must file an application by May 1 with the assessor for eligibility for the current year's assessment. The commissioner shall prescribe a uniform application form and instructions;

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

(5) manufactured home parks as defined in section 327.14, subdivision 3;

(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2;

(7) a leased or privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land is on an airport owned or operated by a city, town, county, Metropolitan Airports Commission, or group thereof; and

(ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale;

(8) a privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land abuts a public airport; and

(ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use or activity performed at the hangar; and

(9) residential real estate, a portion of which is used by the owner for homestead purposes, and that is also a place of lodging, if all of the following criteria are met:

(i) rooms are provided for rent to transient guests that generally stay for periods of 14 or fewer days;

(ii) meals are provided to persons who rent rooms, the cost of which is incorporated in the basic room rate;

(iii) meals are not provided to the general public except for special events on fewer than seven days in the calendar year preceding the year of the assessment; ~~and~~

(iv) the owner is the operator of the property; and

(v) real property up to a maximum of three acres and operated as a restaurant as defined under section 157.15, subdivision 12, provided it: (A) is located on a lake as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and (B) is either devoted to commercial purposes for not more than 250 consecutive days, or receives at least 60 percent of its annual gross receipts from business conducted during four consecutive months. Gross receipts from the sale of

alcoholic beverages must be included in determining the property's qualification under subitem (B). The property's primary business must be as a restaurant and not as a bar. Gross receipts from gift shop sales located on the premises must be excluded. Owners of real property desiring 4c classification under this clause must submit an annual declaration to the assessor by February 1 of the current assessment year, based on the property's relevant information for the preceding assessment year.

The market value subject to the 4c classification under this clause is limited to five rental units. Any rental units on the property in excess of five, must be valued and assessed as class 3a. The portion of the property used for purposes of a homestead by the owner must be classified as class 1a property under subdivision 22.

Class 4c property has a class rate of 1.5 percent of market value, except that (i) ~~each parcel of seasonal residential recreational property not used for commercial purposes has the same class rates as class 4bb property, (ii)~~ manufactured home parks assessed under clause (5) have the same class rate as class 4b property, ~~(iii)~~ (ii) commercial-use seasonal residential recreational property has a class rate of one percent for the first $500,000 of market value, and 1.25 percent for the remaining market value, ~~(iv)~~ (iii) the market value of property described in clause (4) has a class rate of one percent, ~~(v)~~ (iv) the market value of property described in clauses (2) and (6) has a class rate of 1.25 percent, and ~~(vi)~~ (v) that portion of the market value of property in clause (9) qualifying for class 4c property has a class rate of 1.25 percent.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.128, subdivision 3, only the proportion of qualifying units to the total number of units in the building qualify for class 4d. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

Class 4d property has a class rate of 0.75 percent.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

Sec. 22. Minnesota Statutes 2006, section 273.13, subdivision 33, is amended to read:

Subd. 33. **Classification of unimproved property.** (a) All real property that is not improved with a structure must be classified according to its current use.

(b) Except as provided in subdivision 23, paragraph (b), clause (1), real property that is not improved with a structure and for which there is no identifiable current use must be classified according to its highest and best use permitted under the local zoning ordinance. If the ordinance permits more than one use, the land must be classified according to the highest and best use permitted under the ordinance. If no such ordinance exists, the assessor shall consider the most likely potential use of the unimproved land based upon the use made of surrounding land or land in proximity to the unimproved land.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

Sec. 23. Minnesota Statutes 2007 Supplement, section 273.1393, is amended to read:

273.1393 COMPUTATION OF NET PROPERTY TAXES.

Notwithstanding any other provisions to the contrary, "net" property taxes are determined by subtracting the credits in the order listed from the gross tax:

(1) disaster credit as provided in sections 273.1231 to 273.1235;

(2) powerline credit as provided in section 273.42;

(3) agricultural preserves credit as provided in section 473H.10;

(4) enterprise zone credit as provided in section 469.171;

(5) disparity reduction credit;

(6) conservation tax credit as provided in section 273.119;

(7) homestead and agricultural credits as provided in section 273.1384;

(8) taconite homestead credit as provided in section 273.135; ~~and~~

(9) supplemental homestead credit as provided in section 273.1391; and

(10) the bovine tuberculosis eradication credit.

The combination of all property tax credits must not exceed the gross tax amount.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

Sec. 24. Minnesota Statutes 2006, section 273.19, subdivision 1, is amended to read:

Subdivision 1. **Tax-exempt property; lease.** Except as provided in subdivision 3 or 4, tax-exempt property held under a lease for a term of at least one year, and not taxable under section 272.01, subdivision 2, or under a contract for the purchase thereof, shall be considered, for all purposes of taxation, as the property of the person holding it. In this subdivision, "tax-exempt property" means property owned by the United States, the state, a school, or any religious, scientific, or benevolent society or institution, incorporated or unincorporated, or any corporation whose property is not taxed in the same manner as other property. This subdivision does not apply to property exempt from taxation under section 272.01, subdivision 2, paragraph (b), clauses (2), (3), and (4), and does not apply to federal or state government fee land that is leased or rented for noncommercial seasonal recreational or noncommercial seasonal recreational residential use.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

Sec. 25. Minnesota Statutes 2006, section 275.025, subdivision 1, is amended to read:

Subdivision 1. **Levy amount.** The state general levy is levied against commercial-industrial property ~~and seasonal residential recreational property~~, as defined in this section. The state general levy base amount ~~is $592,000,000~~ for taxes payable in ~~2002. For taxes payable in subsequent years, the levy base amount is increased each year by multiplying the levy base amount for the prior year by the sum of one plus~~ 2009 is determined by increasing $746,900,000 by the rate of increase, if any, in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 of the year prior to the year

the taxes are payable. For taxes payable in 2010 and subsequent years, the tax is imposed at the rate set under this section for taxes payable in 2009. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F.

~~The commissioner shall increase or decrease the preliminary or final rate for a year as necessary to account for errors and tax base changes that affected a preliminary or final rate for either of the two preceding years. Adjustments are allowed to the extent that the necessary information is available to the commissioner at the time the rates for a year must be certified, and for the following reasons:~~

~~(1) an erroneous report of taxable value by a local official;~~

~~(2) an erroneous calculation by the commissioner; and~~

~~(3) an increase or decrease in taxable value for commercial-industrial or seasonal residential recreational property reported on the abstracts of tax lists submitted under section 275.29 that was not reported on the abstracts of assessment submitted under section 270C.89 for the same year.~~

~~The commissioner may, but need not, make adjustments if the total difference in the tax levied for the year would be less than $100,000.~~

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

Sec. 26. Minnesota Statutes 2006, section 275.025, subdivision 2, is amended to read:

Subd. 2. **Commercial-industrial tax capacity.** For the purposes of this section, "commercial-industrial tax capacity" means the tax capacity of all taxable property classified as class 3 or class 5(1) under section 273.13~~, except for electric generation attached machinery under class 3 and property described in section 473.625~~. County commercial-industrial tax capacity amounts are not adjusted for the captured net tax capacity of a tax increment financing district under section 469.177, subdivision 2, the net tax capacity of transmission lines deducted from a local government's total net tax capacity under section 273.425, or fiscal disparities contribution and distribution net tax capacities under chapter 276A or 473F.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

Sec. 27. Minnesota Statutes 2006, section 275.025, subdivision 4, is amended to read:

Subd. 4. **~~Apportionment and~~ Levy of state general tax.** ~~Ninety-five percent of the state general tax must be levied by applying a uniform rate to all commercial-industrial tax capacity and five percent of the state general tax must be levied by applying a uniform rate to all seasonal residential recreational tax capacity.~~ On or before October 1 each year, the commissioner of revenue shall certify the preliminary state general levy rates to each county auditor that must be used to prepare the notices of proposed property taxes for taxes payable in the following year. By January 1 of each year, the commissioner shall certify the final state general levy rate to each county auditor that shall be used in spreading taxes.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

Sec. 28. Minnesota Statutes 2006, section 275.065, is amended by adding a subdivision to read:

Subd. 1d. **Failure to certify proposed levy.** If a taxing authority fails to certify its proposed

levy by the due dates specified under subdivisions 1, 1a, and 1c, the county auditor shall use the authority's previous year's final levy under section 275.07, subdivision 1, for purposes of determining its proposed property tax notices and public advertisements under this section.

EFFECTIVE DATE. This section is effective for notices prepared in 2008, for property taxes payable in 2009, and thereafter.

Sec. 29. Minnesota Statutes 2006, section 278.05, subdivision 6, as amended by Laws 2008, chapter 154, article 2, section 20, is amended to read:

Subd. 6. **~~Dismissal of petition~~ Sanctions; exclusion of certain evidence.** (a) ~~In cases where~~ If the petitioner contests the valuation of income-producing property, the petitioner must produce the following information~~, including income and expense figures in the form of~~:

(1) year-end financial statements for the fiscal year prior to the assessment date~~,~~;

(2) year-end financial statements for the fiscal year ~~of~~ ending in the assessment ~~date, and~~ year;

(3) rent rolls ~~on~~ as of the assessment date ~~including tenant name, lease start and end dates, option terms, base rent, square footage leased and vacant space, verified net rentable areas in the form of~~;

(4) net rentable square footage of the building or buildings~~,~~; and

(5) ~~anticipated income and expenses in the form of~~ proposed budgets for the fiscal year ~~subsequent to the year of~~ after the assessment ~~date,~~ year.

The information must be provided to the county assessor no later than 60 days after the applicable filing deadline contained in section 278.01, subdivision 1 or 4. Failure to provide the information required in this paragraph shall result in ~~the dismissal of the petition, unless (1) the failure to provide it was due to the unavailability of the evidence at the time that the information was due, or (2)~~ sanctions under Rule 37 of the Minnesota Rules of Civil Procedure. It shall be a defense to a motion for sanctions under this subdivision if the petitioner demonstrates that the required information was not available at the time of the required production under this subdivision, or that the petitioner was not aware of or informed by the county assessor of the requirement to provide the information.

~~If the petitioner proves that the requirements under clause (2) are met, the petitioner has an additional 30 days to provide the information from the time the petitioner became aware of or was informed of the requirement to provide the information, otherwise the petition shall be dismissed.~~

(b) Provided that the information as contained in paragraph (a) is timely submitted to the county assessor, the county assessor shall furnish the petitioner at least five days before the hearing under this chapter with the property's appraisal, if any, which will be presented to the court at the hearing. The petitioner shall furnish to the county assessor at least five days before the hearing under this chapter with the property's appraisal, if any, which will be presented to the court at the hearing. An appraisal of the petitioner's property done by ~~or for the county~~ either party shall not be admissible as evidence if ~~the county assessor does not comply with the provisions in this paragraph. The petition shall be dismissed if the petitioner~~ that party does not comply with the provisions ~~in~~ of this ~~paragraph~~ subdivision.

EFFECTIVE DATE. This section is effective for petitions filed for taxes payable in 2009 and thereafter.

Sec. 30. Minnesota Statutes 2006, section 280.39, as amended by Laws 2008, chapter 154, article 2, section 22, is amended to read:

280.39 DELINQUENT TAXES MAY BE PAID IN INVERSE ORDER.

In any case where taxes for two or more years are delinquent against a parcel of land, the taxes, or a portion of them, if held by the state, may be paid in the inverse order to that in which the taxes were levied, with accrued penalties, interest, and costs upon the taxes so paid, without payment of the taxes for the first of such years; provided, that such payment shall not affect the lien of any unpaid taxes or tax judgment. Payments for delinquent taxes for a part of a year may be accepted if payment is received under section 290A.10, and must be applied in the order specified in this section.

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

Sec. 31. Minnesota Statutes 2006, section 290A.10, is amended to read:

290A.10 PROOF OF TAXES PAID.

Subdivision 1. **Generally.** Every claimant who files a claim for relief for property taxes payable shall include with the claim a property tax statement or a reproduction thereof in a form deemed satisfactory by the commissioner of revenue indicating that there are no delinquent property taxes on the homestead. Indication on the property tax statement from the county treasurer that there are no delinquent taxes on the homestead shall be sufficient proof. Taxes included in a confession of judgment under section 279.37 shall not constitute delinquent taxes as long as the claimant is current on the payments required to be made under section 279.37.

Subd. 2. **Delinquent taxes.** The governing body of a county may, by resolution, allow claimants who would otherwise qualify for a refund, except for a property tax delinquency under sections 279.02 and 279.03 on the homestead, to be eligible for the refund but only if the refund is sent by electronic payment to the county where the homestead on which property taxes are delinquent is located, to be applied to the claimant's delinquent taxes under section 280.39.

EFFECTIVE DATE. This section is effective for claims based on taxes payable in 2009 and thereafter.

Sec. 32. Minnesota Statutes 2006, section 365.243, is amended by adding a subdivision to read:

Subd. 3. **Levy for first responder association.** A county board may annually levy taxes on property located within the area of unorganized territory to which a first responder or fire protection association provides first responder services. By July 1 of the levy year, the association must certify to the county board the area of the unorganized township to which the association will provide first responder services during the following calendar year. The proceeds of the levy must be distributed to the association.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

Sec. 33. Minnesota Statutes 2006, section 365A.095, is amended to read:

365A.095 PETITION FOR REMOVAL OF DISTRICT; PROCEDURE; REFUND OF SURPLUS.

Subdivision 1. **Petition; procedure.** A petition signed by at least 75 percent of the property owners in the territory of the subordinate service district requesting the removal of the district may be presented to the town board. Within 30 days after the town board receives the petition, the town clerk shall determine the validity of the signatures on the petition. If the requisite number of signatures are certified as valid, the town board must hold a public hearing on the petitioned matter. Within 30 days after the end of the hearing, the town board must decide whether to discontinue the subordinate service district, continue as it is, or take some other action with respect to it.

Subd. 2. **Option to refund surplus.** If the district is removed under subdivision 1, after all outstanding obligations of the district have been paid in full, the town board may vote to refund any surplus tax revenue or service charge, or any part of it, collected from the district under section 365A.08. The refund must be distributed equally to the owners of any property within the discontinued district that were charged the extra tax or service fee during the most recent tax year for which the tax or service fee was imposed. Any surplus not refunded under this section must be transferred to the town's general fund.

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

Sec. 34. Minnesota Statutes 2006, section 473.446, subdivision 2, is amended to read:

Subd. 2. **Transit taxing district.** The metropolitan transit taxing district ~~is hereby designated as that portion of the metropolitan transit area lying within the following named cities, towns, or unorganized territory within the counties indicated:~~

~~(a) Anoka County. Anoka, Blaine, Centerville, Columbia Heights, Coon Rapids, Fridley, Circle Pines, Hilltop, Lexington, Lino Lakes, Spring Lake Park;~~

~~(b) Carver County. Chanhassen, the city of Chaska;~~

~~(c) Dakota County. Apple Valley, Burnsville, Eagan, Inver Grove Heights, Lilydale, Mendota, Mendota Heights, Rosemount, South St. Paul, Sunfish Lake, West St. Paul;~~

~~(d) Ramsey County. All of the territory within Ramsey County;~~

~~(e) Hennepin County. Bloomington, Brooklyn Center, Brooklyn Park, Champlin, Chanhassen, Crystal, Deephaven, Eden Prairie, Edina, Excelsior, Golden Valley, Greenwood, Hopkins, Long Lake, Maple Grove, Medicine Lake, Minneapolis, Minnetonka, Minnetonka Beach, Mound, New Hope, Orono, Osseo, Plymouth, Richfield, Robbinsdale, St. Anthony, St. Louis Park, Shorewood, Spring Park, Tonka Bay, Wayzata, Woodland, the unorganized territory of Hennepin County;~~

~~(f) Scott County. Prior Lake, Savage, Shakopee;~~

~~(g) Washington County. Baytown, the city of Stillwater, White Bear Lake, Bayport, Birchwood, Cottage Grove, Dellwood, Lake Elmo, Landfall, Mahtomedi, Newport, Oakdale, Oak Park Heights, Pine Springs, St. Paul Park, Willernie, Woodbury~~ means the metropolitan area.

The Metropolitan Council in its sole discretion may provide transit service by contract ~~beyond the boundaries of the metropolitan transit taxing district or~~ to cities and towns ~~within the taxing district~~ which are receiving financial assistance under section 473.388, upon petition therefor by an interested city, township or political subdivision within the metropolitan transit area. The Metropolitan Council may establish such terms and conditions as it deems necessary and advisable

for providing the transit service, including such combination of fares and direct payments by the petitioner as will compensate the council for the full capital and operating cost of the service and the related administrative activities of the council. The amount of the levy made by any municipality to pay for the service shall be disregarded when calculation of levies subject to limitations is made, provided that cities and towns receiving financial assistance under section 473.388 shall not make a special levy under this subdivision without having first exhausted the available local transit funds as defined in section 473.388. The council shall not be obligated to extend service ~~beyond the boundaries of the taxing district, or~~ to cities and towns within the taxing district which are receiving financial assistance under section 473.388, under any law or contract unless or until payment therefor is received.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

Sec. 35. Minnesota Statutes 2006, section 473.446, subdivision 8, is amended to read:

Subd. 8. **State review.** The commissioner of revenue shall certify the council's levy limitation under this section to the council by August 1 of the levy year. The council must certify its proposed property tax levy under this section to the commissioner of revenue by September 1 of the levy year. The commissioner of revenue shall annually determine whether the property tax for transit purposes certified by the council for levy following the adoption of its proposed budget is within the levy limitation imposed by ~~subdivisions~~ subdivision 1 ~~and 1b~~. ~~The commissioner shall also annually determine whether the transit tax imposed on all taxable property within the metropolitan transit area but outside of the metropolitan transit taxing district is within the levy limitation imposed by subdivision 1a.~~ The determination must be completed prior to September 10 of each year. If current information regarding market valuation in any county is not transmitted to the commissioner in a timely manner, the commissioner may estimate the current market valuation within that county for purposes of making the calculations.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

Sec. 36. Laws 2008, chapter 154, article 2, section 27, is amended to read:

[360.0427] TAX LEVY MAY BE CERTIFIED BY AN AIRPORT AUTHORITY.

~~In any year in which it imposes~~ Imposition of a property tax levy under sections 275.065 to 275.07, ~~which~~ requires an affirmative vote of at least two-thirds of the members of the authority~~, an airport authority must submit its proposed levy to the governing body of the municipality that contains the airport. The municipal governing body may approve or modify the amount of the levy, and, when it has determined the amount, the authority must certify to the auditor of the county where the airport is located the amount to be levied on all taxable property within the boundaries of the airport authority~~.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

Sec. 37. **ASSESSMENT OF PROPERTIES OF PURELY PUBLIC CHARITIES.**

Subdivision 1. **Application.** To facilitate a review by the 2009 legislature of the property tax exemption for property of nonprofit organizations as purely public charities and the development of standards and criteria for the tax status of these facilities, this section:

(1) requires the commissioner of revenue to conduct an analysis of standards applied to

determine the tax status of these organizations; and

(2) prohibits changes in assessment practices and policies regarding the property of these organizations.

Subd. 2. **Report by commissioner of revenue.** The commissioner of revenue shall survey all county assessors on the tax status of property of institutions of purely public charity located in the state, and report the findings to the chairs of the house and senate Tax Committees by February 1, 2009.

Subd. 3. **Moratorium on changes in assessment practices.** (a) An assessor may not change the current practices or policies used generally in assessing property of institutions of purely public charities.

(b) An assessor may not change the assessment of existing property of an organization of purely public charity, unless the change is made as a result of a change in ownership, occupancy, or use of the facility, or, for currently taxable properties, a change in market value of the property.

(c) This subdivision expires on the earlier of:

(1) the enactment of legislation establishing criteria for the property taxation of purely public charities; or

(2) final adjournment of the 2009 regular legislative session.

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

Sec. 38. **COMFORT LAKE-FOREST LAKE WATERSHED DISTRICT.**

Notwithstanding any law to the contrary, the Comfort Lake-Forest Lake Watershed District established under Minnesota Statutes, chapter 103D, shall be considered a watershed management organization as defined in Minnesota Statutes, section 103B.205, subdivision 13. The Comfort Lake-Forest Lake Watershed District shall manage or plan for the management of surface water within the watershed district boundary in Chisago and Washington Counties as it existed on April 1, 2008, through the authorities contained in Minnesota Statutes, sections 103B.205 to 103B.255 and chapter 103D.

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

Sec. 39. **ST. LOUIS COUNTY; DEBT SERVICE FOR SANITARY DISTRICT BONDS.**

In any year in which the revenues derived from the mortgage and deed tax imposed under Minnesota Statutes, section 383C.799, are insufficient to pay when due one-half of the debt service on the Duluth-North Shore Sanitary District bonds, series 2002, which were sold to pay for construction of the sanitary sewer collection system, St. Louis County must provide to the Duluth-North Shore Sanitary District any additional amount sufficient to pay the debt service. Total payments for all years under Minnesota Statutes, section 383C.799, and this section must not exceed $4,500,000.

Sec. 40. **STUDY OF AGRICULTURAL VALUES; REPORT TO THE LEGISLATURE.**

The commissioner of revenue shall study the valuation of agricultural property in the state by

creating a study group composed of assessors, agricultural economists, and representatives of the Department of Agriculture. The results of the study must be presented to the chairs of the senate and house committees on taxes by January 15, 2009.

Sec. 41. **REPEALER.**

Minnesota Statutes 2006, sections 272.027, subdivision 3; 275.025, subdivision 3; 279.01, subdivision 4; and 473.4461, are repealed.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

ARTICLE 3

SENIOR CITIZENS PROPERTY TAX CAP

Section 1. **[290D.01] MAXIMUM HOMESTEAD PROPERTY TAX PROGRAM.**

Subdivision 1. **Maximum homestead property tax.** The property taxes payable by a qualified taxpayer on a qualified homestead must not exceed the lesser of (1) the maximum tax amount determined under subdivision 2, or (2) the amount otherwise provided by law without regard to the provisions of this chapter.

Subd. 2. **Determination of maximum tax amount.** The maximum tax amount is the amount of property taxes payable in the base year, but increased by any tax amounts attributable to (1) an increase after the base year in the square footage of the dwelling, (2) the market value of any other improvements made after the base year exceeding 15 percent of the estimated market value of the homestead for the assessment year prior to the year the improvements are initially assessed, or (3) voter-approved levies exceeding the amount attributable to voter-approved levies in the base year.

Sec. 2. **[290D.02] DEFINITIONS.**

(a) For purposes of this chapter, the terms in this section have the meanings given them.

(b) "Base year" means the taxes payable year in which the taxpayer is qualified and in which the taxpayer has applied to the commissioner of revenue and been initially approved for the program for taxes payable in the following year by the commissioner under section 290D.04.

(c) "Property taxes payable" means the net property taxes payable on the qualified homestead excluding special assessments, interest, and penalties, and before any refund under chapter 290A.

(d) "Qualified homestead" means the dwelling occupied as the taxpayer's principal residence and so much of the land surrounding it as is reasonably necessary for use of the dwelling as a home and any other property used for purposes of a homestead as defined in section 273.13, subdivisions 22 and 23, but not to exceed the immediately surrounding one acre of land in the case of homestead property classified under section 273.13, subdivision 23. The homestead may be part of a multidwelling building and the land on which it is built.

(e) "Qualified taxpayer" means a person who meets the program participation requirements in section 290D.03.

Sec. 3. **[290D.03] PROGRAM PARTICIPATION REQUIREMENTS; QUALIFIED TAXPAYER.**

The qualifications for participation in the maximum homestead property tax program are as follows:

(1) the property must be owned and occupied as a homestead in a county that has approved the program by a person 65 years of age or older. In the case of a married couple, both the spouses must be at least 65 years old regardless of whether the property is titled in the name of one spouse or both spouses, or titled in another way that permits the property to have homestead status;

(2) the taxpayer's total household income, as defined in section 290A.03, subdivision 5, for the calendar year preceding the year of the initial application may not exceed $40,000; and

(3) the homestead must have been owned and occupied as the homestead of at least one of the taxpayers for at least 25 years prior to the year the initial application is filed, regardless of whether the property is titled in the name of one spouse or both spouses, or a surviving spouse, or titled in any other way that permits the property to have homestead classification.

Sec. 4. **[290D.04] APPLICATION.**

Subdivision 1. **Initial application.** A qualified taxpayer may apply to the commissioner of revenue for participation in the program. Applications are due on or before June 1 for taxes payable the following year. A taxpayer may apply in the year in which the taxpayer becomes 65 years old. The application, prescribed by the commissioner of revenue, must include:

(1) the name, address, and Social Security number of the owner or owners;

(2) a copy of the property tax statement for the current payable year for the homestead property;

(3) the initial year of ownership and occupancy as a homestead;

(4) the owner's household income for the previous calendar year; and

(5) any other information the commissioner deems necessary.

Subd. 2. **Approval; notification.** The commissioner shall approve an initial application that qualifies under this chapter and shall notify the taxpayer on or before September 1. The commissioner may investigate the facts or require confirmation in regard to an application.

Subd. 3. **Excess-income certification by taxpayer.** The maximum tax amount does not apply for any assessment year for a taxpayer whose total household income for the previous year exceeds $40,000. A taxpayer whose initial application has been approved under subdivision 2 shall notify the commissioner of revenue in writing by June 1 if the taxpayer's household income for the preceding calendar year exceeded $40,000. The certification must state the homeowner's total household income for the previous calendar year. Participation in the program under this chapter is not allowed in any year following the year in which a program participant filed or should have filed an excess-income certification under this subdivision, unless the participant has filed a resumption of eligibility certification as described in subdivision 4. On or before September 1 each year, the commissioner shall notify the county auditor that the homestead no longer qualifies for a maximum tax amount.

Subd. 4. **Resumption of eligibility certification by taxpayer.** A taxpayer who has previously filed an excess-income certification under subdivision 3 may resume program participation if the taxpayer's household income for a subsequent year is $40,000 or less. If the taxpayer chooses to

resume program participation, the taxpayer must notify the commissioner of revenue in writing by June 1 of the year following a calendar year in which the taxpayer's household income is $40,000 or less. The certification must state the taxpayer's total household income for the previous calendar year. Once a taxpayer resumes participation in the program under this subdivision, participation will continue until the taxpayer files a subsequent excess-income certification under subdivision 3 or until participation is terminated under section 290D.06. On or before September 1, the commissioner shall notify the county auditor that the homestead qualifies for the maximum tax amount certified under section 290D.05, subdivision 1.

Subd. 5. **Penalty for failure to file excess-income certification; investigations.** (a) The commissioner shall assess a penalty equal to 20 percent of the reduction in taxes in the case of a false application, a false certification, or in the case of a required excess-income certification that was not filed as of the applicable due date. The commissioner shall assess a penalty equal to 50 percent of the reduction in taxes if the taxpayer knowingly filed a false application or certification, or knowingly failed to file a required excess-income certification by the applicable due date. The commissioner shall assess penalties under this section through the issuance of an order under the provisions of chapter 270C. Persons affected by a commissioner's order issued under this section may appeal as provided in chapter 270C.

(b) The commissioner may conduct investigations related to initial applications and excess-income certifications required under this chapter within the period ending 3-1/2 years from the due date of the application or certification.

Sec. 5. **[290D.05] CERTIFICATION BY COMMISSIONER; CALCULATION OF TAX, TAX RATE, AND LEVY BY COUNTY AUDITOR.**

Subdivision 1. **Commissioner certification.** On or before September 1 of the year of initial application, the commissioner of revenue shall certify to the county auditor of the county in which the property is located (1) that the property qualifies for the maximum tax amount, (2) the base year, and (3) the property taxes payable on the property in the base year.

Subd. 2. **County auditor calculations.** Each year, the county auditor shall determine the maximum homestead property tax amount for the property under section 290D.01. This is the amount that must be used for the notice of proposed property taxes under section 275.065, subdivision 3.

Subd. 3. **Adjustment of tax rate and levy.** (a) If requested by the taxing jurisdiction, the county auditor may estimate the total loss of revenue to the taxing jurisdiction for taxes levied in the current year under this chapter and adjust the tax rate accordingly. If the adjustment to the tax rate is made under this subdivision, in the following levy year the county auditor must adjust the levy of the taxing district to compensate for the amount of variance between the estimated and actual loss of revenues.

(b) If an adjustment is not made under paragraph (a), a taxing jurisdiction may increase its levy in the following year by the amount of any revenue loss under provisions of this chapter as certified by the county auditor.

(c) A levy adjustment under paragraph (a) or (b) is not subject to any levy limitations.

Sec. 6. **[290D.06] TERMINATION OF PROGRAM PARTICIPATION.**

Participation in the maximum homestead property tax program under this chapter terminates when one of the following occurs:

(1) the property is sold or transferred;

(2) all qualifying homeowners have died;

(3) the homeowner notifies the commissioner in writing that the homeowner cancels participation in the program; or

(4) the property no longer qualifies as a homestead.

Sec. 7. **EFFECTIVE DATE.**

Sections 1 to 6 are effective for taxes payable in 2008 and thereafter.

ARTICLE 4

INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES

Section 1. Minnesota Statutes 2006, section 290.01, subdivision 6b, is amended to read:

Subd. 6b. **Foreign operating corporation.** The term "foreign operating corporation," when applied to a corporation, means a domestic corporation with the following characteristics:

(1) it is part of a unitary business at least one member of which is taxable in this state;

(2) it is not a foreign sales corporation under section 922 of the Internal Revenue Code, as amended through December 31, 1999, for the taxable year;

(3) it is not an interest charge domestic international sales corporation under sections 992, 993, 994, and 995 of the Internal Revenue Code;

(4) either (i) ~~the average of the percentages of its property and payrolls, including the pro rata share of its unitary partnerships' property and payrolls, assigned to locations outside the United States, where the United States includes the District of Columbia and excludes the commonwealth of Puerto Rico and possessions of the United States, as determined under section 290.191 or 290.20, is 80 percent or more; or (ii)~~ it has in effect a valid election under section 936 of the Internal Revenue Code; or (ii) at least 80 percent of the gross income from all sources of the corporation in the tax year is active foreign business income; and

~~(4) it has $1,000,000 of payroll and $2,000,000 of property, as determined under section 290.191 or 290.20, that are located outside the United States. If the domestic corporation does not have payroll as determined under section 290.191 or 290.20, but it or its partnerships have paid $1,000,000 for work, performed directly for the domestic corporation or the partnerships, outside the United States, then paragraph (3)(i) shall not require payrolls to be included in the average calculation~~

(5) for purposes of this subdivision, active foreign business income means gross income that is (i) derived from sources without the United States, as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code; and (ii) attributable to the active conduct of a trade or business in a foreign country.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2007.

Sec. 2. Minnesota Statutes 2007 Supplement, section 290.01, subdivision 19b, as amended by Laws 2008, chapter 154, article 3, section 3, is amended to read:

Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

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

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

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

(4) income as provided under section 290.0802;

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

(6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E) of the Internal Revenue Code in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over $500 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code and under the provisions of Public Law 109-1;

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

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

(9) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero;

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

(11) to the extent included in federal taxable income, the amount of compensation paid to members of the Minnesota National Guard or other reserve components of the United States military for active service performed in Minnesota, excluding compensation for services performed under the Active Guard Reserve (AGR) program. For purposes of this clause, "active service" means (i) state active service as defined in section 190.05, subdivision 5a, clause (1); (ii) federally funded state active service as defined in section 190.05, subdivision 5b; or (iii) federal active service as defined in section 190.05, subdivision 5c, but "active service" excludes services performed exclusively for purposes of basic combat training, advanced individual training, annual training, and periodic inactive duty training; special training periodically made available to reserve members; and service performed in accordance with section 190.08, subdivision 3;

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

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

(14) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of

a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause;

(15) to the extent included in federal taxable income, compensation paid to a nonresident who is a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Service Member Civil Relief Act, Public Law 108-189, section 101(2); ~~and~~

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

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

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2007.

Sec. 3. Minnesota Statutes 2006, section 290.01, subdivision 19c, as amended by Laws 2008, chapter 154, article 3, section 4, is amended to read:

Subd. 19c. **Corporations; additions to federal taxable income.** For corporations, there shall be added to federal taxable income:

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

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

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

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

(5) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 and 965 of the Internal Revenue Code;

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

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

(8) the exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291

of the Internal Revenue Code;

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

~~(10) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, the amount of the amortization deduction allowed in computing federal taxable income for those facilities;~~

~~(11)~~ the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend shall be reduced by the amount of the addition to income required by clauses (19), (20), (21), and (22);

~~(12)~~ (11) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code;

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

~~(14)~~ (13) any increase in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 103 of Public Law 109-222;

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

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

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

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

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

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

(i) expenses, losses, and costs for, or related to, the direct or indirect acquisition, use,

maintenance or management, ownership, sale, exchange, or any other disposition of intangible property;

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

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

(iv) licensing fees; and

(v) other similar expenses and costs.

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

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

(20) except as already included in the taxpayer's taxable income pursuant to clause (19), any interest income and income generated from intangible property received or accrued by a foreign operating corporation that is a member of the taxpayer's unitary group. For purposes of this clause, income generated from intangible property includes:

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

(ii) income from factoring transactions or discounting transactions;

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

(iv) licensing fees; and

(v) other similar income.

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

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

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

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

in the United States.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2007.

Sec. 4. Minnesota Statutes 2006, section 290.01, subdivision 19d, as amended by Laws 2008, chapter 154, article 11, section 12, is amended to read:

Subd. 19d. **Corporations; modifications decreasing federal taxable income.** For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

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

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

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

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

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

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

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

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

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

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

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

(6) an amount for interest and expenses relating to income not taxable for federal income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and expenses were

disallowed as deductions under the provisions of section 171(a)(2), 265 or 291 of the Internal Revenue Code in computing federal taxable income;

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (9), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

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

~~(9)~~ amounts included in federal taxable income that are due to refunds of income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under section 290.01, subdivision 19c, clause (1), in a prior taxable year;

~~(10)~~ (9) 80 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation, unless the income resulting from such payments or accruals is income from sources within the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

~~(11)~~ (10) income or gains from the business of mining as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

~~(12)~~ (11) the amount of disability access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

~~(13)~~ (12) the amount of qualified research expenses not allowed for federal income tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that the amount exceeds the amount of the credit allowed under section 290.068;

~~(14)~~ (13) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code;

~~(15)~~ (14) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;

~~(16)~~ (15) for a corporation whose foreign sales corporation, as defined in section 922 of the Internal Revenue Code, constituted a foreign operating corporation during any taxable year ending before January 1, 1995, and a return was filed by August 15, 1996, claiming the deduction under section 290.21, subdivision 4, for income received from the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of income excluded under section 114 of the Internal Revenue Code, provided the income is not income of a foreign operating company;

~~(17)~~ (16) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 103 of Public Law 109-222;

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2007.

Sec. 5. Minnesota Statutes 2006, section 290.34, is amended by adding a subdivision to read:

Subd. 3a. **Transactions without economic substance.** (a) When any person, directly or indirectly, engages in a transaction or series of transactions without economic substance to create a loss or to reduce taxable income or to increase credits allowed in determining Minnesota tax, the commissioner must determine the amount of a taxpayer's taxable income or tax so as to reflect what would have been the taxpayer's taxable income or tax but for the transaction or transactions without economic substance causing the reduction in taxable income or tax.

(b) A transaction has economic substance only if a taxpayer shows by clear and convincing evidence:

(1) the transaction changes in a meaningful way (apart from federal, state, local, and foreign tax effects) the taxpayer's economic position; and

(2) the taxpayer has a substantial nontax purpose for entering into a transaction and the transaction is a reasonable means of accomplishing the substantial nontax purpose.

A transaction does not have a substantial nontax purpose if it does not have a potential for profit. A transaction has a substantial nontax purpose when the taxpayer reasonably expects that the pretax profit for the transaction is substantial in relation to the present value of the expected net tax benefits that would be allowed if the transaction were respected for tax purposes, and the reasonably expected pretax profit from the transaction exceeds the risk-free rate of return.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2007.

Sec. 6. Minnesota Statutes 2006, section 290.92, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (1) **Wages.** For purposes of this section, the term "wages" means the same as that term is defined in section 3401(a) and (f) of the Internal Revenue Code, except that provisions of section 530 of Public Law 95-600, as amended, do not apply.

(2) **Payroll period.** For purposes of this section the term "payroll period" means a period for which a payment of wages is ordinarily made to the employee by the employee's employer, and the

term "miscellaneous payroll period" means a payroll period other than a daily, weekly, biweekly, semimonthly, monthly, quarterly, semiannual, or annual payroll period.

(3) **Employee.** For purposes of this section the term "employee" means any resident individual performing services for an employer, either within or without, or both within and without the state of Minnesota, and every nonresident individual performing services within the state of Minnesota, the performance of which services constitute, establish, and determine the relationship between the parties as that of employer and employee. As used in the preceding sentence, the term "employee" includes an officer of a corporation, and an officer, employee, or elected official of the United States, a state, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing.

(4) **Employer.** For purposes of this section the term "employer" means any person, including individuals, fiduciaries, estates, trusts, partnerships, limited liability companies, and corporations transacting business in or deriving any income from sources within the state of Minnesota for whom an individual performs or performed any service, of whatever nature, as the employee of such person, except that if the person for whom the individual performs or performed the services does not have control of the payment of the wages for such services, the term "employer," except for purposes of paragraph (1), means the person having control of the payment of such wages. As used in the preceding sentence, the term "employer" includes any corporation, individual, estate, trust, or organization which is exempt from taxation under section 290.05 and further includes, but is not limited to, officers of corporations who have control, either individually or jointly with another or others, of the payment of the wages.

(5) **Number of withholding exemptions claimed.** For purposes of this section, the term "number of withholding exemptions claimed" means the number of withholding exemptions claimed in a withholding exemption certificate in effect under subdivision 5, except that if no such certificate is in effect, the number of withholding exemptions claimed shall be considered to be zero.

EFFECTIVE DATE. This section is effective for wages paid after December 31, 2008.

Sec. 7. **PURPOSE AND EFFECT.**

It is the intent of the legislature that the provisions of sections 1, 3, 4, and 5, must not be construed as supplanting any existing Minnesota law.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2007.

Sec. 8. **TRANSITION; POLLUTION CONTROL FACILITIES AMORTIZATION.**

The amount of additions to federal taxable income pursuant to Minnesota Statutes, section 290.01, subdivision 19c, clause (10), that are properly subtractable pursuant to Minnesota Statutes, section 290.01, subdivision 19d, clause (8), for taxable years beginning after December 31, 2007, and have not been subtracted pursuant to Minnesota Statutes, section 290.01, subdivision 19d, clause (8), are subtractable in the taxpayer's first taxable year beginning after December 31, 2007.

ARTICLE 5

SALES AND USE TAX

Section 1. Minnesota Statutes 2007 Supplement, section 297A.70, subdivision 3, is amended to read:

Subd. 3. **Sales of certain goods and services to government.** (a) The following sales to or use by the specified governments and political subdivisions of the state are exempt:

(1) repair and replacement parts for emergency rescue vehicles, fire trucks, and fire apparatus to a political subdivision;

(2) machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10;

(3) chore and homemaking services to a political subdivision of the state to be provided to elderly or disabled individuals;

(4) telephone services to the Office of Enterprise Technology that are used to provide telecommunications services through the enterprise technology revolving fund;

(5) firefighter personal protective equipment as defined in paragraph (b), if purchased or authorized by and for the use of an organized fire department, fire protection district, or fire company regularly charged with the responsibility of providing fire protection to the state or a political subdivision;

(6) bullet-resistant body armor that provides the wearer with ballistic and trauma protection, if purchased by a law enforcement agency of the state or a political subdivision of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

(7) motor vehicles purchased or leased by political subdivisions of the state if the vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b), exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax under section 297B.03, clause (12);

(8) equipment designed to process, dewater, and recycle biosolids for wastewater treatment facilities of political subdivisions, and materials incidental to installation of that equipment;

(9) sales to a town of gravel and of machinery, equipment, and accessories, except motor vehicles, used exclusively for road and bridge maintenance, and leases by a town of motor vehicles exempt from tax under section 297B.03, clause (10); ~~and~~

(10) the removal of trees, bushes, or shrubs for the construction and maintenance of roads, trails, or firebreaks when purchased by an agency of the state or a political subdivision of the state;

(11) purchases by the Metropolitan Council or the Department of Transportation of vehicles and repair parts to equip operations provided for in section 174.90, including, but not limited to, the Northstar Corridor Rail project; and

(12) propane-fueled motor vehicles leased by school districts, as defined under subdivision 2, paragraph (c), and used solely for the purpose of transporting pupils.

(b) For purposes of this subdivision, "firefighters personal protective equipment" means helmets, including face shields, chin straps, and neck liners; bunker coats and pants, including

pant suspenders; boots; gloves; head covers or hoods; wildfire jackets; protective coveralls; goggles; self-contained breathing apparatus; canister filter masks; personal alert safety systems; spanner belts; optical or thermal imaging search devices; and all safety equipment required by the Occupational Safety and Health Administration.

(c) For purchases of items listed in paragraph (a), clause (11), the tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2008, except that for purchases of items listed in paragraph (a), clause (11), it is effective retroactively for sales and purchases made after December 31, 2006.

Sec. 2. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 40. **Construction materials; Central Corridor light rail transit.** Materials and supplies used or consumed in, and equipment incorporated into, the construction or improvement of the Central Corridor light rail transit line and associated facilities including, but not limited to, stations, park-and-ride facilities, and maintenance facilities, are exempt. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75. Refunds must not be applied for or issued until after July 1, 2009.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2008.

Sec. 3. Minnesota Statutes 2006, section 297A.71, is amended by adding a subdivision to read:

Subd. 41. **Construction materials; Northstar Corridor rail project.** Materials and supplies used or consumed in, and equipment incorporated into, the construction or improvement of the Northstar Corridor rail project and associated facilities by a public entity or under a contract with a public entity including, but not limited to, track and signal improvements, stations, park-and-ride facilities, and maintenance facilities, are exempt. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after January 1, 2007.

Sec. 4. Minnesota Statutes 2006, section 297A.75, is amended to read:

297A.75 REFUND; APPROPRIATION.

Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following exempt items must be imposed and collected as if the sale were taxable and the rate under section 297A.62, subdivision 1, applied. The exempt items include:

(1) capital equipment exempt under section 297A.68, subdivision 5;

(2) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;

(3) building materials for mineral production facilities exempt under section 297A.71,

subdivision 14;

(4) building materials for correctional facilities under section 297A.71, subdivision 3;

(5) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;

(6) elevators and building materials exempt under section 297A.71, subdivision 12;

(7) building materials for the Long Lake Conservation Center exempt under section 297A.71, subdivision 17;

(8) materials, supplies, fixtures, furnishings, and equipment for a county law enforcement and family service center under section 297A.71, subdivision 26;

(9) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;

(10) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;

(11) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37; ~~and~~

(12) tangible personal property and taxable services and construction materials, supplies, and equipment exempt under section 297A.68, subdivision 41;

(13) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, clause (11); and

(14) materials, supplies, and equipment for construction or improvement of projects and facilities under section 297A.71, subdivisions 40 and 41.

Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the commissioner, a refund equal to the tax paid on the gross receipts of the exempt items must be paid to the applicant. Only the following persons may apply for the refund:

(1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;

(2) for subdivision 1, clauses (4), (7), and (8), the applicant must be the governmental subdivision;

(3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits provided in United States Code, title 38, chapter 21;

(4) for subdivision 1, clause (6), the applicant must be the owner of the homestead property;

(5) for subdivision 1, clause (9), the owner of the qualified low-income housing project;

(6) for subdivision 1, clause (10), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities; ~~and~~

(7) for subdivision 1, clauses (11) and (12), the owner of the qualifying business; and

(8) for subdivision 1, clauses (13) and (14), the applicant must be the governmental entity that owns or contracts for the project or facility.

Subd. 3. **Application.** (a) The application must include sufficient information to permit the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor, or builder, under subdivision 1, clause (4), (5), (6), (7), (8), (9), (10), (11), ~~or~~ (12), (13), or (14), the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items unless otherwise specifically provided by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

(b) An applicant may not file more than two applications per calendar year for refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

(c) Total refunds for purchases of items in sections 297A.70, subdivision 3, paragraph (a), clause (11), and 297A.71, subdivision 41, must not exceed $3,100,000 in fiscal year 2009. Applications for refunds for purchases of items in sections 297A.70, subdivision 3, paragraph (a), clause (11), and 297A.71, subdivision 41, must not be filed until after June 30, 2008.

Subd. 4. **Interest.** Interest must be paid on the refund at the rate in section 270C.405 from 90 days after the refund claim is filed with the commissioner for taxes paid under subdivision 1.

Subd. 5. **Appropriation.** The amount required to make the refunds is annually appropriated to the commissioner.

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

Sec. 5. Minnesota Statutes 2006, section 297B.03, is amended to read:

297B.03 EXEMPTIONS.

There is specifically exempted from the provisions of this chapter and from computation of the amount of tax imposed by it the following:

(1) purchase or use, including use under a lease purchase agreement or installment sales contract made pursuant to section 465.71, of any motor vehicle by the United States and its agencies and instrumentalities and by any person described in and subject to the conditions provided in section 297A.67, subdivision 11;

(2) purchase or use of any motor vehicle by any person who was a resident of another state or country at the time of the purchase and who subsequently becomes a resident of Minnesota, provided the purchase occurred more than 60 days prior to the date such person began residing in the state of Minnesota and the motor vehicle was registered in the person's name in the other state or country;

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

(4) purchase or use of any motor vehicle previously registered in the state of Minnesota when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code of 1986, as amended through December 31, 1999;

(5) purchase or use of any vehicle owned by a resident of another state and leased to a

Minnesota-based private or for-hire carrier for regular use in the transportation of persons or property in interstate commerce provided the vehicle is titled in the state of the owner or secured party, and that state does not impose a sales tax or sales tax on motor vehicles used in interstate commerce;

(6) purchase or use of a motor vehicle by a private nonprofit or public educational institution for use as an instructional aid in automotive training programs operated by the institution. "Automotive training programs" includes motor vehicle body and mechanical repair courses but does not include driver education programs;

(7) purchase of a motor vehicle for use as an ambulance by an ambulance service licensed under section 144E.10;

(8) purchase of a motor vehicle by or for a public library, as defined in section 134.001, subdivision 2, as a bookmobile or library delivery vehicle;

(9) purchase of a ready-mixed concrete truck;

(10) purchase or use of a motor vehicle by a town for use exclusively for road maintenance, including snowplows and dump trucks, but not including automobiles, vans, or pickup trucks;

(11) purchase or use of a motor vehicle by a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes, except a public school, university, or library, but only if the vehicle is:

(i) a truck, as defined in section 168.011, a bus, as defined in section 168.011, or a passenger automobile, as defined in section 168.011, if the automobile is designed and used for carrying more than nine persons including the driver; and

(ii) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in performing its charitable, religious, or educational purpose;

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

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

(14) propane-fueled motor vehicles purchased by school districts and used solely for the purpose of transporting pupils.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2008.

Sec. 6. Laws 1991, chapter 291, article 8, section 27, subdivision 3, as amended by Laws 1998, chapter 389, article 8, section 28, is amended to read:

Subd. 3. **Use of revenues.** Revenues received from taxes authorized by subdivisions 1 and 2 shall be used by the city to pay the cost of collecting the tax and to pay all or a portion of the expenses of constructing and ~~operating~~ improving facilities as part of an urban revitalization project in downtown Mankato known as Riverfront 2000. Authorized expenses include, but are not limited to, acquiring property and paying relocation expenses related to the development of Riverfront 2000 and related facilities, and securing or paying debt service on bonds or other obligations issued to finance the construction of Riverfront 2000 and related facilities. For purposes of this section, "Riverfront 2000 and related facilities" means a civic-convention center, an arena, a riverfront park, a technology center and related educational facilities, and all publicly owned real or personal property that the governing body of the city determines will be necessary to facilitate the use of these facilities, including but not limited to parking, skyways, pedestrian bridges, lighting, and landscaping. It also includes the performing arts theatre and the Southern Minnesota Women's Hockey Exposition Center, attached to the Mankato Civic Center for use by Minnesota State University, Mankato.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Mankato and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 7. Laws 1991, chapter 291, article 8, section 27, subdivision 4, as amended by Laws 2005, First Special Session chapter 3, article 5, section 25, is amended to read:

Subd. 4. **Expiration of taxing authority and expenditure limitation.** The authority granted by subdivisions 1 and 2 to the city to impose a sales tax and an excise tax shall expire on December 31, ~~2015, unless sufficient revenues are not available to defease any bonds or obligations issued to finance construction of Riverfront 2000 and related facilities. If sufficient funds are not available to defease the bonds, the tax expires December 31, 2018, but all revenues from taxes imposed after December 31, 2015, must be used to defease the bonds~~ 2025. The city may, by ordinance, terminate the tax at an earlier date.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Mankato and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 8. Laws 1998, chapter 389, article 8, section 45, subdivision 3, is amended to read:

Subd. 3. **Use of revenues.** Revenues received from the taxes authorized under subdivision 1 must be used for sanitary sewer separation, wastewater treatment, water system improvements, and harbor refuge development projects.

EFFECTIVE DATE. This section is effective the day following final enactment, upon compliance by the city of Two Harbors with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 9. Laws 1999, chapter 243, article 4, section 18, subdivision 1, is amended to read:

Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section ~~297A.48, subdivision 1a,~~ 477A.016, or any other provision of law, ordinance, or city charter, if approved by the city voters at the first municipal general election held after the date of final enactment of this act or at a special election held November 2, 1999, the city of Proctor may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. The

provisions of Minnesota Statutes, section ~~297A.48~~ 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Sec. 10. Laws 1999, chapter 243, article 4, section 18, subdivision 3, is amended to read:

Subd. 3. **Use of revenues.** (a) Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for construction and improvement of the following city facilities:

(1) streets; and

(2) constructing and equipping the Proctor community activity center.

Authorized expenses include, but are not limited to, acquiring property, paying construction and operating expenses related to the development of an authorized facility, and paying debt service on bonds or other obligations, including lease obligations, issued to finance the construction, expansion, or improvement of an authorized facility. The capital expenses for all projects authorized under this paragraph that may be paid with these taxes is limited to $3,600,000, plus an amount equal to the costs related to issuance of the bonds.

(b) Additional revenues received from taxes authorized by subdivision 1, may be used by the city to pay for the following capital improvement projects: public utilities, including water, sanitary sewer, storm sewer, and electric; sidewalks; bikeways and trails; and parks and recreation.

EFFECTIVE DATE. This section is effective the day following final enactment, upon compliance by the city of Proctor with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 11. Laws 1999, chapter 243, article 4, section 18, subdivision 4, is amended to read:

Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects described in subdivision 3. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and ~~279.61~~ 275.61.

(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

(d) For projects described in subdivision 3, paragraph (a), the aggregate principal amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements, may not exceed $3,600,000, plus an amount equal to the costs related to issuance of the bonds, including interest on the bonds. For projects described in subdivision 3, paragraph (b), the aggregate principal amount of bonds may not exceed $7,200,000, plus an amount equal to the costs related to issuance of the bonds, including interest on the bonds.

(e) The sales and use and excise taxes authorized in this section may be pledged to and used for the payment of the bonds and any bonds issued to refund them only if the bonds and any refunding bonds are general obligations of the city.

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

compliance by the city of Proctor with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 12. **CITY OF CLEARWATER; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to the approval of the voters on November 7, 2006, the city of Clearwater may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Clearwater may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to $20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. **Use of revenues.** The proceeds of the tax imposed under this section shall be used to pay for the costs of acquisition, construction, improvement, and development of regional parks and trails, a pedestrian bridge, and land and buildings for a community and recreation center.

Subd. 4. **Bonding authority.** The city of Clearwater may issue bonds in an amount not to exceed $15,000,000 under Minnesota Statutes, chapter 475, to finance the capital expenditures and improvements authorized by the referendum under subdivision 3. An election to approve the bonds under Minnesota Statutes, section 475.59, is not required. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60 or 275.61. 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 or any interest on the bonds must not be subject to any levy limitation.

Subd. 5. **Termination of tax.** The tax authorized under subdivision 1 terminates at the earlier of (1) 20 years after the date of initial imposition of the tax, or (2) when the city council determines that sufficient funds have been raised from the tax to finance the capital and administrative costs of the improvements described in subdivision 3, plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 4, including interest on the bonds. Any funds remaining after completion of the projects specified in subdivision 3 and retirement or redemption of the bonds in subdivision 4 may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after compliance by the governing body of the city of Clearwater with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 13. **CITY OF CLOQUET; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters pursuant to Minnesota Statutes, section 297A.99, or at a special election held for this purpose, the city of Cloquet may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. Except as provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized

under this subdivision.

Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Cloquet may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to $20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. **Use of revenues.** Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for the following projects: construction and completion of park improvement projects, including, but not limited to, reconstruction of a community swimming pool complex and all associated improvements; St. Louis River Riverfront improvements; Veteran's Park construction and improvements; construction of a community center; improvements to the Hilltop Park soccer complex, Braun Park baseball complex, Athletic Park, Sunnyside Park, and Cloquet Area Recreation Center/Pine Valley Arena; and development of pedestrian trails within the city.

Authorized expenses include, but are not limited to, acquiring property and paying construction expenses related to these improvements, and paying debt service on bonds or other obligations issued to finance acquisition and construction of these improvements.

Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the improvements described in subdivision 3 in an amount that does not exceed $7,500,000. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(c) The debt represented by the bonds is not included in computing any debt limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2 expire at the earlier of (1) 30 years, or (2) when the city council determines that the amount of revenues received from the taxes to finance the improvements described in subdivision 3 first equals or exceeds $7,500,000, plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 4, including interest on the bonds. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Cloquet and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 14. **COOK COUNTY; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters at a general or special election held before December 31, 2009, Cook County may impose by ordinance a sales and use

tax of up to one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition of the tax authorized under this subdivision.

Subd. 2. **Use of revenues.** Revenues received from the tax authorized by subdivision 1 must be used by Cook County to pay the costs of collecting the tax and to pay for the following projects:

(1) construction and improvements to a county community center and recreation area, including, but not limited to, improvements and additions to the skateboard park, hockey rink, ball fields, community center addition, county parking area, tennis courts, and all associated improvements;

(2) construction and improvements to the Grand Marais pool; and

(3) construction and improvements to the Grand Marais Public Library.

Authorized expenses include, but are not limited to, paying construction expenses related to these improvements, and paying debt service on bonds or other obligations issued to finance acquisition and construction of these improvements.

Subd. 3. **Bonding authority.** Cook County may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the projects authorized in subdivision 2, in an amount that does not exceed $14,000,000. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61. The debt represented by the bonds is not included in computing any debt limitation applicable to the county, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation.

Subd. 4. **Termination of tax.** The tax imposed under subdivision 1 expires at the later of (1) 20 years or (2) when the county board determines that the amount of revenues received is sufficient to pay for the principal and interest on any bonds or obligation issued to finance the projects in subdivision 2. Any funds remaining after completion of the projects and retirement or redemption of the bonds may be placed in the general fund of the county. The tax imposed under subdivision 1 may expire at an earlier time if the county board so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of Cook County and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 15. **CITY OF ELY; SALES AND USE TAX.**

Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters pursuant to Minnesota Statutes, section 297A.99, the city of Ely may impose by ordinance a sales and use tax of up to one percent for the purposes specified in subdivision 3. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Ely may impose by ordinance, for the

purposes specified in subdivision 3, an excise tax of up to $20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. **Use of revenues.** The proceeds of the tax imposed under this section must be used by the city of Ely to pay the costs of collecting and administering the tax and to pay the following costs:

(1) establishment of an entry to the Boundary Waters that includes the chamber of commerce, visitor center, and related facilities;

(2) construction of a pool facility that would support Independent School District No. 696 and Ely Bloomenson Community Hospital;

(3) infrastructure improvement related to the expansion of the Ely Bloomenson Community Hospital; and

(4) community center use transition to establish the Boundary Waters Historical Center and provide for compliance with the Americans with Disabilities Act.

Subd. 4. **Bonding authority.** (a) If the tax authorized under subdivision 1 is approved by the voters, the city of Ely may issue bonds under Minnesota Statutes, chapter 475, to pay the capital and administrative expenses for the improvement projects authorized under subdivision 2. The total amount of bonds issued for the projects listed in subdivision 3 may not exceed $15,000,000 in aggregate. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The debt represented by the bonds is not included in computing any debt limitation applicable to the city of Ely, and the levy of taxes under Minnesota Statutes, section 475.61, to pay the principal of and interest on the bonds is not subject to any levy limitation.

Subd. 5. **Termination of tax.** The tax authorized under this section expires when the city council determines that the taxes imposed under this subdivision have raised revenue sufficient to pay the bonds authorized in subdivision 4, including administrative costs and interest.

Any funds remaining after completion of the projects and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after compliance by the governing body of the city of Ely with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 16. **CITY OF MANKATO; LOCAL TAXES AUTHORIZED.**

Subdivision 1. **Food and beverage tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the city of Mankato may, by ordinance, impose a sales tax of up to one percent on the gross receipts on all sales of food and beverages by a restaurant or place of refreshment, as defined by resolution of the city, that are located within the city. For purposes of this section, "food and beverages" include retail on-sale of intoxicating liquor and fermented malt beverages.

Subd. 2. **Entertainment tax.** Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the city of Mankato may, by ordinance, impose a

tax of up to one percent on the gross receipts on admissions to an entertainment event located within the city. For purposes of this section "entertainment event" means any event for which persons pay money in order to be admitted to the premises and to be entertained including, but not limited to, theaters, concerts, and sporting events.

Subd. 3. **Use of proceeds from authorized taxes.** The proceeds of any tax imposed under subdivisions 1 and 2 shall be used by the city to pay all or a portion of the expenses of operation and maintenance of the Riverfront 2000 and related facilities, including a performing arts theatre and the Southern Minnesota Women's Hockey Exposition Center, attached to the Mankato Civic Center for use by Minnesota State University, Mankato. Authorized expenses include securing or paying debt service on bonds or other obligations issued to finance the construction of the facilities.

Subd. 4. **Collection, administration, and enforcement.** If the city desires, it may enter into an agreement with the commissioner of revenue to administer, collect, and enforce the taxes authorized under subdivisions 1 and 2. If the commissioner agrees to collect the tax, the provisions of Minnesota Statutes, section 297A.99, related to collection, administration, and enforcement apply.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Mankato and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 17. **MINNETONKA WATER TREATMENT FACILITY.**

Capital equipment used in or incorporated into the construction of a water treatment facility owned by the city of Minnetonka is exempt from sales tax regardless of whether purchased by the owner, contractor, subcontractor, or builder. The tax must be imposed and collected as if the rate under Minnesota Statutes, section 297A.62, subdivision 1, applied and then refunded to the city of Minnetonka in the manner provided in Minnesota Statutes, section 297A.75. Refunds must not be issued until after July 1, 2008.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made before December 31, 2006.

Sec. 18. **CITY OF NORTH MANKATO; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to the approval of the voters on November 7, 2006, the city of North Mankato may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the taxes authorized under this subdivision.

Subd. 2. **Use of revenues.** Revenues received from the tax authorized by subdivision 1 must be used to pay all or part of the capital costs of the following projects:

(1) the local share of the Trunk Highway 14/County State Aid Highway 41 interchange project;

(2) development of regional parks and hiking and biking trails;

(3) expansion of the North Mankato Taylor Library;

(4) riverfront redevelopment; and

(5) lake improvement projects.

The total amount of revenues from the tax in subdivision 1 that may be used to fund these projects is $4,000,000 plus any associated bond costs.

Subd. 3. **Bonds.** (a) The city of North Mankato, pursuant to the approval of the voters at the November 7, 2006, referendum authorizing the imposition of the taxes in this section, may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the projects described in subdivision 2, in an amount that does not exceed $6,000,000. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The debt represented by the bonds is not included in computing any debt limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires when the city council determines that the amount of revenues received from the taxes to pay for the projects under subdivision 2, first equals or exceeds $6,000,000 plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 3, including interest on the bonds. Any funds remaining after completion of the projects and retirement or redemption of the bonds shall be placed in a capital facilities and equipment replacement fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after compliance by the governing body of the city of North Mankato with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 19. **CITY OF WINONA; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters at a general or special election held before December 31, 2009, the city of Winona may impose by ordinance a sales and use tax of up to one-half of one percent for the purpose specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of revenues.** The proceeds of the tax imposed under this section shall be used to pay the city-borne costs for the construction of a street connection from the city of Winona to Minnesota State Highways 61 and 43. The construction will provide access to the city's newly built industrial park and additional access to a hospital.

Subd. 3. **Bonding authority.** The city of Winona may issue bonds in an amount not to exceed $8,000,000 under Minnesota Statutes, chapter 475, to finance the capital expenditures under subdivision 2. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60 or 275.61. 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 or any interest on the bonds must not be subject to any levy limitation.

Subd. 4. **Termination of tax.** The tax authorized under subdivision 1 terminates at the earlier of: (1) five years after the date of initial imposition of the tax; or (2) when the city council determines that sufficient funds have been raised from the tax to finance the capital and administrative costs of

the project described in subdivision 2, plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 3, including interest on the bonds. Any funds remaining after completion of the project specified in subdivision 2 and retirement or redemption of the bonds in subdivision 3 may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after compliance by the governing body of the city of Winona with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 20. **REPEALER.**

Laws 2005, First Special Session chapter 3, article 5, section 24, is repealed.

EFFECTIVE DATE. This section is effective upon enactment of section 6.

ARTICLE 6

JUNE ACCELERATED TAX PAYMENTS

Section 1. Minnesota Statutes 2006, section 289A.20, subdivision 4, as amended by Laws 2008, chapter 154, article 6, section 1, is amended to read:

Subd. 4. **Sales and use tax.** (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f) or (g), except that use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

(b) A vendor having a liability of $120,000 or more during a fiscal year ending June 30 must remit the June liability for the next year in the following manner:

(1) Two business days before June 30 of the year, the vendor must remit ~~80~~ 90 percent of the estimated June liability to the commissioner.

(2) On or before August 20 of the year, the vendor must pay any additional amount of tax not remitted in June.

(c) A vendor having a liability of:

(1) $20,000 or more in the fiscal year ending June 30, 2005; or

(2) $10,000 or more in the fiscal year ending June 30, 2006, and fiscal years thereafter,

must remit all liabilities on returns due for periods beginning in the subsequent calendar year by electronic means on or before the 20th day of the month following the month in which the taxable event occurred, or on or before the 20th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4, except for ~~80~~ 90 percent of the estimated June liability, which is due two business days before June 30. The remaining amount of the June liability is due on August 20.

EFFECTIVE DATE. This section is effective beginning with June 2009 tax liabilities.

Sec. 2. Minnesota Statutes 2006, section 289A.60, subdivision 15, as amended by Laws 2008, chapter 154, article 6, section 2, is amended to read:

Subd. 15. **Accelerated payment of June sales tax liability; penalty for underpayment.** For payments made after December 31, 2006, if a vendor is required by law to submit an estimation of June sales tax liabilities and ~~80~~ 90 percent payment by a certain date, the vendor shall pay a penalty equal to ten percent of the amount of actual June liability required to be paid in June less the amount remitted in June. The penalty must not be imposed, however, if the amount remitted in June equals the lesser of ~~80~~ 90 percent of the preceding May's liability or ~~80~~ 90 percent of the average monthly liability for the previous calendar year.

EFFECTIVE DATE. This section is effective beginning with June 2009 tax liabilities.

Sec. 3. Minnesota Statutes 2006, section 297F.09, subdivision 10, as amended by Laws 2008, chapter 154, article 6, section 3, is amended to read:

Subd. 10. **Accelerated tax payment; cigarette or tobacco products distributor.** A cigarette or tobacco products distributor having a liability of $120,000 or more during a fiscal year ending June 30, shall remit the June liability for the next year in the following manner:

(a) Two business days before June 30 of the year, the distributor shall remit the actual May liability and ~~80~~ 90 percent of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner.

(b) On or before August 18 of the year, the distributor shall submit a return showing the actual June liability and pay any additional amount of tax not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability required to be paid in June, less the amount remitted in June. However, the penalty is not imposed if the amount remitted in June equals the lesser of:

(1) ~~80~~ 90 percent of the actual June liability; or

(2) ~~80~~ 90 percent of the preceding May's liability.

EFFECTIVE DATE. This section is effective beginning with June 2009 tax liabilities.

Sec. 4. Minnesota Statutes 2006, section 297G.09, subdivision 9, as amended by Laws 2008, chapter 154, article 6, section 4, is amended to read:

Subd. 9. **Accelerated tax payment; penalty.** A person liable for tax under this chapter having a liability of $120,000 or more during a fiscal year ending June 30, shall remit the June liability for the next year in the following manner:

(a) Two business days before June 30 of the year, the taxpayer shall remit the actual May liability and ~~80~~ 90 percent of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner.

(b) On or before August 18 of the year, the taxpayer shall submit a return showing the actual June liability and pay any additional amount of tax not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability required to be paid in June less the amount remitted in June. However, the penalty is not imposed if the amount remitted in June equals the lesser of:

(1) ~~80~~ 90 percent of the actual June liability; or

(2) ~~80~~ 90 percent of the preceding May liability.

EFFECTIVE DATE. This section is effective beginning with June 2009 tax liabilities.

ARTICLE 7

SPECIAL TAXES

Section 1. Minnesota Statutes 2006, section 60A.196, is amended to read:

60A.196 DEFINITIONS.

Unless the context otherwise requires, the following terms have the meanings given them for the purposes of sections 60A.195 to 60A.209:

(a) "Surplus lines insurance" means insurance placed with an insurer permitted to transact the business of insurance in this state only pursuant to sections 60A.195 to 60A.209.

(b) "Eligible surplus lines insurer" means an insurer recognized as eligible to write insurance business under sections 60A.195 to 60A.209 but not licensed by any other Minnesota law to transact the business of insurance.

(c) "Ineligible surplus lines insurer" means an insurer not recognized as an eligible surplus lines insurer pursuant to sections 60A.195 to 60A.209 and not licensed by any other Minnesota law to transact the business of insurance. "Ineligible surplus lines insurer" includes a risk retention group as defined under the Liability Risk Retention Act, Public Law 99-563.

(d) "Surplus lines licensee" or "licensee" means a person licensed under sections 60A.195 to 60A.209 to place insurance with an eligible or ineligible surplus lines insurer.

(e) "Association" means an association registered under section 60A.208.

(f) "Alien insurer" means any insurer which is incorporated or otherwise organized outside of the United States.

(g) "Insurance laws" means chapters 60 to 79 inclusive.

(h) "Stamping" means electronically assigning a unique identifying number that is specific to a submitted policy, contract, or insurance document.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to policies written or renewed on or after that date.

Sec. 2. **[60A.2085] SURPLUS LINES ASSOCIATION OF MINNESOTA.**

Subdivision 1. **Association created; duties.** There is hereby created a nonprofit association to be known as the Surplus Lines Association of Minnesota. All surplus lines licensees are members of this association. Section 60A.208, subdivision 5, does not apply to the provisions of this section. The association shall perform its functions under the plan of operation established under subdivision 3 and must exercise its powers through a board of directors established under subdivision 2. The association shall be authorized and have the duty to:

(1) receive, record, and stamp all surplus lines insurance documents that surplus lines licensees are required to file with the association;

(2) prepare and deliver monthly to the commissioners of revenue and commerce a report regarding surplus lines business. The report must include a list of all the business procured during the preceding month, in the form the commissioners prescribe;

(3) educate its members regarding the surplus lines law of this state including insurance tax responsibilities and the rules and regulations of the commissioners of revenue and commerce relative to surplus lines insurance;

(4) communicate with organizations of agents, brokers, and admitted insurers with respect to the proper use of the surplus lines market;

(5) employ and retain persons necessary to carry out the duties of the association;

(6) borrow money necessary to effect the purposes of the association;

(7) enter contracts necessary to effect the purposes of the association;

(8) provide other services to its members that are incidental or related to the purposes of the association; and

(9) take other actions reasonably required to implement the provisions of this section.

Subd. 2. **Board of directors.** (a) The commissioner shall appoint an interim board of five directors within 30 days of enactment of this section. The interim board must:

(1) establish a plan of operation within 60 days after the appointment of the interim board;

(2) create a stamping office that is operational no later than December 31, 2008; and

(3) conduct an election for a board of directors by the membership after December 31, 2008, and no later than one year after the appointment of the interim board.

(b) Once the responsibilities of the interim board in paragraph (a) are fulfilled, the association shall function through a board of directors composed of the following:

(1) one director appointed by the commissioner of revenue;

(2) one director appointed by the commissioner of commerce; and

(3) at least five but no more than seven directors elected by the members. The elected directors must be members of the association.

Directors may serve until their successors are appointed or elected and their terms are completed as outlined in the plan of operation.

Subd. 3. **Plan of operation.** (a) The plan of operation shall provide for the formation, operation, and governance of the association. The plan of operation must provide for the election of a board of directors by the members of the association. The board of directors shall elect officers as provided for in the plan of operation. The plan of operation shall establish the manner of voting and may weigh each member's vote to reflect the annual surplus lines insurance premium written by the member. Members employed by the same or affiliated employers may consolidate their premiums written and delegate an individual officer or partner to represent the member in the exercise of association affairs, including service on the board of directors.

(b) The plan of operation shall provide for an independent audit once each year of all the books and records of the association and a report of such independent audit shall be made to the board of directors, the commissioner of revenue, and the commissioner of commerce, with a copy made available to each member to review at the association office.

(c) The plan of operation and any amendments to the plan of operation shall be submitted to the commissioner and shall be effective upon approval in writing by the commissioner. The association and all members shall comply with the plan of operation or any amendments to it. Failure to comply with the plan of operation or any amendments shall constitute a violation for which the commissioner may issue an order requiring discontinuance of the violation.

(d) If the interim board of directors fails to submit a suitable plan of operation within 60 days following the creation of the interim board, or if at any time thereafter the association fails to submit required amendments to the plan, the commissioner may submit to the association a plan of operation or amendments to the plan, which the association must follow. The plan of operation or amendments submitted by the commissioner shall continue in force until amended by the commissioner or superseded by a plan of operation or amendment submitted by the association and approved by the commissioner. A plan of operation or an amendment submitted by the commissioner constitutes an order of the commissioner.

Subd. 4. **Reporting requirement.** The association shall file with the commissioner:

(1) a copy of its plan of operation and any amendments to it;

(2) a current list of its members revised at least annually; and

(3) the name and address of a member of the board residing in this state upon whom notices or orders of the commissioner or processes issued at the direction of the commissioner may be served.

Subd. 5. **Examination.** The commissioner shall, at such times as deemed necessary, make or cause to be made an examination of the association. The officers, managers, agents, and employees of the association may be examined at any time, under oath, and shall exhibit all books, records, accounts, documents, or agreements governing its method of operation. The commissioner shall furnish a copy of the examination report to the association. If the commissioner finds the association to be in violation of this section, the commissioner may issue an order requiring the discontinuance of the violation.

Subd. 6. **Immunity.** There shall be no liability on the part of and no causes of action of any nature shall arise against the association, its directors, officers, agents, or employees for any action taken or omitted by them in the performance of their powers and duties under this section, absent gross negligence or willful misconduct.

Subd. 7. **Stamping fee.** The services performed by the association shall be funded by a stamping fee assessed for each premium-bearing document submitted to the association. The stamping fee shall be established by the board of directors of the association from time to time. The stamping fee shall be paid by the insured to the surplus lines licensee and remitted electronically to the association by the surplus lines licensee.

Subd. 8. **Data classification.** Unless otherwise classified by statute, a temporary classification under section 13.06, or federal law, information obtained by the commissioner from the association is public, except that any data identifying insureds is private data on individuals or nonpublic data

as defined in section 13.02, subdivisions 9 and 12.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to policies written or renewed on or after that date.

Sec. 3. **[60A.2086] LICENSEE'S DUTY TO SUBMIT DOCUMENTS; PENALTY.**

Subdivision 1. **Submission of documents to the Surplus Lines Association of Minnesota; certification.** (a) A surplus lines licensee shall submit every insurance policy or contract issued under the licensee's license to the Surplus Lines Association of Minnesota for recording and stamping. The submission and stamping must be effected through electronic means. The submission must include:

(1) the name of the insured;

(2) a description and location of the insured property or risk;

(3) the amount insured;

(4) the gross premiums charged or returned;

(5) the name of the surplus lines insurer from whom coverage has been procured;

(6) the kind or kinds of insurance procured; and

(7) the amount of premium subject to tax.

(b) The submission of insurance policies or contracts to the Surplus Lines Association of Minnesota constitutes a certification by the surplus lines licensee, or by the insurance producer who presented the risk to the surplus lines licensee for placement as a surplus lines risk, that the insurance policies or contracts were procured in accordance with sections 60A.195 to 60A.209.

Subd. 2. **Stamping requirement; penalty.** (a) It shall be unlawful for an insurance agent, broker, or surplus lines licensee to deliver in this state any surplus lines insurance policy or contract unless the insurance document is stamped by the association. A licensee's failure to comply with the requirements of this subdivision shall not affect the validity of the coverage.

(b) Any insurance agent, broker, or surplus lines licensee who delivers in this state any insurance policy or contract that has not been stamped by the association shall be subject to a penalty payable to the commissioner as follows:

(1) $50 for delivery of the first unstamped policy;

(2) $250 for delivery of a second unstamped policy; and

(3) $1,000 per policy for delivery of any additional unstamped policies.

EFFECTIVE DATE. This section is effective January 1, 2009, and applies to policies written or renewed after December 31, 2008.

Sec. 4. Minnesota Statutes 2006, section 296A.01, subdivision 44, is amended to read:

Subd. 44. **Received.** (a) Except as otherwise provided in this subdivision, petroleum products brought into this state shall be deemed to be "received" in this state at the time and place they are

unloaded in this state. When so unloaded such products shall be deemed to be received in this state by the person who is the owner immediately after such unloading; provided, however, that if such owner is not licensed as a distributor in this state and if such products were shipped or delivered into this state by a person who is licensed as a distributor, then such products shall be deemed to be received in this state by the licensed distributor by whom the same were so shipped or delivered.

(b) Petroleum products produced, manufactured, or refined, at a refinery in this state and stored there, or brought into the state by boat ~~or~~, barge, or rail, or like form of transportation and delivered at a marine terminal in this state and stored there, or brought into the state by pipeline and delivered at a pipeline terminal in this state and stored there, or brought into the state by rail car, shall not be considered received until they are withdrawn from such refinery or terminal for sale or use in this state or for delivery or shipment to points within this state.

(c) When withdrawn such products shall be deemed received by the person who was the owner immediately prior to withdrawal; unless (1) such products are withdrawn for shipment or delivery to another licensed distributor, in which case the licensed distributor to whom such shipment or delivery is made shall be deemed to have received such products in this state, or (2) such products are withdrawn for shipment or delivery to a person not licensed as a distributor, under one or more sale or exchange agreements by or between persons one or more of whom is a licensed distributor, in which case the last purchaser or exchangee under such agreement or agreements, who is licensed as a distributor, shall be deemed to have received such products in this state.

(d) Petroleum products produced in this state in any manner other than as covered in this subdivision shall be considered received by the producer at the time and place produced.

Sec. 5. Minnesota Statutes 2006, section 296A.01, subdivision 45, is amended to read:

Subd. 45. **Refinery or terminal.** "Refinery" or "terminal" means any petroleum refinery, pipeline terminal, river terminal, storage facility, rail car, or other point of origin where petroleum products are manufactured, or imported by rail, truck, barge, or pipe; and held, stored, transferred, offered for distribution, distributed, offered for sale, or sold. For the purpose of restricting petroleum product blending, this definition includes all refineries and terminals within and outside of Minnesota. For the purpose of assessing fees, this definition does not include a licensed distributor's bulk storage facility that is used to store petroleum products for which the petroleum inspection fee charged under chapter 239 is either not due or has been paid.

Sec. 6. Minnesota Statutes 2006, section 296A.03, subdivision 2, is amended to read:

Subd. 2. **Qualifications.** (a) A distributor's license shall be issued to any responsible person who applies and qualifies as a distributor.

(b) Upon application to the commissioner, the commissioner must issue a distributor's license to any person who:

(1) receives petroleum products in this state for bulk storage and subsequent distribution by tank truck;

(2) produces, manufactures, or refines petroleum products in this state;

(3) holds an unrevoked license as a distributor as of July 1, 1994;

(4) imports petroleum products into this state via boat, barge, or pipeline for storage and subsequent delivery at or further transportation from boat, barge, or pipeline terminals in this state; ~~or~~

(5) imports petroleum products into this state via rail car for storage and subsequent delivery from the rail car in this state; or

(6) holds a license and performs a function under the motor fuel tax law of an adjoining state equivalent to that of a distributor under this chapter, who desires to ship or deliver petroleum products from that state to persons in this state not licensed as distributors in this state and who agrees to assume with respect to all petroleum products so shipped or delivered the liabilities of a distributor receiving petroleum products in this state; provided, however, that any such license shall be issued only for the purpose of permitting such person to receive in this state the petroleum products so shipped or delivered. Except as herein provided, all persons licensed as distributors under this clause shall have the same rights and privileges and be subject to the same duties, requirements, and penalties as other licensed distributors.

Sec. 7. Minnesota Statutes 2006, section 383A.80, subdivision 4, is amended to read:

Subd. 4. **Expiration.** The authority to impose the tax under this section expires January 1, ~~2008~~ 2013.

Sec. 8. Minnesota Statutes 2006, section 383A.81, subdivision 1, is amended to read:

Subdivision 1. **Creation.** An environmental response fund is created for the purposes specified in this section. The taxes imposed by section 383A.80 must be deposited in the fund. The board of county commissioners shall administer the fund either as a county board~~,~~ or a housing and redevelopment authority~~, or a regional rail authority~~.

Sec. 9. Minnesota Statutes 2006, section 383A.81, subdivision 2, is amended to read:

Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the following purposes:

(1) acquisition through purchase or condemnation of lands or property which are polluted or contaminated with hazardous substances;

(2) paying the costs associated with indemnifying or holding harmless the entity taking title to lands or property from any liability arising out of the ownership, remediation, or use of the land or property;

(3) paying for the costs of remediating the acquired land or property; or

(4) paying the costs associated with remediating lands or property which are polluted or contaminated with hazardous substances~~; or~~

~~(5) paying for the costs associated with improving the property for economic development, recreational, housing, transportation or rail traffic~~.

Sec. 10. Minnesota Statutes 2006, section 383B.80, subdivision 4, is amended to read:

Subd. 4. **Expiration.** The authority to impose the tax under this section expires January 1, ~~2008~~ 2013.

Sec. 11. Minnesota Statutes 2006, section 383B.81, subdivision 1, is amended to read:

Subdivision 1. **Creation.** An environmental response fund is created for the purposes specified in this section. The taxes imposed by section 383B.80 must be deposited in the fund. The board of county commissioners shall administer the fund either as a county board~~,~~ or a housing and redevelopment authority~~, or a regional rail authority~~.

Sec. 12. Minnesota Statutes 2006, section 383B.81, subdivision 2, is amended to read:

Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the following purposes:

(1) acquisition through purchase or condemnation of lands or property which are polluted or contaminated with hazardous substances;

(2) paying the costs associated with indemnifying or holding harmless the entity taking title to lands or property from any liability arising out of the ownership, remediation, or use of the land or property;

(3) paying for the costs of remediating the acquired land or property; or

(4) paying the costs associated with remediating lands or property which are polluted or contaminated with hazardous substances~~; or~~

~~(5) paying for the costs associated with improving the property for economic development, recreational, housing, transportation or rail traffic~~.

Sec. 13. **[383C.798] COUNTY DEED AND MORTGAGE TAX.**

Subdivision 1. **Authority to impose; rate.** (a) The governing body of St. Louis County may impose a mortgage registry and deed tax.

(b) The rate of the mortgage registry tax equals .0001 of the principal.

(c) The rate of the deed tax equals .0001 of the amount.

Subd. 2. **General law provisions apply.** The taxes under this section apply to the same base and must be imposed, collected, administered, and enforced in the same manner as provided under chapter 287 for the state mortgage registry and deed taxes. All the provisions of chapter 287 apply to these taxes, except the rate is as specified in subdivision 1, the term "St. Louis County" must be substituted for "the state," and the revenue must be deposited as provided in subdivision 3.

Subd. 3. **Deposit of revenues.** All revenues from the tax are for the use of the St. Louis County Board of Commissioners and must be deposited in the county's environmental response fund under section 383C.799.

Subd. 4. **Initial implementation.** Documents presented for recording within 60 days after the date of imposition of the tax by the county that are acknowledged, sworn to before a notary, or certified before the imposition date, must not be rejected for failure to include the tax imposed under this section.

Subd. 5. **Expiration.** The authority to impose the tax under this section expires January 1, 2013.

Sec. 14. **[383C.799] ENVIRONMENTAL RESPONSE FUND.**

Subdivision 1. **Creation.** An environmental response fund is created for the purposes specified in this section. The taxes imposed under section 383C.798 must be deposited in the fund. The Board of County Commissioners shall administer the fund either as a county board or a housing and redevelopment authority.

Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the following purposes:

(1) payment of one-half of the annual debt service on bonds issued by the Duluth-North Shore Sanitary District, series 2002, to pay the cost of constructing the sanitary sewer collection system, until those obligations have been paid, or $4,500,000 has been provided for this purpose under this clause, whichever occurs first; money remaining in the fund after payment of the annual debt service under this clause may be expended for the purposes in clauses (2) to (5);

(2) acquisition through purchase or condemnation of lands or property which are polluted or contaminated with hazardous substances;

(3) paying the costs associated with indemnifying or holding harmless the entity taking title to lands or property from any liability arising out of the ownership, remediation, or use of the land or property;

(4) paying for the costs of remediating the acquired land or property; or

(5) paying the costs associated with remediating lands or property which are polluted or contaminated with hazardous substances.

Subd. 3. **Matching funds.** In expending funds under this section, the county shall seek matching funds from contamination cleanup funds administered by the commissioner of the Department of Employment and Economic Development, the federal government, the private sector, and any other source.

Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by section 383C.798 to bonds issued under this section and chapters 462, 469, and 475.

Subd. 5. **Land sales.** Land or property acquired under this section may be resold at fair market value. Proceeds from the sale of the land must be deposited in the environmental response fund.

Sec. 15. **[383D.75] COUNTY DEED AND MORTGAGE TAX.**

Subdivision 1. **Authority to impose; rate.** (a) The governing body of Dakota County may impose a mortgage registry and deed tax.

(b) The rate of the mortgage registry tax equals .0001 of the principal.

(c) The rate of the deed tax equals .0001 of the amount.

Subd. 2. **General law provisions apply.** The taxes under this section apply to the same base and must be imposed, collected, administered, and enforced in the same manner as provided under chapter 287 for the state mortgage registry and deed taxes. All the provisions of chapter 287 apply to these taxes, except the rate is as specified in subdivision 1, the term "Dakota County" must be substituted for "the state," and the revenue must be deposited as provided in subdivision 3.

Subd. 3. **Deposit of revenues.** All revenues from the tax are for the use of the Dakota County

Board of Commissioners and must be deposited in the county's environmental response fund under section 383D.76.

Subd. 4. **Initial implementation.** Documents presented for recording within 60 days after the date of imposition of the tax by the county that are acknowledged, sworn to before a notary, or certified before the imposition date, must not be rejected for failure to include the tax imposed under this section.

Subd. 5. **Expiration.** The authority to impose the tax under this section expires January 1, 2013.

Sec. 16. **[383D.76] ENVIRONMENTAL RESPONSE FUND.**

Subdivision 1. **Creation.** An environmental response fund is created for the purposes specified in this section. The taxes imposed under section 383D.75 must be deposited in the fund. The Board of County Commissioners shall administer the fund either as a county board or a housing and redevelopment authority.

Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the following purposes:

(1) acquisition through purchase or condemnation of lands or property which are polluted or contaminated with hazardous substances;

(2) paying the costs associated with indemnifying or holding harmless the entity taking title to lands or property from any liability arising out of the ownership, remediation, or use of the land or property;

(3) paying for the costs of remediating the acquired land or property; or

(4) paying the costs associated with remediating lands or property which are polluted or contaminated with hazardous substances.

Subd. 3. **Matching funds.** In expending funds under this section, the county shall seek matching funds from contamination cleanup funds administered by the commissioner of the Department of Employment and Economic Development, the Metropolitan Council, the federal government, the private sector, and any other source.

Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by section 383D.75 to bonds issued under this chapter and chapters 462, 469, and 475.

Subd. 5. **Land sales.** Land or property acquired under this section may be resold at fair market value. Proceeds from the sale of the land must be deposited in the environmental response fund.

Sec. 17. **[383E.235] COUNTY DEED AND MORTGAGE TAX.**

Subdivision 1. **Authority to impose; rate.** (a) The governing body of Anoka County may impose a mortgage registry and deed tax.

(b) The rate of the mortgage registry tax equals .0001 of the principal.

(c) The rate of the deed tax equals .0001 of the amount.

Subd. 2. **General law provisions apply.** The taxes under this section apply to the same base and must be imposed, collected, administered, and enforced in the same manner as provided under

chapter 287 for the state mortgage registry and deed taxes. All the provisions of chapter 287 apply to these taxes, except the rate is as specified in subdivision 1, the term "Anoka County" must be substituted for "the state," and the revenue must be deposited as provided in subdivision 3.

Subd. 3. **Deposit of revenues.** All revenues from the tax are for the use of the Anoka County Board of Commissioners and must be deposited in the county's environmental response fund under section 383E.236.

Subd. 4. **Initial implementation.** Documents presented for recording within 60 days after the date of imposition of the tax by the county that are acknowledged, sworn to before a notary, or certified before the imposition date, must not be rejected for failure to include the tax imposed under this section.

Subd. 5. **Expiration.** The authority to impose the tax under this section expires January 1, 2013.

Sec. 18. **[383E.236] ENVIRONMENTAL RESPONSE FUND.**

Subdivision 1. **Creation.** An environmental response fund is created for the purposes specified in this section. The taxes imposed under section 383E.235 must be deposited in the fund. The Board of County Commissioners shall administer the fund either as a county board or a housing and redevelopment authority.

Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the following purposes:

(1) acquisition through purchase or condemnation of lands or property which are polluted or contaminated with hazardous substances;

(2) paying the costs associated with indemnifying or holding harmless the entity taking title to lands or property from any liability arising out of the ownership, remediation, or use of the land or property;

(3) paying for the costs of remediating the acquired land or property; or

(4) paying the costs associated with remediating lands or property which are polluted or contaminated with hazardous substances.

Subd. 3. **Matching funds.** In expending funds under this section, the county shall seek matching funds from contamination cleanup funds administered by the commissioner of the Department of Employment and Economic Development, the Metropolitan Council, the federal government, the private sector, and any other source.

Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by section 383E.235 to bonds issued under this section and chapters 462, 469, and 475.

Subd. 5. **Land sales.** Land or property acquired under this section may be resold at fair market value. Proceeds from the sale of the land must be deposited in the environmental response fund.

Subd. 6. **DOT assistance.** The commissioner of transportation shall collaborate with the county and any affected municipality by providing technical assistance and support in cleaning up a contaminated site related to a trunk highway or railroad improvement.

ARTICLE 8

MINERALS; AGGREGATE

Section 1. Minnesota Statutes 2006, section 298.22, subdivision 5a, as added by Laws 2008, chapter 154, article 8, section 3, is amended to read:

Subd. 5a. **Forest trust.** The commissioner, upon the affirmative vote of a majority of the members of the board, may purchase forest lands in the taconite assistance area defined in under section 273.1341 with funds specifically authorized for the purchase. The acquired forest lands must be held in trust for the benefit of the citizens of the taconite assistance area as the Iron Range Miners' Memorial Forest. The forest trust lands shall be managed and developed for recreation and economic development purposes. The board may sell forest lands purchased under this subdivision if it finds that the sale advances the purposes of the trust. Proceeds derived from the management or sale of the lands and from the sale of timber or removal of gravel or other minerals from these forest lands shall be deposited into an Iron Range Miners' Memorial Forest account that is established within the state financial accounts. Funds may be expended from the account upon approval of a majority of the members of the board to purchase, manage, administer, convey interests in, and improve the forest lands. By majority vote of the members of the board, money in the Iron Range Miners' Memorial Forest account may be transferred into the corpus of the Douglas J. Johnson economic protection trust fund established under sections 298.291 to 298.294. The property acquired under the authority granted by this subdivision and income derived from the property or the operation or management of the property are exempt from taxation by the state or its political subdivisions.

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

Sec. 2. Minnesota Statutes 2007 Supplement, section 298.227, is amended to read:

298.227 TACONITE ECONOMIC DEVELOPMENT FUND.

An amount equal to that distributed pursuant to each taconite producer's taxable production and qualifying sales under section 298.28, subdivision 9a, shall be held by the Iron Range Resources and Rehabilitation Board in a separate taconite economic development fund for each taconite and direct reduced ore producer. Money from the fund for each producer shall be released by the commissioner after review by a joint committee consisting of an equal number of representatives of the salaried employees and the nonsalaried production and maintenance employees of that producer. The District 11 director of the United States Steelworkers of America, on advice of each local employee president, shall select the employee members. In nonorganized operations, the employee committee shall be elected by the nonsalaried production and maintenance employees. The review must be completed no later than six months after the producer presents a proposal for expenditure of the funds to the committee. The funds held pursuant to this section may be released only for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution ~~based on 14.7 cents per ton beginning with distributions in 2002~~. Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If the board rejects a proposed expenditure, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225. If a producer uses money which has been released from the fund prior to May 26, 2007 to procure haulage trucks,

mobile equipment, or mining shovels, and the producer removes the piece of equipment from the taconite tax relief area defined in section 273.134 within ten years from the date of receipt of the money from the fund, a portion of the money granted from the fund must be repaid to the taconite economic development fund. The portion of the money to be repaid is 100 percent of the grant if the equipment is removed from the taconite tax relief area within 12 months after receipt of the money from the fund, declining by ten percent for each of the subsequent nine years during which the equipment remains within the taconite tax relief area. If a taconite production facility is sold after operations at the facility had ceased, any money remaining in the fund for the former producer may be released to the purchaser of the facility on the terms otherwise applicable to the former producer under this section. If a producer fails to provide matching funds for a proposed expenditure within six months after the commissioner approves release of the funds, the funds are available for release to another producer in proportion to the distribution provided and under the conditions of this section. Any portion of the fund which is not released by the commissioner within two years of its deposit in the fund shall be divided between the taconite environmental protection fund created in section 298.223 and the Douglas J. Johnson economic protection trust fund created in section 298.292 for placement in their respective special accounts. Two-thirds of the unreleased funds shall be distributed to the taconite environmental protection fund and one-third to the Douglas J. Johnson economic protection trust fund.

EFFECTIVE DATE. This section is effective for distributions in 2009.

Sec. 3. Minnesota Statutes 2006, section 298.24, subdivision 1, as amended by Laws 2008, chapter 154, article 8, section 5, is amended to read:

Subdivision 1. **Imposed; calculation.** (a) For concentrate produced in 2001, 2002, and 2003, 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 $2.103 per gross ton of merchantable iron ore concentrate produced therefrom. For concentrates produced in 2005, the tax rate is the same rate imposed for concentrates produced in 2004.

(b) For concentrates produced in 2006 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit price deflator" means the implicit price deflator for the gross domestic product prepared by the Bureau of Economic Analysis of the United States Department of Commerce.

(c) 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.

(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.

(e) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of $2.103 per gross ton of merchantable iron ore concentrate produced shall be imposed.

(f) Consistent with the intent of this subdivision to impose a tax based upon the weight of

merchantable iron ore concentrate, the commissioner of revenue may indirectly determine the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite, olivine, or other basic flux additives are combined with merchantable iron ore concentrate. No subtraction from the weight of the pellets shall be allowed for binders, mineral and chemical additives other than basic flux additives, or moisture.

(g)(1) Notwithstanding any other provision of this subdivision, for the first two years of a plant's commercial production of direct reduced ore from ore mined in this state, no tax is imposed under this section. As used in this paragraph, "commercial production" is production of more than 50,000 tons of direct reduced ore in the current year or in any prior year, "noncommercial production" is production of 50,000 tons or less of direct reduced ore in any year, and "direct reduced ore" is ore that results in a product that has an iron content of at least 75 percent. For the third year of a plant's commercial production of direct reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate otherwise determined under this subdivision. For the fourth commercial production year, the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth commercial production year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for all subsequent commercial production years, the full rate is imposed.

(2) Subject to clause (1), production of direct reduced ore in this state is subject to the tax imposed by this section, but if that production is not produced by a producer of taconite 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.

(3) Notwithstanding any other provision of this subdivision, no tax is imposed on direct reduced ore under this section during the facility's noncommercial production of direct reduced ore. The taconite or iron sulphides consumed in the noncommercial production of direct reduced ore is subject to the tax imposed by this section on taconite and iron sulphides. Three-year average production of direct reduced ore does not include production of direct reduced ore in any noncommercial year. Three-year average production for a direct reduced ore facility that has noncommercial production is the average of the commercial production of direct reduced ore for the current year and the previous two commercial years.

(4) This paragraph applies only to plants for which all environmental permits have been obtained and construction has begun before July 1, 2008.

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

Sec. 4. Minnesota Statutes 2006, section 298.28, subdivision 4, as amended by Laws 2008, chapter 154, article 8, section 7, is amended to read:

Subd. 4. **School districts.** (a) 23.15 cents per taxable ton, plus the increase provided in paragraph (d) must be allocated to qualifying school districts to be distributed, based upon the certification of the commissioner of revenue, under paragraphs (b), (c), and (f).

(b) (i) 3.43 cents per taxable ton must be distributed to the school districts in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. The distribution must be based on the apportionment formula prescribed in subdivision 2.

(ii) Four cents per taxable ton from each taconite facility must be distributed to each affected school district for deposit in a fund dedicated to building maintenance and repairs, as follows:

(1) proceeds from Keewatin Taconite or its successor are distributed to Independent School Districts Nos. 316, Coleraine, and 319, Nashwauk-Keewatin, or their successor districts;

(2) proceeds from the Hibbing Taconite Company or its successor are distributed to Independent School Districts Nos. 695, Chisholm, and 701, Hibbing, or their successor districts;

(3) proceeds from the Mittal Steel Company and Minntac or their successors are distributed to Independent School Districts Nos. 712, Mountain Iron-Buhl, 706, Virginia, 2711, Mesabi East, and 2154, Eveleth-Gilbert, or their successor districts;

(4) proceeds from the Northshore Mining Company or its successor are distributed to Independent School Districts Nos. 2142, St. Louis County, and 381, Lake Superior, or their successor districts; and

(5) proceeds from United Taconite or its successor are distributed to Independent School Districts Nos. 2142, St. Louis County, and 2154, Eveleth-Gilbert, or their successor districts.

Revenues that are required to be distributed to more than one district shall be apportioned according to the number of pupil units identified in section 126C.05, subdivision 1, enrolled in the second previous year.

(c)(i) 15.72 cents per taxable ton, less any amount distributed under paragraph (e), shall be distributed to a group of school districts comprised of those school districts which qualify as a tax relief area under section 273.134, paragraph (b), or in which there is a qualifying municipality as defined by section 273.134, paragraph (a), in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 126C.05 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions.

(ii) Notwithstanding clause (i), each school district that receives a distribution under sections 298.018; 298.23 to 298.28, exclusive of any amount received under this clause; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values after reduction for any portion distributed to cities and towns under section 126C.48, subdivision 8, paragraph (5), that is less than the amount of its levy reduction under section 126C.48, subdivision 8, for the second year prior to the year of the distribution shall receive a distribution equal to the difference; the amount necessary to make this payment shall be derived from proportionate reductions in the initial distribution to other school districts under clause (i).

(d) Any school district described in paragraph (c) where a levy increase pursuant to section 126C.17, subdivision 9, was authorized by referendum for taxes payable in 2001, shall receive a distribution of 21.3 cents per ton. Each district shall receive $175 times the pupil units identified in section 126C.05, subdivision 1, enrolled in the second previous year or the 1983-1984 school year, whichever is greater, less the product of 1.8 percent times the district's taxable net tax capacity in the second previous year.

If the total amount provided by paragraph (d) is insufficient to make the payments herein required then the entitlement of $175 per pupil unit shall be reduced uniformly so as not to exceed the funds available. Any amounts received by a qualifying school district in any fiscal year pursuant to paragraph (d) shall not be applied to reduce general education aid which the district receives pursuant to section 126C.13 or the permissible levies of the district. Any amount remaining after the payments provided in this paragraph shall be paid to the commissioner of Iron Range resources and rehabilitation who shall deposit the same in the taconite environmental protection fund and the Douglas J. Johnson economic protection trust fund as provided in subdivision 11.

Each district receiving money according to this paragraph shall reserve the lesser of the amount received under this paragraph or $25 times the number of pupil units served in the district. It may use the money for early childhood programs or for outcome-based learning programs that enhance the academic quality of the district's curriculum. The outcome-based learning programs must be approved by the commissioner of education.

(e) There shall be distributed to any school district the amount which the school district was entitled to receive under section 298.32 in 1975.

(f) Four cents per taxable ton must be distributed to qualifying school districts according to the distribution specified in paragraph (b), clause (ii), and two cents per taxable ton must be distributed according to the distribution specified in paragraph (c). These amounts are not subject to ~~section~~ sections 126C.21, subdivision 4, and 126C.48, subdivision 8.

EFFECTIVE DATE. This section is effective for distributions in 2009 and thereafter.

Sec. 5. Minnesota Statutes 2006, section 298.28, subdivision 9a, is amended to read:

Subd. 9a. **Taconite economic development fund.** (a) ~~30.1~~ 20 cents per ton for distributions in ~~2002 and thereafter~~ 2008, and ten cents per ton for distributions in 2009 must be paid to the taconite economic development fund. No distribution shall be made under this paragraph in ~~2004~~ 2010 or any subsequent year ~~in which total industry production falls below 30 million tons~~. Distribution shall only be made to a taconite producer's fund under section 298.227 if the producer timely pays its tax under section 298.24 by the dates provided under section 298.27, or pursuant to the due dates provided by an administrative agreement with the commissioner.

(b) An amount equal to 50 percent of the tax under section 298.24 for concentrate sold in the form of pellet chips and fines not exceeding 5/16 inch in size and not including crushed pellets shall be paid to the taconite economic development fund in years prior to 2010. The amount paid shall not exceed $700,000 annually for all companies. If the initial amount to be paid to the fund exceeds this amount, each company's payment shall be prorated so the total does not exceed $700,000.

Sec. 6. Minnesota Statutes 2006, section 298.28, subdivision 9d, as added by Laws 2008, chapter 154, article 8, section 9, is amended to read:

Subd. 9d. **Iron Range higher education account.** ~~Two~~ Five cents per taxable ton must be allocated to the Iron Range Resources and Rehabilitation Board to be deposited in an Iron Range higher education account that is hereby created, to be used for higher education programs conducted at educational institutions in the taconite assistance area defined in section 273.1341. The Iron Range Higher Education committee under section 298.2214 and the Iron Range Resources and Rehabilitation Board must approve all expenditures from the account.

EFFECTIVE DATE. This section is effective for production in 2007, distributions in 2008, and thereafter.

Sec. 7. Minnesota Statutes 2006, section 298.2961, subdivision 4, as amended by Laws 2008, chapter 154, article 8, section 13, is amended to read:

Subd. 4. **Grant and loan fund.** (a) A fund is established to receive distributions under section 298.28, subdivision 9b, and to make grants or loans as provided in this subdivision. Any grant or loan made under this subdivision must be approved by a majority of the members of the Iron Range Resources and Rehabilitation Board, established under section 298.22.

(b) Distributions received in calendar year 2005 are allocated to the city of Virginia for improvements and repairs to the city's steam heating system.

(c) Distributions received in calendar year 2006 are allocated to a project of the public utilities commissions of the cities of Hibbing and Virginia to convert their electrical generating plants to the use of biomass products, such as wood.

(d) Distributions received in calendar year 2007 must be paid to the city of Tower to be used for the East Two Rivers project in or near the city of Tower.

(e) For distributions received in 2008, the first $2,000,000 of the 2008 distribution must be paid to St. Louis County for deposit in its county road and bridge fund to be used for relocation of St. Louis County Road 715, commonly referred to as Pike River Road. The next $90,000 must be paid to Independent School District No. 2142, St. Louis County, for a facilities study. The remainder of the 2008 distribution must be paid to St. Louis County for a grant to the city of Virginia for connecting sewer and water lines to the St. Louis County maintenance garage on Highway 135, further extending the lines to interconnect with the city of Gilbert's sewer and water lines. All distributions received in 2009 and subsequent years are allocated for projects under section 298.223, subdivision 1.

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

Sec. 8. Minnesota Statutes 2006, 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, crushed rock, limestone, granite, and borrow, but only if the borrow is transported on a public road, street, or highway. Aggregate material shall not include dimension stone and dimension granite. Aggregate material must be measured or weighed after 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~~ excavated 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 Pope, Stearns, Benton, Sherburne, Carver, Scott, Dakota, Le Sueur, Kittson, Marshall, Pennington, Red Lake, Polk, Norman, Mahnomen, Clay, Becker, Carlton, St. Louis, Rock, Murray, Wilkin, Big Stone, Sibley, Hennepin, Washington, Chisago, and Ramsey. County also means any other county whose board has voted after a public hearing to impose the tax under this section and has notified the commissioner of revenue of the imposition of the tax.

(7) "Borrow" shall mean granular borrow, consisting of durable particles of gravel and sand, crushed quarry or mine rock, crushed gravel or stone, or any combination thereof, the ratio of the portion passing the (#200) sieve divided by the portion passing the (1 inch) sieve may not exceed 20 percent by mass.

EFFECTIVE DATE. This section is effective January 1, 2009.

Sec. 9. Minnesota Statutes 2006, section 298.75, subdivision 2, is amended to read:

Subd. 2. **Tax imposed.** (a) A county that imposes the aggregate production tax shall impose upon every ~~importer and~~ operator a production tax ~~up to ten cents~~ of 21.5 cents per cubic yard or ~~up to seven~~ 15 cents per ton of aggregate material ~~removed~~ excavated in the county except that the county board may decide not to impose this tax if it determines that in the previous year operators removed less than 20,000 tons or 14,000 cubic yards of aggregate material from that county. The tax shall not be imposed on aggregate material ~~produced~~ excavated in the county ~~when~~ until the aggregate material is transported from the extraction site or sold, whichever occurs first. When aggregate material is stored in a stockpile within the state of Minnesota and a public highway, road or street is not used for transporting the aggregate material, the tax shall not be imposed until either when the aggregate material is sold, or when it is transported from the stockpile site, or when it is used from the stockpile, whichever occurs first.

(b) A county that imposes the aggregate production tax under paragraph (a) shall impose upon every importer a production tax of 21.5 cents per cubic yard or 15 cents per ton of aggregate material imported into the county. The tax shall be imposed when the aggregate material is imported from the extraction site or sold. When imported aggregate material is stored in a stockpile within the state of Minnesota and a public highway, road, or street is not used for transporting the aggregate material, the tax shall be imposed either when the aggregate material is sold, when it is transported from the stockpile site, or when it is used from the stockpile, whichever occurs first. The tax shall be imposed on an importer when the aggregate material is imported into the county that imposes the tax.

(c) If the aggregate material is transported directly from the extraction site to a waterway, railway, or another mode of transportation other than a highway, road or street, the tax imposed by this section shall be apportioned equally between the county where the aggregate material is extracted and the county to which the aggregate material is originally transported. If that destination is not located in Minnesota, then the county where the aggregate material was extracted shall receive all of the proceeds of the tax.

(d) A county, city, or town that receives revenue under this section is prohibited from imposing any additional host community fees on aggregate production within that county, city, or town.

EFFECTIVE DATE. This section is effective January 1, 2009.

Sec. 10. Minnesota Statutes 2006, section 298.75, subdivision 6, is amended to read:

Subd. 6. **Penalties; removal of aggregate if previous tax not paid; false report.** It is a misdemeanor for any operator or importer to remove aggregate material from a pit, quarry, or deposit or for any importer to import aggregate material unless all taxes due under this section for ~~the~~ all previous reporting ~~period~~ periods have been paid or objections thereto have been filed pursuant to subdivision 4.

It is a misdemeanor for the operator or importer who is required to file a report to file a false report with intent to evade the tax.

EFFECTIVE DATE. This section is effective January 1, 2009.

Sec. 11. Minnesota Statutes 2006, section 298.75, subdivision 7, is amended to read:

Subd. 7. **Proceeds of taxes.** (a) All money collected as taxes under this section shall be deposited in the county treasury and credited ~~as follows, for expenditure by the county board:~~ according to this subdivision.

(b) The county auditor may retain an annual administrative fee of up to five percent of the total taxes collected in any year.

(c) The balance of the taxes, after any deduction under paragraph (b), shall be credited as follows:

~~(a) Sixty~~ (1) 42.5 percent to the county road and bridge fund for expenditure for the maintenance, construction and reconstruction of roads, highways and bridges;

~~(b) Thirty~~ (2) 42.5 percent to the ~~road and bridge fund of those towns as determined by the county board and to the~~ general fund ~~or other designated fund of those cities as determined by the county board~~ of the city or town in which the mine is located, or to the county, if the mine is located in an unorganized town, to be expended for maintenance, construction and reconstruction of roads, highways and bridges; and

~~(c) Ten~~ (3) 15 percent to a special reserve fund which is hereby established, for expenditure for the restoration of abandoned pits, quarries, or deposits located ~~upon public and tax forfeited lands~~ within the county.

If there are no abandoned pits, quarries or deposits located ~~upon public or tax forfeited lands~~ within the county, this portion of the tax shall be ~~deposited in the county road and bridge fund for expenditure for the maintenance, construction and reconstruction of roads, highways and bridges~~ used for any other unmet reclamation need or for conservation or other environmental needs.

EFFECTIVE DATE. This section is effective January 1, 2009.

Sec. 12. Laws 2008, chapter 154, article 8, section 14, the effective date, is amended to read:

EFFECTIVE DATE. This section is effective for distributions made in ~~2008 and thereafter~~ 2007.

Sec. 13. **ELECTRIC GENERATING PLANTS IN TACONITE TAX RELIEF AREAS.**

For purposes of definitions of "taconite tax relief area" and "taconite assistance area" in Minnesota Statutes, sections 273.134, 273.1341, and related laws, the elimination of the property tax exemption for certain electric generating plants under Laws 2008, chapter 154, article 8, section 6, does not change the status of any electric generating plant qualifying as a taconite facility.

ARTICLE 9

LOCAL DEVELOPMENT

Section 1. **[116J.8732] SEED CAPITAL INVESTMENT CREDIT; COMMISSIONER'S RESPONSIBILITIES.**

Subdivision 1. **Scope.** This section establishes rules that businesses must satisfy to qualify for the seed capital investment credit under section 290.06, subdivision 34, and the commissioner's responsibility for certifying the qualifying businesses.

Subd. 2. **Definitions.** (a) For purposes of this section and section 290.06, subdivision 34, the following terms have the meanings given.

(b) "Border city" means a city qualifying to designate a border city development zone under section 469.1731.

(c) "Pass-through entity" means a corporation that for the applicable tax year is treated as an S corporation or a general partnership, limited partnership, limited liability partnership, trust, or limited liability company and which for the applicable taxable year is not taxed as a corporation under chapter 290.

(d) "Primary sector business" means a qualified business that through the employment of knowledge or labor adds value to a product, process, or service and increases revenues to a Minnesota business generated by sales of products or services to customers outside of the state or increases revenues to a qualified business the customers of which previously were unable to acquire, or had limited availability of the product or service from a Minnesota provider.

(e) "Qualified business" means a business certified by the commissioner as meeting the requirements of subdivision 3.

Subd. 3. **Qualified business.** (a) The commissioner shall certify whether a business that has requested to become a qualified business meets the requirements of paragraph (b).

(b) For purposes of this section, a qualified business must be a primary sector business, other than a real estate investment trust, that:

(1) is incorporated or its satellite operation is incorporated as a for-profit corporation or is a partnership, limited partnership, limited liability company, limited liability partnership, or joint venture;

(2) is in compliance with the requirements for filings with the commissioner of commerce under the securities laws of this state;

(3) has Minnesota residents as a majority of its employees in its principal office or the satellite

operation, which is located in a border city;

(4) has its principal office in a border city and has the majority of its business activity performed in a border city, except sales activity, or has a significant operation in a border city that has or is projected to have more than ten employees or $150,000 of sales annually; and

(5) relies on innovation, research, or the development of new products and processes in its plans for growth and profitability.

(c) The commissioner shall establish the necessary forms and procedures for certifying qualified businesses.

(d) A qualified business may apply to the commissioner for a recertification. Only one recertification is available to a qualified business. The application for recertification must be filed with the commissioner within 90 days before the original certification expiration date. The recertification issued by the director must comply with the provisions of paragraph (e).

(e) The commissioner shall issue a certification letter to a business the commissioner determines is a qualified business. The certification letter must include:

(1) the certification effective date; and

(2) the certification expiration date, which may not be more than four years from the certification effective date.

Subd. 4. **Seed capital investment credit reporting.** Within 30 days after the date that an investment in a qualified business is purchased, the qualified business shall file with the commissioner and the commissioner of revenue and provide to the investor completed forms prescribed by the commissioner of revenue that show as to each investment in the qualified business the following:

(1) the name, address, and Social Security number of the taxpayer who made the investment; and

(2) the dollar amount paid for the investment by the taxpayer.

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

Sec. 2. Minnesota Statutes 2006, section 116J.993, subdivision 3, is amended to read:

Subd. 3. **Business subsidy.** "Business subsidy" or "subsidy" means a state or local government agency grant, contribution of personal property, real property, infrastructure, the principal amount of a loan at rates below those commercially available to the recipient, any reduction or deferral of any tax or any fee, any guarantee of any payment under any loan, lease, or other obligation, or any preferential use of government facilities given to a business.

The following forms of financial assistance are not a business subsidy:

(1) a business subsidy of less than ~~$25,000~~ $200,000;

(2) assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of business, size, location, or similar general criteria;

(3) public improvements to buildings or lands owned by the state or local government that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;

(4) redevelopment property polluted by contaminants as defined in section 116J.552, subdivision 3;

(5) assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance provided for designated historic preservation districts, provided that the assistance is equal to or less than 50 percent of the total cost;

(6) assistance to provide job readiness and training services if the sole purpose of the assistance is to provide those services;

(7) assistance for housing;

(8) assistance for pollution control or abatement, including assistance for a tax increment financing hazardous substance subdistrict as defined under section 469.174, subdivision 23;

(9) assistance for energy conservation;

(10) tax reductions resulting from conformity with federal tax law;

(11) workers' compensation and unemployment insurance;

(12) benefits derived from regulation;

(13) indirect benefits derived from assistance to educational institutions;

(14) funds from bonds allocated under chapter 474A, bonds issued to refund outstanding bonds, and bonds issued for the benefit of an organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1999;

(15) assistance for a collaboration between a Minnesota higher education institution and a business;

(16) assistance for a tax increment financing soils condition district as defined under section 469.174, subdivision 19;

(17) redevelopment when the recipient's investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current year's estimated market value;

(18) general changes in tax increment financing law and other general tax law changes of a principally technical nature;

(19) federal assistance until the assistance has been repaid to, and reinvested by, the state or local government agency;

(20) funds from dock and wharf bonds issued by a seaway port authority;

(21) business loans and loan guarantees of ~~$75,000~~ $200,000 or less;

(22) federal loan funds provided through the United States Department of Commerce, Economic Development Administration; and

(23) property tax abatements granted under section 469.1813 to property that is subject to valuation under Minnesota Rules, chapter 8100.

Sec. 3. Minnesota Statutes 2006, section 116J.994, subdivision 2, is amended to read:

Subd. 2. **Developing a set of criteria.** A business subsidy may not be granted until the grantor has adopted criteria after a public hearing for awarding business subsidies that comply with this section. The criteria may not be adopted on a case-by-case basis. The criteria must set specific minimum requirements that recipients must meet in order to be eligible to receive business subsidies. The criteria must include a specific wage floor for the wages to be paid for the jobs created. The wage floor may be stated as a specific dollar amount or may be stated as a formula that will generate a specific dollar amount. A grantor may deviate from its criteria by documenting in writing the reason for the deviation and attaching a copy of the document to its next annual report to the department. The commissioner of employment and economic development may assist local government agencies in developing criteria. A copy of the criteria must be submitted to the Department of Employment and Economic Development along with the first annual report following the enactment of this section or with the first annual report after it has adopted criteria, whichever is earlier. Notwithstanding section 116J.993, subdivision 3, clauses (1) and (21), for the purpose of this subdivision, "business subsidies" as defined under section 116J.993 includes the following forms of financial assistance:

(1) a business subsidy of $25,000 or more; and

(2) business loans and guarantees of $75,000 or more.

Sec. 4. Minnesota Statutes 2006, section 116J.994, subdivision 5, is amended to read:

Subd. 5. **Public notice and hearing.** (a) Before granting a business subsidy that exceeds $500,000 for a state government grantor and ~~$100,000~~ $200,000 for a local government grantor, the grantor must provide public notice and a hearing on the subsidy. A public hearing and notice under this subdivision is not required if a hearing and notice on the subsidy is otherwise required by law.

(b) Public notice of a proposed business subsidy under this subdivision by a state government grantor, other than the Iron Range Resources and Rehabilitation Board, must be published in the State Register. Public notice of a proposed business subsidy under this subdivision by a local government grantor or the Iron Range Resources and Rehabilitation Board must be published in a local newspaper of general circulation. The public notice must identify the location at which information about the business subsidy, including a summary of the terms of the subsidy, is available. Published notice should be sufficiently conspicuous in size and placement to distinguish the notice from the surrounding text. The grantor must make the information available in printed paper copies and, if possible, on the Internet. The government agency must provide at least a ten-day notice for the public hearing.

(c) The public notice must include the date, time, and place of the hearing.

(d) The public hearing by a state government grantor other than the Iron Range Resources and Rehabilitation Board must be held in St. Paul.

(e) If more than one nonstate grantor provides a business subsidy to the same recipient, the nonstate grantors may designate one nonstate grantor to hold a single public hearing regarding the business subsidies provided by all nonstate grantors. For the purposes of this paragraph, "nonstate grantor" includes the iron range resources and rehabilitation board.

(f) The public notice of any public meeting about a business subsidy agreement, including those required by this subdivision and by subdivision 4, must include notice that a person with residence in or the owner of taxable property in the granting jurisdiction may file a written complaint with the grantor if the grantor fails to comply with sections 116J.993 to 116J.995, and that no action may be filed against the grantor for the failure to comply unless a written complaint is filed.

Sec. 5. Minnesota Statutes 2006, section 290.06, is amended by adding a subdivision to read:

Subd. 34. **Seed capital investment credit.** (a) An individual, estate, or trust is allowed a credit against the tax imposed by this chapter for investments in a qualifying business certified under section 116J.8732, subdivision 3. The credit equals 45 percent of the amount invested by the taxpayer in qualified businesses during the taxable year. The credit must not exceed $112,500 for each taxable year.

(b) A pass-through entity that invests in a qualified business must be considered to be the taxpayer for purposes of the investment limitations in this subdivision and the amount of the credit allowed with respect to a pass-through entity's investment in a qualified business must be determined at the pass-through entity level. The amount of the total credit determined at the pass-through entity level must be allowed to the members in proportion to their respective interests in the pass-through entity.

(c) An investment made in a qualified business from the assets of a retirement plan is deemed to be the retirement plan participant's investment for the purpose of this subdivision if a separate account is maintained for the plan participant and the participant directly controls where the account assets are invested.

(d) The investment must be made on or after the certification effective date and must be at risk in the business to be eligible for the tax credit under this subdivision. An investment for which a credit is received under this subdivision must remain in the qualified business for at least three years. Investments placed in escrow do not qualify for the credit.

(e) The entire amount of an investment for which a credit is claimed under this subdivision must be expended by the qualified business for plant, equipment, research and development, marketing and sales activity, or working capital for the qualified business.

(f) A taxpayer who owns a controlling interest in the qualified business or who receives more than 50 percent of the taxpayer's gross annual income from the qualified business is not entitled to a credit under this subdivision. A member of the immediate family of a taxpayer disqualified by this subdivision is not entitled to the credit under this subdivision. For purposes of this subdivision, "immediate family" means the taxpayer's spouse, parent, sibling, or child or the spouse of any such person.

(g) The commissioner may disallow any credit otherwise allowed under this subdivision if any representation by a business in the application for certification as a qualified business proves to be false or if the taxpayer or qualified business fails to satisfy any conditions under this subdivision or section 116J.8732 or any conditions consistent with those requirements otherwise determined by the commissioner. The commissioner has four years after the due date of the return or after the return was filed, whichever period expires later, to audit the credit and assess additional tax that may be found due to failure to comply with the provisions of this subdivision and section 116J.8732. The amount of any credit disallowed by the commissioner that reduced the taxpayer's income tax liability

for any or all applicable tax years, plus penalty and interest as provided under chapter 289A, must be paid by the taxpayer.

(h) If the amount of the credit under this subdivision for any taxable year exceeds the limitations under paragraph (a), clause (2), the excess is a credit carryover to each of the four succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried. The amount of the unused credit that may be added under this paragraph may not exceed the taxpayer's liability for tax, less the credit for the taxable year. Each year, the aggregate amount of seed capital investment tax credit allowed for investments under this subdivision is limited to allocations that a border city has available for tax reductions in border city enterprise zones under section 469.170. The city must annually notify the commissioner of the amount of its section 469.170 allocations that it wishes to use to provide credits under this paragraph and the commissioner, after verifying the available allocation, shall implement the limit under this paragraph. If investments in qualified businesses reported to the commissioner exceed the limit on credits for investments imposed by this subdivision, the credit must be allowed to taxpayers in the chronological order of their investments in qualified businesses as determined from the forms filed under section 116J.8732.

EFFECTIVE DATE. This section is effective July 1, 2008, for taxable years beginning after December 31, 2007, and only applies to investments made after the qualified business has been certified by the commissioner of employment and economic development.

Sec. 6. Minnesota Statutes 2006, section 290.06, is amended by adding a subdivision to read:

Subd. 35. **Renaissance zone; historic rehabilitation credit.** (a) A taxpayer who incurs costs that are eligible for a credit under section 47 of the Internal Revenue Code for the rehabilitation of property in a renaissance zone is allowed a credit against the tax imposed under this chapter, including the taxes under sections 290.091 and 290.0922, equal to 25 percent of the federal credit for the taxable year. As used in this subdivision, a "renaissance zone" is the area of the campus of the former state regional treatment center in the city of Fergus Falls, including five buildings and associated land that were acquired by the city prior to January 1, 2007.

(b) If the amount of the credit under this subdivision exceeds the tax liability under this chapter for the year in which the cost is incurred, the amount that exceeds the tax liability may be carried back to any of the three preceding taxable years or carried forward to each of the ten taxable years succeeding the taxable year in which the expense was incurred. The entire amount of the credit must be carried to the earliest taxable year to which the amount may be carried. The unused portion of the credit must be carried to the following taxable year.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2008.

Sec. 7. Minnesota Statutes 2006, section 383E.20, is amended to read:

383E.20 BONDING FOR COUNTY LIBRARY BUILDINGS.

The Anoka County Board may, by resolution adopted by a four-sevenths vote, issue and sell general obligation bonds of the county in the manner provided in chapter 475 to acquire, better, and construct county library buildings. The bonds shall not be subject to the requirements of sections 475.57 to 475.59. The maturity years and amounts and interest rates of each series of bonds shall

be fixed so that the maximum amount of principal and interest to become due in any year, on the bonds of that series and of all outstanding series issued by or for the purposes of libraries, shall not exceed an amount equal to ~~the lesser of (i)~~ .01 percent of the taxable market value of all taxable property in the county, excluding any taxable property taxed by any city for the support of any free public library~~, or (ii) $1,250,000~~. When the tax levy authorized in this section is collected, it shall be appropriated and credited to a debt service fund for the bonds. The tax levy for the debt service fund under section 475.61 shall be reduced by the amount available or reasonably anticipated to be available in the fund to make payments otherwise payable from the levy pursuant to section 475.61.

EFFECTIVE DATE. This section is effective the day after the governing body of Anoka County and its chief clerical officer timely complete their compliance with section 645.021, subdivisions 2 and 3.

Sec. 8. Minnesota Statutes 2006, section 469.312, is amended by adding a subdivision to read:

Subd. 6. **Termination of designation of qualified business.** No person will be deemed to be a qualified business eligible for the benefits provided in sections 469.310 to 469.320 unless the person has entered into a business subsidy agreement with a local government unit as provided in section 469.310, subdivision 11, prior to May 1, 2008.

Sec. 9. Minnesota Statutes 2006, section 473.39, is amended by adding a subdivision to read:

Subd. 1n. **Obligations.** After May 1, 2008, in addition to other authority in this section, the council may issue certificates of indebtedness, bonds, or other obligations under this section in an amount not exceeding $33,600,000 for capital expenditures as prescribed in the council's regional transit master plan and transit capital improvement program and for related costs, including the costs of issuance and sale of the obligations.

EFFECTIVE DATE. This section applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington, and is effective the day following final enactment.

Sec. 10. Minnesota Statutes 2006, section 473F.08, is amended by adding a subdivision to read:

Subd. 3c. **Bloomington computation.** Effective for property taxes payable in 2010 and thereafter, if the city of Bloomington has imposed the tax authorized under section 18, subdivision 3, by September 15 of the levy year preceding the taxes payable year, the Hennepin County auditor shall determine the amount of the levy generated by the property included in phase II of the Mall of America project. The Hennepin County auditor shall distribute to the city of Bloomington the areawide portion of the levy computed under this subdivision at the same time that payments are made to the other counties under subdivision 7a. The city must use the money so distributed to finance a parking facility for phase II of the Mall of America project. The additional distribution to the city of Bloomington under this subdivision terminates effective for the first taxes payable year after the cost of the parking facility has been paid.

Sec. 11. Laws 1995, chapter 264, article 5, section 46, subdivision 2, is amended to read:

Subd. 2. **Limitation on use of tax increments.** (a) All revenues derived from tax increments must be used in accordance with the housing replacement district plan. The revenues must be used solely to pay the costs of site acquisition, relocation, demolition of existing structures, site preparation, and pollution abatement on parcels identified in the housing replacement district plan, as well as public improvements and administrative costs directly related to those parcels.

(b) Notwithstanding paragraph (a), the city of Minneapolis and the city of Crystal may use revenues derived from tax increments from its housing replacement district for activities related to parcels not identified in the housing replacement plan, but which would qualify for inclusion under section 45, subdivision 1, paragraph (b), clauses (1) through (3).

EFFECTIVE DATE. This section applies to revenues from the housing replacement districts, regardless of when they were received, and is effective the day following final enactment and for the city of Minneapolis, upon compliance by the governing body of the city of Minneapolis with Minnesota Statutes, section 645.021, subdivision 3, and, for the city of Crystal, upon compliance by the governing body of the city of Crystal with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 12. Laws 2003, chapter 127, article 10, section 31, subdivision 1, is amended to read:

Subdivision 1. **District extension.** (a) The governing body of the city of Hopkins may elect to extend the duration of its redevelopment tax increment financing district 2-11 by up to four additional years.

(b) Notwithstanding any law to the contrary, effective upon approval of this subdivision, no increments may be spent on activities located outside of the area of the district, other than:

(1) to pay administrative expenses; or

(2) to pay the costs of housing projects that meet the requirements of Minnesota Statutes, section 469.1761, provided that expenditures under this clause may not exceed 20 percent of the total tax increments from the district.

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

Sec. 13. Laws 2006, chapter 259, article 10, section 14, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) "City" means the city of Minneapolis.

(b) "Homeless assistance tax increment district" means a contiguous area of the city that:

(1) is no larger than ~~six~~ eight acres;

(2) is located within the boundaries of a city municipal development district; and

(3) contains at least two shelters for homeless persons that have been owned or operated by nonprofit corporations that (i) are qualified charitable organizations under section 501(c)(3) of the United States Internal Revenue Code, (ii) have operated such homeless facilities within the district for at least five years, and (iii) have been recipients of emergency services grants under Minnesota Statutes, section 256E.36.

EFFECTIVE DATE. This section is effective upon compliance by the city of Minneapolis with Minnesota Statutes, section 645.021.

Sec. 14. Laws 2008, chapter 154, article 9, section 23, is amended to read:

Sec. 23. **CITY OF FRIDLEY; TAX INCREMENT FINANCING DISTRICT; SPECIAL RULES.**

(a) If the city elects upon the adoption of a tax increment financing plan for a district, the rules

under this section apply to ~~a~~ one or more redevelopment tax increment financing ~~district~~ districts established by the city of Fridley or the housing and redevelopment authority of the city. The area within which the redevelopment tax increment ~~district~~ districts may be created includes the following parcels and adjacent railroad property and shall be referred to as the Northstar Transit Station ~~District~~ Project Area: parcel numbers 223024120010, 223024120009, 223024120017, 223024120016, 223024120018, 223024120012, 223024120011, 223024120005, 223024120004, 223024120003, 223024120013, 223024120008, 223024120007, 223024120006, 223024130005, 223024130010, 223024130011, 223024130003, 153024440039, 153024440037, 153024440041, 153024440042, 223024110013, 223024110016, 223024110017, 223024140008, 223024130002, 223024420004, 223024410002, 223024410003, 223024110008, 223024110007, 223024110019, 223024110018, 223024110003, 223024140003, 223024140009, 223024140002, 223024140010, and 223024410007.

(b) The requirements for qualifying a redevelopment tax increment district under Minnesota Statutes, section 469.174, subdivision 10, do not apply to the parcels located within the Northstar Transit Station ~~District~~ Project Area, which are deemed eligible for inclusion in a redevelopment tax increment district.

(c) In addition to the costs permitted by Minnesota Statutes, section 469.176, subdivision 4j, eligible expenditures within the Northstar Transit Station ~~District~~ Project Area include those costs necessary to provide for the construction and land acquisition for a tunnel under the Burlington Northern Santa Fe railroad tracks to allow access to the Northstar Commuter Rail.

(d) The limitations on spending increments outside of the district under Minnesota Statutes, section 469.1763, subdivision 2, do not apply, but increments may only be expended on improvements or activities within the area defined in paragraph (a).

(e) Notwithstanding the provisions of Minnesota Statutes, section 469.1763, subdivision 2, the city of Fridley may expend increments generated from its tax increment financing districts Nos. 11, 12, and 13 for costs permitted by paragraph (c) and Minnesota Statutes, section 469.176, subdivision 4j, outside the boundaries of tax increment financing districts Nos. 11, 12, and 13, but only within the Northstar Transit Station ~~District~~ Project Area.

~~(e)~~ (f) The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, does not apply to the Northstar Transit Station ~~District~~ Project Area or to tax increment financing districts Nos. 11, 12, and 13.

~~(f)~~ (g) The use of revenues for decertification under Minnesota Statutes, section 469.1763, subdivision 4, does not apply to tax increment financing districts Nos. 11, 12, and 13.

(h) The authority to approve tax increment financing plans and to establish one or more tax increment financing districts under this section expires on December 31, 2017.

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

Sec. 15. Laws 2008, chapter 154, article 9, section 24, is amended to read:

Sec. 24. **CITY OF NEW BRIGHTON; TAX INCREMENT FINANCING~~; EXPENDITURES OUTSIDE DISTRICT~~.**

Subdivision 1. **Expenditures outside district.** Notwithstanding the provisions of Minnesota Statutes, ~~section~~ sections 469.176, subdivision 4d, and 469.1763, subdivision 2, or any other law to the contrary, the city of New Brighton may expend increments generated from its tax increment financing ~~district No. 26 to facilitate eligible activities~~ districts 9, 20, and 26. The increments may be used to pay eligible expenses as permitted by Minnesota Statutes, section 469.176, subdivision ~~4e~~ 4j, outside the boundaries of tax increment financing ~~district No. 26~~ districts 9, 20, and 26, but only within the area described in Laws 1998, chapter 389, article 11, section 24, subdivision 1, ~~and~~ commonly referred to as the Northwest Quadrant. Minnesota Statutes, section 469.1763, subdivisions 3 and 4, do not apply to expenditures permitted by this section.

Subd. 2. **District duration extension.** Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, or any other law to the contrary, the duration limits that apply to redevelopment tax increment financing districts numbers 31 and 32 established under Laws 1998, chapter 389, article 11, section 24, and hazardous substance subdistricts numbers 31A and 32A established under Minnesota Statutes, sections 469.174 to 469.1799, are extended by four years.

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

Sec. 16. **CITY OF AUSTIN; TAX INCREMENT FINANCING AUTHORITY.**

Notwithstanding the requirements of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of tax increment financing district and notwithstanding the provisions of any other law, the governing body of the city of Austin may use tax increments from its Tax Increment Financing District No. 9 to reimburse the city's housing and redevelopment authority for money spent disposing of soils and debris in the tax increment financing district, as required by the Minnesota Pollution Control Agency.

EFFECTIVE DATE. This section is effective upon compliance by the governing body of the city of Austin with the requirements of Minnesota Statutes, section 645.021.

Sec. 17. **CITY OF BLOOMINGTON; TAX INCREMENT FINANCING DISTRICT; PROJECT REQUIREMENTS.**

Subdivision 1. **Addition of parcels to Tax Increment District No. 1-G.** Notwithstanding the provisions of Minnesota Statutes, section 469.175, subdivision 4, or any other law to the contrary, the governing bodies of the Port Authority of the city of Bloomington and the city of Bloomington may elect to eliminate certain real property from Tax Increment District No. 1-C within Industrial Development District No. 1 Airport South in the city of Bloomington, Minnesota, and expand the boundaries of Tax Increment District No. 1-G to include real property, which is described as follows:

(1) PARCEL A: Outlot A, MALL OF AMERICA 5TH ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota;

(2) PARCEL B: Lots 1 and 2, Block 1, MALL OF AMERICA 6TH ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota;

(3) PARCEL C: That part of Lindau Lane lying westerly of 24th Avenue South and lying easterly of State Highway No. 77;

(4) PARCEL D: Those parts of Lots 1, 2, and 3, Block 1, MALL OF AMERICA 3RD ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota, which lie northerly of a line described as commencing at the most westerly northwest corner of said Lot 1; thence on an assumed bearing of South 4 degrees 10 minutes 55 seconds West, along the west line of said Lot 1, a distance of 58.60 feet to the point of beginning of the line to be described; thence South 89 degrees 59 minutes 29 seconds East a distance of 205.48 feet; thence South 62 degrees 16 minutes 23 seconds East a distance of 169.47 feet; thence North 445 degrees 01 minute 28 seconds East a distance of 249.76 feet; thence South 89 degrees 59 minutes 39 seconds East a distance of 88.47 feet; thence South 45 degrees 09 minutes 10 seconds East a distance of 225.13 feet; thence South 89 degrees 59 minutes 52 seconds East a distance of 303.62 feet; thence South 0 degrees 00 minutes 08 seconds West a distance of 10.00 feet; thence North 89 degrees 57 minutes 47 seconds East a distance of 55.90 feet; thence North 0 degrees 06 minutes 52 seconds West a distance of 10.01 feet; thence North 89 degrees 59 minutes 04 seconds East a distance of 332.04 feet; thence North 44 degrees 57 minutes 59 seconds East a distance of 251.28 feet; thence South 45 degrees 05 minutes 41 seconds East a distance of 267.55 feet; thence North 73 degrees 11 minutes 28 seconds East a distance of 145.63 feet; thence South 89 degrees 59 minutes 38 seconds East a distance of 217.21 feet to the east line of said Lot 1 and said line there terminating;

(5) PARCEL E: That part of Lot 1, Block 1, MALL OF AMERICA 3RD ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota, described as commencing at the most southerly southwest corner of said Lot 1; thence on an assumed bearing of South 88 degrees 03 minutes 50 seconds East, along the south line of said Lot 1, a distance of 847.28 feet to the point of beginning of the parcel to be described; thence North 0 degrees 01 minutes 05 seconds West a distance of 307.69 feet; thence North 89 degrees 59 minutes 32 seconds East a distance of 163.77 feet; thence North 0 degrees 00 minutes 36 seconds East a distance of 10.17 feet; thence South 89 degrees 59 minutes 24 seconds East a distance 55.93 feet; thence South 0 degrees 02 minutes 42 seconds West a distance of 10.21 feet; thence South 89 degrees 59 minutes 24 seconds East a distance of 242.25 feet; thence South 0 degrees 00 minutes 36 seconds West a distance of 54.87 feet; thence South 62 degrees 14 minutes 23 seconds East a distance of 22.55 feet; thence South 45 degrees 05 minutes 26 seconds East a distance of 263.33 feet; thence South 0 degrees 12 minutes 39 seconds East a distance of 62.13 feet to said south line of Lot 1; thence westerly along said south line of Lot 1, a distance of 668.64 feet to the point of beginning;

(6) PARCEL F: That part of Lot 1, Block 1, MALL OF AMERICA 3RD ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota, described as beginning at the most westerly southwest corner of said Lot 1; thence on an assumed bearing of North 4 degrees 10 minutes 55 seconds East, along the west line of said Lot 1, a distance of 490.00 feet; thence South 89 degrees 59 minutes 26 seconds East a distance of 69.49 feet; thence South 0 degrees 00 minutes 34 seconds West a distance of 488.70 feet; thence North 89 degrees 59 minutes 26 seconds West a distance of 105.14 feet to the point of beginning;

(7) PARCEL G: That part of Lot 1, Block 1, MALL OF AMERICA 3RD ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota, described as commencing at the most westerly southwest corner of said Lot 1; thence on an assumed bearing of North 4 degrees 10 minutes 55 seconds East, along the west line of said Lot 1, a distance of 873.70 feet; thence South 89 degrees 58 minutes 59 seconds East a distance of 273.87 feet to the point of beginning of the parcel to be described; thence continuing South 89 degrees 58 minutes 59 seconds East a distance of 130.00 feet; thence South 0 degrees 01 minute 01 second West a distance of 216.53 feet; thence South 85 degrees

23 minutes 04 seconds East a distance of 1.70 feet; thence South 0 degrees 01 minute 01 second West a distance of 87.63 feet; thence South 83 degrees 20 minutes 10 seconds West a distance of 1.68 feet; thence South 0 degrees 01 minute 49 seconds East a distance of 216.46 feet; thence North 89 degrees 58 minutes 59 seconds West a distance of 130.21 feet; thence North 0 degrees 01 minute 01 second East a distance of 520.95 feet to the point of beginning, which lies above an elevation of 894.2 feet, Mean Sea Level Datum NGVD 1929 adjustment;

(8) PARCEL H: That part of Lot 1, Block 1, MALL OF AMERICA 3RD ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota, described as commencing at the most westerly southwest corner of said Lot 1; thence on an assumed bearing of North 4 degrees 10 minutes 55 seconds East, along the west line of said Lot 1, a distance of 873.70 feet; thence South 89 degrees 58 minutes 59 seconds East a distance of 403.87 feet; thence North 89 degrees 56 minutes 58 seconds East a distance of 61.26 feet to the point of beginning of the parcel to be described; thence South 89 degrees 56 minutes 58 seconds West a distance of 61.26 feet; thence South 0 degrees 01 minute 01 second West a distance of 216.53 feet; thence South 85 degrees 23 minutes 04 seconds East a distance of 1.70 feet; thence South 0 degrees 01 minute 01 second West a distance of 87.63 feet; thence South 83 degrees 20 minutes 10 seconds West a distance of 1.68 feet; thence South 0 degrees 01 minute 49 seconds East a distance of 216.46 feet; thence North 89 degrees 56 minutes 58 seconds East a distance of 61.15 feet to a line bearing South 0 degrees 00 minutes 24 seconds West from the point of beginning; thence North 0 degrees 00 minutes 24 seconds East a distance of 520.95 feet to the point of beginning;

(9) PARCEL I: That part of Lot 1, Block 1, MALL OF AMERICA 3RD ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota, described as commencing at the most westerly southwest corner of said Lot 1; thence on an assumed bearing of North 4 degrees 10 minutes 55 seconds East, along the west line of said Lot 1, a distance of 873.70 feet; thence South 89 degrees 58 minutes 59 seconds East a distance of 403.87 feet; thence North 89 degrees 56 minutes 58 seconds East a distance of 61.26 feet; thence South 0 degrees 00 minutes 24 seconds West a distance of 5.54 feet to the point of beginning of the parcel to be described; thence continuing South 0 degrees 00 minutes 24 seconds West a distance of 300.00 feet; thence South 89 degrees 59 minutes 36 seconds East a distance of 123.79 feet; thence North 0 degrees 00 minutes 24 seconds East a distance of 299.98 feet; thence North 89 degrees 58 minutes 55 seconds West a distance of 123.79 feet to the point of beginning, which lies above an elevation of 877.6 feet, Mean Sea Level Datum NGVD 1929 adjustment;

(10) PARCEL J: That part of Lot 4, Block 1, MALL OF AMERICA 3RD ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota, which lies above an elevation of 878.0 feet, Mean Sea Level Datum NGVD 1929 adjustment; and

(11) PARCEL K: That part of Lot 1, Block 1, MALL OF AMERICA 3RD ADDITION, according to the recorded plat thereof, Hennepin County, Minnesota, described as beginning at the most southerly southeast corner of said Lot 1; thence on an assumed bearing of North 86 degrees 49 minutes 30 seconds West, along the south line of said Lot 1, a distance of 117.87 feet; thence North 0 degrees 01 minute 27 seconds East a distance of 293.98 feet; thence North 89 degrees 59 minutes 41 seconds East a distance of 213.38 feet to the east line of said Lot 1; thence southerly and westerly along said east and south lines of Lot 1, a distance of 357.03 feet to the point of beginning.

Subd. 2. **Original tax capacity of Tax Increment District No. 1-G.** Upon inclusion of the real property described above in the Tax Increment District No. 1-G, the Hennepin County auditor must

increase the original tax capacity of Tax Increment District No. 1-G by $10,490.

Subd. 3. **Use of increments.** All tax increments from Tax Increment District No. 1-G must be used for infrastructure costs.

Subd. 4. **Public hearing on district modification.** When the governing bodies of the port authority or the city elect to exercise the authority provided in subdivision 1 to modify the districts, they must conduct a public hearing after published notice on the issue, with the meeting beginning between 6:00 p.m. and 7:00 p.m. on a weeknight. Modification of the district must be approved by a unanimous vote of all members of the governing body who are present at the meeting.

Subd. 5. **Construction of Mall of America phase II.** The governing body of the city of Bloomington and the Bloomington port authority, as a condition of providing tax increments or other financial assistance for infrastructure costs of the Mall of America phase II, must enter into an agreement with the developers of the project that ensures that the facility be, to the greatest extent practicable, constructed of American-made steel and that prohibits inclusion of an auditorium, theater, or similar entertainment venue that has a seating capacity in excess of 1500.

Subd. 6. **Living wage.** Any agreement to provide financial assistance to phase II of the Mall of America project must include a provision that requires payment of wages that meet the requirements of Minnesota Statutes, section 469.310, subdivision 11, paragraph (g), to persons employed on a full-time basis at the facility. This subdivision does not apply to seasonal or temporary employees or to internships or similar positions intended to provide career experience or training. This subdivision does not apply to nonprofit organizations, educational institutions, or businesses that employ fewer than 50 employees.

Subd. 7. **Affordable access.** To the extent determined by the governing body of the city or the port authority, any agreement to provide financial assistance to phase II of the Mall of America project must provide for affordable access to the amusement areas of the facility.

Subd. 8. **Labor peace.** As a condition to exercising the authority provided in subdivision 1, the governing bodies of the city of Bloomington and the Bloomington Port Authority shall require the developers of Phase II of the Mall of America project to enter into a labor peace agreement with the labor organization which is most actively engaged in representing and attempting to represent hotel workers in Hennepin and Ramsey Counties. The labor peace agreement must be an enforceable agreement and must prohibit the labor organization and its members from engaging in any boycott or other activity advising customers not to patronize any hotel that is part of Phase II for at least the first five years of the hotel's operation, and must cover all operations at the hotel, other than construction, alteration, or repair of the premises separately owned and operated, which are conducted by lessees or tenants or under management agreements, except retail operations, including gift, jewelry, and clothing shops that have annual gross revenues of less than $250,000.

EFFECTIVE DATE. This section is effective upon compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 18. **CITY OF BLOOMINGTON; LOCAL TAXING AUTHORITY.**

Subdivision 1. **Additional taxes authorized; use of proceeds.** Notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or charter provision to the contrary, the governing body of the city of Bloomington may impose any or all of the taxes described in

this section. The proceeds of any taxes imposed under this section, less refunds and the cost of collection, must be used to provide financing for a parking facility for the Mall of America phase II. If a governmental entity other than the city of Bloomington issues the obligations used to finance the parking facility, the city may transfer the funds available under this act for financing the project to the entity that issued the bonds.

Subd. 2. **Sales tax.** The city may impose by ordinance a sales and use tax of up to one percent within a special taxing district that includes the geographic area included within Tax Increment Districts No. 1-C and No. 1-G in the city of Bloomington. The provisions of Minnesota Statutes, section 297A.99, except for subdivisions 2 and 3, govern the imposition, administration, collection, and enforcement of the tax authorized in this subdivision.

Subd. 3. **Lodging tax.** The city may impose, by ordinance, a tax of no less than three-quarters of one percent and no more than one percent on the gross receipts subject to the lodging tax under Minnesota Statutes, section 469.190. This tax is in addition to any tax imposed under Minnesota Statutes, section 469.190, and, if imposed, must apply at the same rate in all areas of the city.

Subd. 4. **Admissions and recreation tax.** The city may impose, by ordinance, a tax of up to one percent on admissions to entertainment and recreational facilities and rental of recreation equipment at sites within Tax Increment Districts No. 1-C and No. 1-G in the city of Bloomington.

Subd. 5. **Food and beverage tax.** The city may impose, by ordinance, an additional sales tax of up to three percent on sales of food and beverages primarily for consumption on or off the premises by restaurants and places of refreshment as defined by resolution of the city within Tax Increment Districts No. 1-C and No. 1-G in the city of Bloomington.

Subd. 6. **Lodging taxes.** Notwithstanding any law or ordinance, the city may use the unobligated proceeds of any existing city lodging tax attributable to imposition of the tax on lodging facilities constructed after the date of enactment of this act within Tax Increment Financing District No. 1-G. In this subdivision, "unobligated proceeds of any existing city lodging tax" means the proceeds of a lodging tax imposed by the city of Bloomington prior to May 1, 2008, to the extent the proceeds of the tax are not contractually pledged to any other specific uses. Lodging tax proceeds derived from lodging facilities constructed after the date of enactment of this act within Tax Increment Financing District No. 1-G that have been required by law to be expended for promotion of the metropolitan sports area or for marketing and promotion of the city by the city convention bureau may be expended for the purposes described in subdivision 1, notwithstanding the dedications in those laws.

EFFECTIVE DATE. This section is effective the day after compliance by the governing body of the city of Bloomington with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 19. **DAKOTA COUNTY COMMUNITY DEVELOPMENT AUTHORITY; PLAN MODIFICATION.**

Notwithstanding Minnesota Statutes, section 469.175, subdivision 4, the Dakota County Community Development Authority may designate additional property to be acquired by the authority for a tax increment financing project without meeting the requirements for approval of an original tax increment financing plan if the property:

(1) consists of one or more parcels under common ownership;

(2) is acquired from a willing seller;

(3) is acquired for purposes of development as a housing project as defined in Minnesota Statutes, section 469.174, subdivision 11; and

(4) the acquisition is approved by the governing body of the authority after holding a public hearing thereon after published notice in a newspaper of general circulation in the municipality in which the property is located 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 depicting the property and the general area of the municipality within which the property is located. The hearing may be held before or at the time of authority approval of the acquisition.

EFFECTIVE DATE. This section is effective upon compliance by the governing body of the Dakota County Community Development Authority with the requirements of Minnesota Statutes, section 645.021, and terminates July 1, 2013.

Sec. 20. **CITY OF DAYTON; HASSAN TOWNSHIP; LIMIT ON ABATEMENTS.**

Notwithstanding the limitation in Minnesota Statutes, section 469.1813, subdivision 8, for the city of Dayton and Hassan Township, in any year, the total amount of property taxes abated by the city or the town may not exceed ten percent of the net tax capacity of the city or town for the taxes payable year to which the abatement applies.

EFFECTIVE DATE. This section is effective, for the city of Dayton, upon compliance by the governing body of the city of Dayton and, for Hassan Township, upon compliance by the governing body of Hassan Township, with the requirements of Minnesota Statutes, section 645.021.

Sec. 21. **CITY OF DULUTH; EXTENSION OF TIME FOR ACTIVITY IN TAX INCREMENT FINANCING DISTRICTS.**

Subdivision 1. **District No. 20.** The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, must be considered to be met for Duluth Economic Development Authority Tax Increment Financing District No. 20 if the activities are undertaken within ten years from the date of certification of the district.

Subd. 2. **District No. 21.** The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, must be considered to be met for Duluth Economic Development Authority Tax Increment Financing District No. 21 if the activities are undertaken within ten years from the date of certification of the district.

EFFECTIVE DATE. This section is effective upon compliance by the governing body of the city of Duluth with the requirements of Minnesota Statutes, section 645.021.

Sec. 22. **CITY OF OAKDALE; EXTENDED DURATION FOR TAX INCREMENT FINANCING DISTRICTS.**

(a) Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, the Housing and Redevelopment Authority in and for the city of Oakdale may create a redevelopment tax increment district that has a duration limit of 35 years after receipt of the first increment in each of the areas

described in paragraph (b).

(b) The district or districts may be created in either or both of the areas comprised of the parcels with the following parcel identification numbers: (1) 3102921320053; 3102921320054; 3102921320055; 3102921320056; 3102921320057; 3102921320058; 3102921320062; 3102921320063; 3102921320059; 3102921320060; and 3102921320061; and (2) 3102921330005 and 3102921330004.

EFFECTIVE DATE. This section is effective upon compliance by the governing body of the city of Oakdale with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 23. **CITY OF WELLS; DISPOSITION OF TIF REVENUES.**

Notwithstanding the provisions of Minnesota Statutes, section 469.174, subdivision 25, the following are deemed not to be "increments," "tax increments," or "revenues derived from tax increment" for purposes of the redevelopment district in the city of Wells, identified as Downtown Development Program 1, for amounts received after decertification of the district:

(1) rents paid by private tenants for use of a building acquired in whole or in part with tax increments; and

(2) proceeds from the sale of the building.

EFFECTIVE DATE. This section is effective upon compliance by the governing body of the city of Wells with the requirements of Minnesota Statutes, section 645.021.

Sec. 24. **METROPOLITAN SPORTS FACILITIES COMMISSION; VIKINGS STADIUM RECOMMENDATION.**

The Metropolitan Sports Facilities Commission and representatives of the Minnesota Vikings shall develop a recommendation for the development and financing of a stadium located on the site of the Hubert H. Humphrey Metrodome, that, at a minimum:

(1) meets the programmatic requirements of the National Football League;

(2) has a retractable roof;

(3) accommodates NCAA men's and women's championship basketball, and professional and amateur soccer; and

(4) utilizes financing and funding mechanisms that are borne by those using or benefitting from the stadium development.

The analysis will also include an assessment of the feasibility of other activities requiring a climate-controlled venue, including amateur baseball, trade shows, community and cultural events, and other events of national and international significance. The analysis must also include an evaluation of the use of a new tax on sports memorabilia to finance the facility or other public facilities. The recommendation must contain a report on the programmatic elements, construction schedule, conceptual and schematic design, estimated cost, proposals for financing and funding. Costs of architects, engineers, and other design consultants must be shared between the parties and will be included in the total stadium project costs. A report on the recommendation must be presented to the legislature by January 15, 2009.

ARTICLE 10

DEPARTMENT INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES

Section 1. Minnesota Statutes 2006, section 289A.18, subdivision 1, as amended by Laws 2008, chapter 154, article 11, section 5, is amended to read:

Subdivision 1. **Individual income, fiduciary income, corporate franchise, and entertainment taxes; partnership and S corporation returns; information returns; mining company returns.** The returns required to be made under sections 289A.08 and 289A.12 must be filed at the following times:

(1) returns made on the basis of the calendar year must be filed on April 15 following the close of the calendar year, except that returns of corporations must be filed on March 15 following the close of the calendar year;

(2) returns made on the basis of the fiscal year must be filed on the 15th day of the fourth month following the close of the fiscal year, except that returns of corporations must be filed on the 15th day of the third month following the close of the fiscal year;

(3) returns for a fractional part of a year must be filed on the 15th day of the fourth month following the end of the month in which falls the last day of the period for which the return is made, except that the returns of corporations must be filed on the 15th day of the third month following the end of the tax year; or, in the case of a corporation which is a member of a unitary group, the return of the corporation must be filed on the 15th day of the third month following the end of the tax year of the unitary group in which falls the last day of the period for which the return is made;

(4) in the case of a final return of a decedent for a fractional part of a year, the return must be filed on the 15th day of the fourth month following the close of the 12-month period that began with the first day of that fractional part of a year;

(5) in the case of the return of a cooperative association, returns must be filed on or before the 15th day of the ninth month following the close of the taxable year;

(6) if a corporation has been divested from a unitary group and files a return for a fractional part of a year in which it was a member of a unitary business that files a combined report under section ~~290.34~~ 290.17, subdivision ~~2~~ 4, the divested corporation's return must be filed on the 15th day of the third month following the close of the common accounting period that includes the fractional year;

(7) returns of entertainment entities must be filed on April 15 following the close of the calendar year;

(8) returns required to be filed under section 289A.08, subdivision 4, must be filed on the 15th day of the fifth month following the close of the taxable year;

(9) returns of mining companies must be filed on May 1 following the close of the calendar year; and

(10) returns required to be filed with the commissioner under section 289A.12, subdivision 2 or 4 to 10, must be filed within 30 days after being demanded by the commissioner.

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

change in clause (6) is effective for taxable years beginning after December 31, 2007.

Sec. 2. Minnesota Statutes 2006, section 290.01, subdivision 6b, is amended to read:

Subd. 6b. **Foreign operating corporation.** The term "foreign operating corporation," when applied to a corporation, means a domestic corporation with the following characteristics:

(1) it is part of a unitary business at least one member of which is taxable in this state;

(2) it is not a foreign sales corporation under section 922 of the Internal Revenue Code, as amended through December 31, 1999, for the taxable year;

(3)(i) the average of the percentages of its property and payrolls, including the pro rata share of its unitary partnerships' property and payrolls, assigned to locations outside the United States, where the United States includes the District of Columbia and excludes the commonwealth of Puerto Rico and possessions of the United States, as determined under section 290.191 or 290.20, is 80 percent or more; or (ii) it has in effect a valid election under section 936 of the Internal Revenue Code; and

(4) it has a minimum of $1,000,000 of payroll and $2,000,000 of property, as determined under section 290.191 or 290.20, that are located outside the United States. If the domestic corporation does not have payroll as determined under section 290.191 or 290.20, but it or its partnerships have paid $1,000,000 for work, performed directly for the domestic corporation or the partnerships, outside the United States, then paragraph (3)(i) shall not require payrolls to be included in the average calculation.

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

Sec. 3. Minnesota Statutes 2006, section 290.068, subdivision 3, is amended to read:

Subd. 3. **Limitation; carryover.** (a)(1) The credit for the taxable year shall not exceed the liability for tax. "Liability for tax" for purposes of this section means the tax imposed under ~~this chapter~~ section 290.06, subdivision 1, for the taxable year reduced by the sum of the nonrefundable credits allowed under this chapter.

(2) In the case of a corporation which is a partner in a partnership, the credit allowed for the taxable year shall not exceed the lesser of the amount determined under clause (1) for the taxable year or an amount (separately computed with respect to the corporation's interest in the trade or business or entity) equal to the amount of tax attributable to that portion of taxable income which is allocable or apportionable to the corporation's interest in the trade or business or entity.

(b) If the amount of the credit determined under this section for any taxable year exceeds the limitation under clause (a), the excess shall be a research credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year shall be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this clause shall not exceed the taxpayer's liability for tax less the research credit for the taxable year.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2007.

Sec. 4. Minnesota Statutes 2006, section 290.07, subdivision 1, is amended to read:

Subdivision 1. **Annual accounting period.** Net income and taxable net income shall be computed upon the basis of the taxpayer's annual accounting period. If a taxpayer has no annual accounting period, or has one other than a fiscal year, as heretofore defined, the net income and taxable net income shall be computed on the basis of the calendar year. Taxpayers shall employ the same accounting period on which they report, or would be required to report, their net income under the Internal Revenue Code. The commissioner shall provide by rule for the determination of the accounting period for taxpayers who file a combined report under section ~~290.34~~ 290.17, subdivision ~~2~~ 4, when members of the group use different accounting periods for federal income tax purposes. Unless the taxpayer changes its accounting period for federal purposes, the due date of the return is not changed.

A taxpayer may change accounting periods only with the consent of the commissioner. In case of any such change, the taxpayer shall pay a tax for the period not included in either the taxpayer's former or newly adopted taxable year, computed as provided in section 290.32.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2007.

Sec. 5. Minnesota Statutes 2006, section 290.21, subdivision 4, is amended to read:

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

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

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

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

(b) Seventy percent of dividends received by a corporation during the taxable year from another corporation in which the recipient owns less than 20 percent of the stock, by vote or value, not

including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of income and gain therefrom.

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

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2007.

Sec. 6. Minnesota Statutes 2006, section 290.92, subdivision 26, is amended to read:

Subd. 26. **Extension of withholding to certain payments where identifying number not furnished or inaccurate.** (a) If, in the case of any reportable payment, (1) the payee fails to furnish the payee's Social Security account number to the payor, ~~or~~ (2) the payee is subject to federal backup withholding on the reportable payment under section 3406 of the Internal Revenue Code, or (3) the commissioner notifies the payor that the Social Security account number furnished by the payee is incorrect, then the payor shall deduct and withhold from the payment a tax equal to the

amount of the payment multiplied by the highest rate used in determining the income tax liability of an individual under section 290.06, subdivision 2c.

(b)(1) In the case of any failure described in clause (a)(1), clause (a) shall apply to any reportable payment made by the payor during the period during which the Social Security account number has not been furnished.

(2) In any case where there is a notification described in clause (a)~~(2)~~(3), clause (a) shall apply to any reportable payment made by the payor (i) after the close of the 30th day after the day on which the payor received the notification, and (ii) before the payee furnishes another Social Security account number.

(3)(i) Unless the payor elects not to have this subparagraph apply with respect to the payee, clause (a) shall also apply to any reportable payment made after the close of the period described in paragraph (1) or (2) (as the case may be) and before the 30th day after the close of the period.

(ii) If the payor elects the application of this subparagraph with respect to the payee, clause (a) shall also apply to any reportable payment made during the 30-day period described in paragraph (2).

(iii) The payor may elect a period shorter than the grace period set forth in subparagraph (i) or (ii) as the case may be.

(c) The provisions of section 3406 of the Internal Revenue Code shall apply and shall govern when withholding shall be required and the definition of terms. The term "reportable payment" shall include only those payments for personal services. No tax shall be deducted or withheld under this subdivision with respect to any amount for which withholding is otherwise required under this section. For purposes of this section, payments which are subject to withholding under this subdivision shall be treated as if they were wages paid by an employer to an employee and amounts deducted and withheld under this subdivision shall be treated as if deducted and withheld under subdivision 2a.

(d) Whenever the commissioner notifies a payor under this subdivision that the Social Security account number furnished by any payee is incorrect, the commissioner shall at the same time furnish a copy of the notice to the payor, and the payor shall promptly furnish the copy to the payee. If the commissioner notifies a payor under this subdivision that the Social Security account number furnished by any payee is incorrect and the payee subsequently furnishes another Social Security account number to the payor, the payor shall promptly notify the commissioner of the other Social Security account number furnished.

EFFECTIVE DATE. This section is effective for payments made after December 31, 2008.

Sec. 7. **REPEALER.**

Minnesota Rules, part 8031.0100, subpart 3, is repealed effective the day following final enactment.

Minnesota Rules, part 8093.2100, is repealed effective the day following final enactment.

ARTICLE 11

DEPARTMENT SALES AND USE TAXES

Section 1. Minnesota Statutes 2006, section 289A.55, is amended by adding a subdivision to read:

Subd. 10. **Relief for purchasers.** A purchaser that meets the requirements of section 297A.995, subdivision 11, is relieved from the imposition of interest on tax and penalty.

EFFECTIVE DATE. This section is effective for sales and purchases made after December 31, 2008.

Sec. 2. Minnesota Statutes 2006, section 289A.60, is amended by adding a subdivision to read:

Subd. 30. **Relief for purchasers.** A purchaser that meets the requirements of section 297A.995, subdivision 11, is relieved from the imposition of penalty.

EFFECTIVE DATE. This section is effective for sales and purchases made after December 31, 2008.

Sec. 3. Minnesota Statutes 2006, section 297A.61, subdivision 22, is amended to read:

Subd. 22. **Internal Revenue Code.** Unless specifically provided otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, ~~2000~~ 2007.

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

Sec. 4. Minnesota Statutes 2006, section 297A.61, subdivision 29, is amended to read:

Subd. 29. **State.** Unless specifically provided otherwise, "state" means any state of the United States, the Commonwealth of Puerto Rico, and the District of Columbia.

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

Sec. 5. Minnesota Statutes 2006, section 297A.665, as amended by Laws 2008, chapter 154, article 12, section 20, is amended to read:

297A.665 PRESUMPTION OF TAX; BURDEN OF PROOF.

(a) For the purpose of the proper administration of this chapter and to prevent evasion of the tax, until the contrary is established, it is presumed that:

(1) all gross receipts are subject to the tax; and

(2) all retail sales for delivery in Minnesota are for storage, use, or other consumption in Minnesota.

(b) The burden of proving that a sale is not a taxable retail sale is on the seller. However, a seller is relieved of liability if:

(1) the seller obtains a fully completed exemption certificate or all the relevant information required by section 297A.72, subdivision 2, at the time of the sale or within 90 days after the date of the sale; or

(2) if the seller has not obtained a fully completed exemption certificate or all the relevant information required by section 297A.72, subdivision 2, within the time provided in clause (1), within 120 days after a request for substantiation by the commissioner, the seller either:

(i) obtains in good faith a fully completed exemption certificate or all the relevant information required by section 297A.72, subdivision 2, from the purchaser; or

(ii) proves by other means that the transaction was not subject to tax.

(c) Notwithstanding paragraph (b), relief from liability does not apply to a seller who:

(1) fraudulently fails to collect the tax; or

(2) solicits purchasers to participate in the unlawful claim of an exemption.

(d) A certified service provider, as defined in section 297A.995, subdivision 2, is relieved of liability under this section to the extent a seller who is its client is relieved of liability.

(e) A purchaser of tangible personal property or any items listed in section 297A.63 that are shipped or brought to Minnesota by the purchaser has the burden of proving that the property was not purchased from a retailer for storage, use, or consumption in Minnesota.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after December 31, 2007.

Sec. 6. Minnesota Statutes 2006, section 297A.67, subdivision 7, as amended by Laws 2008, chapter 154, article 12, section 26, is amended to read:

Subd. 7. **Drugs; medical devices.** (a) Sales of the following drugs and medical devices for human use are exempt:

(1) drugs ~~for human use~~, including over-the-counter drugs;

(2) single-use finger-pricking devices for the extraction of blood and other single-use devices and single-use diagnostic agents used in diagnosing, monitoring, or treating diabetes;

(3) insulin and medical oxygen for human use, regardless of whether prescribed or sold over the counter;

(4) prosthetic devices;

(5) durable medical equipment for home use only;

(6) mobility enhancing equipment;

(7) prescription corrective eyeglasses; and

(8) kidney dialysis equipment, including repair and replacement parts.

(b) For purposes of this subdivision:

(1) "Drug" means a compound, substance, or preparation, and any component of a compound, substance, or preparation, other than food and food ingredients, dietary supplements, or alcoholic beverages that is:

(i) recognized in the official United States Pharmacopoeia, official Homeopathic Pharmacopoeia of the United States, or official National Formulary, and supplement to any of them;

(ii) intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease; or

(iii) intended to affect the structure or any function of the body.

(2) "Durable medical equipment" means equipment, including repair and replacement parts, but not including mobility enhancing equipment, that:

(i) can withstand repeated use;

(ii) is primarily and customarily used to serve a medical purpose;

(iii) generally is not useful to a person in the absence of illness or injury; and

(iv) is not worn in or on the body.

For purposes of this clause, "repair and replacement parts" includes all components or attachments used in conjunction with the durable medical equipment, but does not include repair and replacement parts which are for single patient use only.

(3) "Mobility enhancing equipment" means equipment, including repair and replacement parts, but not including durable medical equipment, that:

(i) is primarily and customarily used to provide or increase the ability to move from one place to another and that is appropriate for use either in a home or a motor vehicle;

(ii) is not generally used by persons with normal mobility; and

(iii) does not include any motor vehicle or equipment on a motor vehicle normally provided by a motor vehicle manufacturer.

(4) "Over-the-counter drug" means a drug that contains a label that identifies the product as a drug as required by Code of Federal Regulations, title 21, section 201.66. The label must include a "drug facts" panel or a statement of the active ingredients with a list of those ingredients contained in the compound, substance, or preparation. Over-the-counter drugs do not include grooming and hygiene products, regardless of whether they otherwise meet the definition. "Grooming and hygiene products" are soaps, cleaning solutions, shampoo, toothpaste, mouthwash, antiperspirants, and suntan lotions and sunscreens.

(5) "Prescribed" and "prescription" means a direction in the form of an order, formula, or recipe issued in any form of oral, written, electronic, or other means of transmission by a duly licensed health care professional.

(6) "Prosthetic device" means a replacement, corrective, or supportive device, including repair and replacement parts, worn on or in the body to:

(i) artificially replace a missing portion of the body;

(ii) prevent or correct physical deformity or malfunction; or

(iii) support a weak or deformed portion of the body.

Prosthetic device does not include corrective eyeglasses.

(7) "Kidney dialysis equipment" means equipment that:

(i) is used to remove waste products that build up in the blood when the kidneys are not able to

do so on their own; and

(ii) can withstand repeated use, including multiple use by a single patient.

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

Sec. 7. Minnesota Statutes 2006, section 297A.995, subdivision 10, is amended to read:

Subd. 10. **Relief from certain liability.** (a) Notwithstanding subdivision 9, sellers and certified service providers are relieved from liability to the state for having charged and collected the incorrect amount of sales or use tax resulting from the seller or certified service provider (1) relying on erroneous data provided by ~~this state~~ the commissioner in the database files on tax rates, boundaries, or taxing jurisdiction assignments, or (2) relying on erroneous data provided by the state in its taxability matrix concerning the taxability of products and services.

(b) Notwithstanding subdivision 9, sellers and certified service providers are relieved from liability to the state for having charged and collected the incorrect amount of sales or use tax resulting from the seller or certified service provider relying on the certification by the commissioner as to the accuracy of a certified automated system as to the taxability of product categories. The relief from liability provided by this paragraph does not apply when the sellers or certified service providers have incorrectly classified an item or transaction into a product category, unless the item or transaction within a product category was approved by the commissioner or approved jointly by the states that are signatories to the agreement. The sellers and certified service providers must revise a classification within ten days after receipt of notice from the commissioner that an item or transaction within a product category is incorrectly classified as to its taxability, or they are not relieved from liability for the incorrect classification following the notification.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after December 31, 2007.

Sec. 8. Minnesota Statutes 2006, section 297A.995, is amended by adding a subdivision to read:

Subd. 11. **Purchaser relief from certain liability.** (a) Notwithstanding other provisions in the law, a purchaser is relieved from liability resulting from having paid the incorrect amount of sales or use tax if a purchaser, whether or not holding a direct pay permit, or a purchaser's seller or certified service provider relied on erroneous data provided by this state in the database files on tax rates, boundaries, taxing jurisdiction assignments, or in the taxability matrix. After providing an address-based database for assigning taxing jurisdictions and their associated rates, no relief for errors resulting from the purchaser's reliance on a database using zip codes is allowed.

(b) With respect to reliance on the taxability matrix provided by this state in paragraph (a), relief is limited to erroneous classifications in the taxability matrix for items included within the classifications as "taxable," "exempt," "included in sales price," "excluded from sales price," "included in the definition," and "excluded from the definition."

EFFECTIVE DATE. This section is effective for sales and purchases made after December 31, 2008.

Sec. 9. Minnesota Statutes 2006, section 297A.995, is amended by adding a subdivision to read:

Subd. 12. **Database files.** For purposes of this section, "database files on tax rates, boundaries,

and taxing jurisdiction assignments" and the "taxability matrix" means those databases and the taxability matrix required under the agreement.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after December 31, 2007.

Sec. 10. Minnesota Statutes 2006, section 297B.01, subdivision 7, is amended to read:

Subd. 7. **Sale, sells, selling, purchase, purchased, or acquired.** (a) "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.

(b) 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.

(c) The terms also shall include any transfer of title or ownership of a motor vehicle by other means, for or without consideration, except that these terms shall not include:

(1) the acquisition of a motor vehicle by inheritance from or by bequest of, a decedent who owned it;

(2) 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;

(3) the transfer of a motor vehicle by way of gift between individuals, or gift from a limited used vehicle dealer licensed under section 168.27, subdivision 4a, to an individual, when the transfer is with no monetary or other consideration or expectation of consideration and the parties to the transfer submit an affidavit to that effect at the time the title transfer is recorded;

(4) the voluntary or involuntary transfer of a motor vehicle between a husband and wife in a divorce proceeding; or

(5) 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~~ 2007, when the motor vehicle will be used exclusively for religious, charitable, or educational purposes.

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

Sec. 11. Minnesota Statutes 2006, section 297B.03, is amended to read:

297B.03 EXEMPTIONS.

There is specifically exempted from the provisions of this chapter and from computation of the amount of tax imposed by it the following:

(1) purchase or use, including use under a lease purchase agreement or installment sales contract made pursuant to section 465.71, of any motor vehicle by the United States and its agencies and instrumentalities and by any person described in and subject to the conditions provided in section

297A.67, subdivision 11;

(2) purchase or use of any motor vehicle by any person who was a resident of another state or country at the time of the purchase and who subsequently becomes a resident of Minnesota, provided the purchase occurred more than 60 days prior to the date such person began residing in the state of Minnesota and the motor vehicle was registered in the person's name in the other state or country;

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

(4) purchase or use of any motor vehicle previously registered in the state of Minnesota when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code of 1986, as amended through December 31, ~~1999~~ 2007;

(5) purchase or use of any vehicle owned by a resident of another state and leased to a Minnesota-based private or for-hire carrier for regular use in the transportation of persons or property in interstate commerce provided the vehicle is titled in the state of the owner or secured party, and that state does not impose a sales tax or sales tax on motor vehicles used in interstate commerce;

(6) purchase or use of a motor vehicle by a private nonprofit or public educational institution for use as an instructional aid in automotive training programs operated by the institution. "Automotive training programs" includes motor vehicle body and mechanical repair courses but does not include driver education programs;

(7) purchase of a motor vehicle for use as an ambulance by an ambulance service licensed under section 144E.10;

(8) purchase of a motor vehicle by or for a public library, as defined in section 134.001, subdivision 2, as a bookmobile or library delivery vehicle;

(9) purchase of a ready-mixed concrete truck;

(10) purchase or use of a motor vehicle by a town for use exclusively for road maintenance, including snowplows and dump trucks, but not including automobiles, vans, or pickup trucks;

(11) purchase or use of a motor vehicle by a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes, except a public school, university, or library, but only if the vehicle is:

(i) a truck, as defined in section 168.011, a bus, as defined in section 168.011, or a passenger automobile, as defined in section 168.011, if the automobile is designed and used for carrying more than nine persons including the driver; and

(ii) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in performing its charitable, religious, or educational purpose;

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

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

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

ARTICLE 12

DEPARTMENT SPECIAL TAXES AND FEES

Section 1. Minnesota Statutes 2007 Supplement, section 115A.1314, subdivision 2, is amended to read:

Subd. 2. **Creation of account; appropriations.** (a) The electronic waste account is established in the environmental fund. The commissioner of revenue must deposit receipts from the fee established in subdivision 1 in the account. Any interest earned on the account must be credited to the account. Money from other sources may be credited to the account. Beginning in the second program year and continuing each program year thereafter, as of the last day of each program year, the commissioner of revenue shall determine the total amount of the variable fees that were collected. By July 15, 2009, and each July 15 thereafter, the commissioner of the Pollution Control Agency shall inform the commissioner of revenue of the amount necessary to operate the program in the new program year. To the extent that the total fees collected by the commissioner of revenue in connection with this section ~~exceeds~~ exceed the amount the commissioner of the Pollution Control Agency determines necessary to operate the program for the new program year, the commissioner of revenue shall refund on a pro rata basis, to all manufacturers who paid any fees for the previous program year, the amount of fees collected by the commissioner of revenue in excess of the amount necessary to operate the program for the new program year. No individual refund is required of amounts of $100 or less for a fiscal year. Manufacturers who report collections less than 50 percent of their obligation for the previous program year are not eligible for a refund. Amounts not refunded pursuant to this paragraph shall remain in the account. The commissioner of revenue shall issue refunds by August 10. In lieu of issuing a refund, the commissioner of revenue may grant credit against a manufacturer's variable fee due by September 1.

(b) Until June 30, 2009, money in the account is annually appropriated to the Pollution Control Agency:

(1) for the purpose of implementing sections 115A.1312 to 115A.1330, including transfer to the commissioner of revenue to carry out the department's duties under section 115A.1320, subdivision 2, and transfer to the commissioner of administration for responsibilities under section 115A.1324; and

(2) to the commissioner of the Pollution Control Agency to be distributed on a competitive basis through contracts with counties outside the 11-county metropolitan area, as defined in paragraph (c), and with private entities that collect for recycling covered electronic devices in counties outside the 11-county metropolitan area, where the collection and recycling is consistent with the respective county's solid waste plan, for the purpose of carrying out the activities under sections 115A.1312 to 115A.1330. In awarding competitive grants under this clause, the commissioner must

give preference to counties and private entities that are working cooperatively with manufacturers to help them meet their recycling obligations under section 115A.1318, subdivision 1.

(c) The 11-county metropolitan area consists of the counties of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright.

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

Sec. 2. Minnesota Statutes 2006, section 270C.56, subdivision 1, as amended by Laws 2008, chapter 154, article 15, section 7, is amended to read:

Subdivision 1. **Liability imposed.** A person who, either singly or jointly with others, has the control of, supervision of, or responsibility for filing returns or reports, paying taxes, or collecting or withholding and remitting taxes and who fails to do so, or a person who is liable under any other law, is liable for the payment of taxes, penalties, and interest arising under chapters 295, 296A, 297A, 297F, and 297G, or sections 256.9658, 290.92, and 297E.02, and, for the taxes listed in this subdivision, the applicable penalties for nonpayment under section 289A.60.

EFFECTIVE DATE. This section is effective for fees due after June 30, 2008.

Sec. 3. Minnesota Statutes 2006, section 287.20, subdivision 3a, is amended to read:

Subd. 3a. **Designated transfer.** "Designated transfer" means any of the following:

(1) a transfer between (i) an entity owned by a sole owner, and (ii) that sole owner;

(2) a transfer between (i) an entity in which a husband, a wife, or both are the sole owners, and (ii) the husband, wife, or both;

(3) a transfer between (i) an entity with multiple co-owners, and (ii) all of the co-owners, so long as each of the co-owners maintains the same percentage ownership interest in the transferred real property, whether directly or through ownership of a percentage of the entity;

(4) a transfer between (i) a revocable trust, and (ii) the grantor or grantors of the revocable trust; or

(5) a transfer of substantially all of the assets of one or more entities pursuant to a reorganization, as defined in section 287.20, subdivision 9.

For purposes of this definition of designated transfer, an interest in an entity that is owned, directly or indirectly, by or for another entity shall be considered as being owned proportionately by or for the owners of the other entity under provisions similar to those of section 267(c)(1) and (5) of the Internal Revenue Code ~~of 1986, as amended through December 31, 2004~~.

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

Sec. 4. Minnesota Statutes 2006, section 287.20, subdivision 9, is amended to read:

Subd. 9. **Reorganization.** "Reorganization" means the transfer of substantially all of the assets of a corporation, a limited liability company, or a partnership not in the usual or regular course of business if at the time of the transfer the transfer qualifies as: (i) a corporate reorganization under section 368(a) of the Internal Revenue Code ~~of 1986, as amended through December 31, 2004~~; or (ii) a transfer from a partnership to another partnership when the transferee is treated as a continuation

of the transferor under section 708 of the Internal Revenue Code ~~of 1986, as amended through December 31, 2004~~.

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

Sec. 5. Minnesota Statutes 2006, section 287.20, is amended by adding a subdivision to read:

Subd. 10. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2007.

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

Sec. 6. Minnesota Statutes 2006, section 295.50, subdivision 4, is amended to read:

Subd. 4. **Health care provider.** (a) "Health care provider" means:

(1) a person whose health care occupation is regulated or required to be regulated by the state of Minnesota furnishing any or all of the following goods or services directly to a patient or consumer: medical, surgical, optical, visual, dental, hearing, nursing services, drugs, laboratory, diagnostic or therapeutic services;

(2) a person who provides goods and services not listed in clause (1) that qualify for reimbursement under the medical assistance program provided under chapter 256B;

(3) a staff model health plan company;

(4) an ambulance service required to be licensed; or

(5) a person who sells or repairs hearing aids and related equipment or prescription eyewear.

(b) Health care provider does not include:

(1) hospitals; medical supplies distributors, except as specified under paragraph (a), clause (5); nursing homes licensed under chapter 144A or licensed in any other jurisdiction; wholesale drug distributors; pharmacies; surgical centers; bus and taxicab transportation, or any other providers of transportation services other than ambulance services required to be licensed; supervised living facilities for persons with developmental disabilities, licensed under Minnesota Rules, parts 4665.0100 to 4665.9900; housing with services establishments required to be registered under chapter 144D; board and lodging establishments providing only custodial services that are licensed under chapter 157 and registered under section 157.17 to provide supportive services or health supervision services; adult foster homes as defined in Minnesota Rules, part 9555.5105; day training and habilitation services for adults with developmental disabilities as defined in section 252.41, subdivision 3; boarding care homes, as defined in Minnesota Rules, part 4655.0100; and adult day care centers as defined in Minnesota Rules, part 9555.9600;

(2) home health agencies as defined in Minnesota Rules, part 9505.0175, subpart 15; a person providing personal care services and supervision of personal care services as defined in Minnesota Rules, part 9505.0335; a person providing private duty nursing services as defined in Minnesota Rules, part 9505.0360; and home care providers required to be licensed under chapter 144A;

(3) a person who employs health care providers solely for the purpose of providing patient services to its employees; ~~and~~

(4) an educational institution that employs health care providers solely for the purpose of providing patient services to its students if the institution does not receive fee for service payments or payments for extended coverage; and

(5) a person who receives all payments for patient services from health care providers, surgical centers, or hospitals for goods and services that are taxable to the paying health care providers, surgical centers, or hospitals, as provided under section 295.53, subdivision 1, clause (3) or (4), or from a source of funds that is exempt from tax under this chapter.

EFFECTIVE DATE. Paragraph (b), clause (1), is effective the day following final enactment. Paragraph (b), clause (5), is effective for payments received after June 30, 2008.

Sec. 7. Minnesota Statutes 2006, section 295.52, subdivision 4, as amended by Laws 2008, chapter 154, article 14, section 5, is amended to read:

Subd. 4. **Use tax; prescription drugs.** (a) A person that receives prescription drugs for resale or use in Minnesota, other than from a wholesale drug distributor that is subject to tax under subdivision 3, is subject to a tax equal to the price paid to the wholesale drug distributor multiplied by the tax percentage specified in this section. When a person manufactures drugs that have not been subject to tax under subdivision 3, the person is subject to tax equal to the cost incurred by the person to manufacture the drugs multiplied by the tax percentage specified in this section. Liability for the tax is incurred when prescription drugs are received or delivered in Minnesota by the person.

(b) A tax imposed under this subdivision does not apply to purchases by an individual for personal consumption.

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

Sec. 8. Minnesota Statutes 2006, section 295.53, subdivision 4a, is amended to read:

Subd. 4a. **Credit for research.** (a) In addition to the exemptions allowed under subdivision 1, a hospital or health care provider may claim an annual credit against the total amount of tax, if any, the hospital or health care provider owes for that calendar year under sections 295.50 to 295.57. The credit shall equal 2.5 percent of revenues for patient services used to fund expenditures for qualifying research conducted by an allowable research program. The amount of the credit shall not exceed the tax liability of the hospital or health care provider under sections 295.50 to 295.57.

(b) For purposes of this subdivision, the following requirements apply:

(1) expenditures must be for program costs of qualifying research conducted by an allowable research program;

(2) an allowable research program must be a formal program of medical and health care research conducted by an entity which is exempt under section 501(c)(3) of the Internal Revenue Code ~~of 1986~~, as amended through December 31, 2007, or is owned and operated under authority of a governmental unit;

(3) qualifying research must:

(A) be approved in writing by the governing body of the hospital or health care provider which is taking the deduction under this subdivision;

(B) have as its purpose the development of new knowledge in basic or applied science relating to the diagnosis and treatment of conditions affecting the human body;

(C) be subject to review by individuals with expertise in the subject matter of the proposed study but who have no financial interest in the proposed study and are not involved in the conduct of the proposed study; and

(D) be subject to review and supervision by an institutional review board operating in conformity with federal regulations if the research involves human subjects or an institutional animal care and use committee operating in conformity with federal regulations if the research involves animal subjects. Research expenses are not exempt if the study is a routine evaluation of health care methods or products used in a particular setting conducted for the purpose of making a management decision. Costs of clinical research activities paid directly for the benefit of an individual patient are excluded from this exemption. Basic research in fields including biochemistry, molecular biology, and physiology are also included if such programs are subject to a peer review process.

(c) No credit shall be allowed under this subdivision for any revenue received by the hospital or health care provider in the form of a grant, gift, or otherwise, whether from a government or nongovernment source, on which the tax liability under section 295.52 is not imposed.

(d) The taxpayer shall apply for the credit under this section on the annual return under section 295.55, subdivision 5.

(e) Beginning September 1, 2001, if the actual or estimated amount paid under this section for the calendar year exceeds $2,500,000, the commissioner of finance shall determine the rate of the research credit for the following calendar year to the nearest one-half percent so that refunds paid under this section will most closely equal $2,500,000. The commissioner of finance shall publish in the State Register by October 1 of each year the rate of the credit for the following calendar year. A determination under this section is not subject to the rulemaking provisions of chapter 14.

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

Sec. 9. Minnesota Statutes 2006, section 296A.07, subdivision 4, is amended to read:

Subd. 4. **Exemptions.** The provisions of subdivision 1 do not apply to gasoline or denatured ethanol purchased by:

(1) a transit system or transit provider receiving financial assistance or reimbursement under section 174.24, 256B.0625, subdivision 17, or 473.384; ~~or~~

(2) an ambulance service licensed under chapter 144E; or

(3) a licensed distributor to be delivered to a terminal for use in blending.

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

Sec. 10. Minnesota Statutes 2006, section 296A.08, subdivision 3, is amended to read:

Subd. 3. **Exemptions.** The provisions of subdivisions 1 and 2 do not apply to special fuel or alternative fuels purchased by:

(1) a transit system or transit provider receiving financial assistance or reimbursement under section 174.24, 256B.0625, subdivision 17, or 473.384; ~~or~~

(2) an ambulance service licensed under chapter 144E; or

(3) a licensed distributor to be delivered to a terminal for use in blending.

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

Sec. 11. Minnesota Statutes 2006, section 296A.16, subdivision 2, is amended to read:

Subd. 2. **Fuel used in other vehicle; claim for refund.** Any person who buys and uses 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 paid the 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 for refund 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 chapter 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 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. 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, ~~1997~~ 2007.

(2) Gasoline or special fuel used for off-highway business use.

(i) "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.

(ii) Off-highway business use includes use of a passenger snowmobile off the public highways as part of the operations of a resort as defined in section 157.15, subdivision 11; and use of gasoline or special fuel to operate a power takeoff unit on a vehicle, but not including fuel consumed during idling time.

(iii) 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; or use of a licensed motor vehicle fuel tank in lieu of a separate storage tank for storing fuel to be used for a qualifying purpose, as defined in this section. Fuel purchased to be used for a qualifying purpose cannot be placed in the fuel tank of a licensed motor vehicle and must be stored in a separate supply tank.

(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.

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

Sec. 12. Minnesota Statutes 2006, section 297F.01, subdivision 8, is amended to read:

Subd. 8. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, ~~1996~~ 2007.

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

Sec. 13. Minnesota Statutes 2006, section 297F.21, subdivision 1, is amended to read:

Subdivision 1. **Contraband defined.** The following are declared to be contraband and therefore subject to civil and criminal penalties under this chapter:

(a) Cigarette packages which do not have stamps affixed to them as provided in this chapter, including but not limited to (i) packages with illegible stamps and packages with stamps that are not complete or whole even if the stamps are legible, and (ii) all devices for the vending of cigarettes in which packages as defined in item (i) are found, including all contents contained within the devices.

(b) A device for the vending of cigarettes and all packages of cigarettes, where the device does not afford at least partial visibility of contents. Where any package exposed to view does not carry the stamp required by this chapter, it shall be presumed that all packages contained in the device are unstamped and contraband.

(c) A device for the vending of cigarettes to which the commissioner or authorized agents have been denied access for the inspection of contents. In lieu of seizure, the commissioner or an agent may seal the device to prevent its use until inspection of contents is permitted.

(d) A device for the vending of cigarettes which does not carry the name and address of the owner, plainly marked and visible from the front of the machine.

(e) A device including, but not limited to, motor vehicles, trailers, snowmobiles, airplanes, and boats used with the knowledge of the owner or of a person operating with the consent of the owner for the storage or transportation of more than 5,000 cigarettes which are contraband under this subdivision. When cigarettes are being transported in the course of interstate commerce, or are in movement from either a public warehouse to a distributor upon orders from a manufacturer or distributor, or from one distributor to another, the cigarettes are not contraband, notwithstanding the provisions of clause (a).

(f) A device including, but not limited to, motor vehicles, trailers, snowmobiles, airplanes, and boats used with the knowledge of the owner, or of a person operating with the consent of the owner, for the storage or transportation of untaxed tobacco products intended for sale in Minnesota other than those in the possession of a licensed distributor on or before the due date for payment of the tax under section 297F.09, subdivision 2.

(g) Cigarette packages or tobacco products obtained from an unlicensed seller.

(h) Cigarette packages offered for sale or held as inventory in violation of section 297F.20, subdivision 7.

(i) Tobacco products on which the tax has not been paid by a licensed distributor.

(j) Any cigarette packages or tobacco products offered for sale or held as inventory for which there is not an invoice from a licensed seller as required under section 297F.13, subdivision 4.

(k) Cigarette packages which have been imported into the United States in violation of United States Code, title 26, section 5754. All cigarettes held in violation of that section shall be presumed to have entered the United States after December 31, 1999, in the absence of proof to the contrary.

(l) Cigarettes and cigarette packaging which are not in compliance with fire safety requirements of sections 299F.850 to 299F.859.

EFFECTIVE DATE. Property added in paragraph (l) of this section is contraband effective December 1, 2008.

Sec. 14. Minnesota Statutes 2006, section 297G.01, subdivision 9, is amended to read:

Subd. 9. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, ~~1996~~ 2007.

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

Sec. 15. Minnesota Statutes 2006, section 297H.09, is amended to read:

297H.09 BAD DEBTS.

The remitter of the solid waste management 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~~ 2007, during such reporting period, but only in proportion to the portion of such debt which became uncollectable. This section applies only to accrual basis remitters that remit tax before it is collected and to the extent they are unable to collect the tax.

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

Sec. 16. Minnesota Statutes 2006, section 297I.05, subdivision 12, is amended to read:

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

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

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

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

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

(5) ~~gross premiums less return premiums received by a nonprofit health service plan corporation authorized under chapter 62C; and~~

~~(6)~~ gross premiums less return premiums paid to an insurer other than a licensed insurance company or a surplus lines licensee for coverage of risks resident or located in Minnesota by a purchasing group or any members of the purchasing group to a broker or agent for the purchasing group.

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

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

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

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

ARTICLE 13

DEPARTMENT PROPERTY TAXES AND AIDS

Section 1. Minnesota Statutes 2006, section 13.51, subdivision 3, is amended to read:

Subd. 3. **Data on income of individuals.** Income information on individuals collected and maintained by political subdivisions to determine eligibility of property for class 4d under ~~section 273.126~~ sections 273.128 and 273.13, is private data on individuals as defined in section 13.02, subdivision 12.

EFFECTIVE DATE. This section is effective for data collected or maintained by political subdivisions beginning the day following final enactment.

Sec. 2. Minnesota Statutes 2006, section 13.585, subdivision 5, is amended to read:

Subd. 5. **Private data on individuals.** Income information on individuals collected and maintained by a housing agency to determine eligibility of property for class 4d under sections ~~273.126~~ 273.128 and 273.13, is private data on individuals as defined in section 13.02, subdivision 12. The data may be disclosed to the county and local assessors responsible for determining eligibility of the property for classification 4d.

EFFECTIVE DATE. This section is effective for data collected or maintained by a housing agency beginning the day following final enactment.

Sec. 3. Minnesota Statutes 2006, section 272.02, subdivision 13, is amended to read:

Subd. 13. **Emergency shelters for victims of domestic abuse.** Property used in a continuous program to provide emergency shelter for victims of domestic abuse is exempt, 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.

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

Sec. 4. Minnesota Statutes 2006, section 272.02, subdivision 20, is amended to read:

Subd. 20. **Transitional housing facilities.** Transitional housing facilities are exempt. "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, as amended through December 31, 2007, 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 through December 31, 2007.

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

Sec. 5. Minnesota Statutes 2006, section 272.02, subdivision 21, is amended to read:

Subd. 21. **Property used to provide computing resources to University of Minnesota.** Real and personal property, including leasehold or other personal property interests, is exempt if it is owned and operated by a corporation of which 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.

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

Sec. 6. Minnesota Statutes 2006, section 272.02, subdivision 27, is amended to read:

Subd. 27. **Superior National Forest; recreational property for use by disabled veterans.** Real and personal property is exempt if it 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.

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

Sec. 7. Minnesota Statutes 2006, section 272.02, subdivision 31, is amended to read:

Subd. 31. **Business incubator property.** 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, 1997~~, that is intended to be used as a business incubator in a high-unemployment county, is exempt. As used in this subdivision, 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, and "high-unemployment county" is a county that had an average annual unemployment rate of 7.9 percent or greater in 1997. Property that qualifies for the exemption under this subdivision is limited to no more than two contiguous parcels and structures that do not exceed in the aggregate 40,000 square feet. This exemption expires after taxes payable in 2011.

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

Sec. 8. Minnesota Statutes 2006, section 272.02, subdivision 38, is amended to read:

Subd. 38. **Conversion to exempt or taxable uses.** (a) Any property, except property taxed as personal property under section 273.125, that is exempt from taxation on January 2 of any year which, due to sale or other reason, loses its exemption prior to July 1 of any year, shall be placed on the current assessment rolls for that year.

The valuation shall be determined with respect to its value on January 2 of such year. The classification shall be based upon the use to which the property was put by the purchaser, or in the event the purchaser has not utilized the property by July 1, the intended use of the property, determined by the county assessor, based upon all relevant facts.

(b) Property, except property taxed as personal property under section 273.125, that is subject to tax on January 2 that is acquired before July 1 of the year is exempt for that assessment year if the property is to be used for an exempt purpose under subdivisions 2 to 8.

(c) Property which forfeits to the state for nonpayment of real estate taxes on or before December 31 in an assessment year, shall be removed from the assessment rolls for that assessment year. Forfeited property that is repurchased, or sold at a public or private sale, on or before December 31 of an assessment year shall be placed on the assessment rolls for that year's assessment.

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

Sec. 9. Minnesota Statutes 2006, section 272.02, subdivision 49, is amended to read:

Subd. 49. **Agricultural historical society property.** Property is exempt from taxation if it is owned by a nonprofit charitable or educational organization that qualifies for exemption under section 501(c)(3) of the Internal Revenue Code ~~of 1986, as amended through December 31, 2000,~~ and meets the following criteria:

(1) the property is primarily used for storing and exhibiting tools, equipment, and artifacts useful in providing an understanding of local or regional agricultural history. Primary use is determined each year based on the number of days the property is used solely for storage and

exhibition purposes;

(2) the property is limited to a maximum of 20 acres per owner per county, but includes the land and any taxable structures, fixtures, and equipment on the land;

(3) the property is not used for a revenue-producing activity for more than ten days in each calendar year; and

(4) the property is not used for residential purposes on either a temporary or permanent basis.

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

Sec. 10. Minnesota Statutes 2006, section 272.03, subdivision 3, is amended to read:

Subd. 3. **Construction of terms.** For the purposes of chapters 270 to 284, unless a different meaning is indicated by the context, the words, phrases, and terms defined in subdivisions 4 to ~~11~~ 13 shall have the meanings given them.

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

Sec. 11. Minnesota Statutes 2006, section 272.03, is amended by adding a subdivision to read:

Subd. 13. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2007.

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

Sec. 12. **[273.105] INTERNAL REVENUE CODE.**

Unless specifically defined otherwise, for purposes of this chapter, "Internal Revenue Code" means the Internal Revenue Code as defined under section 272.03, subdivision 13.

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

Sec. 13. Minnesota Statutes 2006, section 273.11, subdivision 8, is amended to read:

Subd. 8. **Limited equity cooperative apartments.** For the purposes of this subdivision, the terms defined in this subdivision have the meanings given them.

A "limited equity cooperative" is a corporation organized under chapter 308A or 308B, which has as its primary purpose the provision of housing and related services to its members which meets one of the following criteria with respect to the income of its members: (1) a minimum of 75 percent of members must have incomes at or less than 90 percent of area median income, (2) a minimum of 40 percent of members must have incomes at or less than 60 percent of area median income, or (3) a minimum of 20 percent of members must have incomes at or less than 50 percent of area median income. For purposes of this clause, "member income" shall mean the income of a member existing at the time the member acquires cooperative membership, and median income shall mean the St. Paul-Minneapolis metropolitan area median income as determined by the United States Department of Housing and Urban Development. It must also meet the following requirements:

(a) The articles of incorporation set the sale price of occupancy entitling cooperative shares or memberships at no more than a transfer value determined as provided in the articles. That value may not exceed the sum of the following:

(1) the consideration paid for the membership or shares by the first occupant of the unit, as shown in the records of the corporation;

(2) the fair market value, as shown in the records of the corporation, of any improvements to the real property that were installed at the sole expense of the member with the prior approval of the board of directors;

(3) accumulated interest, or an inflation allowance not to exceed the greater of a ten percent annual noncompounded increase on the consideration paid for the membership or share by the first occupant of the unit, or the amount that would have been paid on that consideration if interest had been paid on it at the rate of the percentage increase in the revised Consumer Price Index for All Urban Consumers for the Minneapolis-St. Paul metropolitan area prepared by the United States Department of Labor, provided that the amount determined pursuant to this clause may not exceed $500 for each year or fraction of a year the membership or share was owned; plus

(4) real property capital contributions shown in the records of the corporation to have been paid by the transferor member and previous holders of the same membership, or of separate memberships that had entitled occupancy to the unit of the member involved. These contributions include contributions to a corporate reserve account the use of which is restricted to real property improvements or acquisitions, contributions to the corporation which are used for real property improvements or acquisitions, and the amount of principal amortized by the corporation on its indebtedness due to the financing of real property acquisition or improvement or the averaging of principal paid by the corporation over the term of its real property-related indebtedness.

(b) The articles of incorporation require that the board of directors limit the purchase price of stock or membership interests for new member-occupants or resident shareholders to an amount which does not exceed the transfer value for the membership or stock as defined in clause (a).

(c) The articles of incorporation require that the total distribution out of capital to a member shall not exceed that transfer value.

(d) The articles of incorporation require that upon liquidation of the corporation any assets remaining after retirement of corporate debts and distribution to members will be conveyed to a charitable organization described in section 501(c)(3) of the Internal Revenue Code ~~of 1986, as amended through December 31, 1992,~~ or a public agency.

A "limited equity cooperative apartment" is a dwelling unit owned by a limited equity cooperative.

"Occupancy entitling cooperative share or membership" is the ownership interest in a cooperative organization which entitles the holder to an exclusive right to occupy a dwelling unit owned or leased by the cooperative.

For purposes of taxation, the assessor shall value a unit owned by a limited equity cooperative at the lesser of its market value or the value determined by capitalizing the net operating income of a comparable apartment operated on a rental basis at the capitalization rate used in valuing comparable buildings that are not limited equity cooperatives. If a cooperative fails to operate in accordance with the provisions of clauses (a) to (d), the property shall be subject to additional property taxes in the amount of the difference between the taxes determined in accordance with this subdivision for the last ten years that the property had been assessed pursuant to this subdivision and the amount that

would have been paid if the provisions of this subdivision had not applied to it. The additional taxes, plus interest at the rate specified in section 549.09, shall be extended against the property on the tax list for the current year.

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

Sec. 14. Minnesota Statutes 2007 Supplement, section 273.1231, subdivision 7, is amended to read:

Subd. 7. **Reassessed market value.** "Reassessed market value" means the taxable market value of the property established for the January 2 assessment in the year that the disaster or destruction occurs, as adjusted by the county assessor or the commissioner of revenue to reflect the loss in market value caused by the damage. ~~As soon as practical, the assessor or commissioner shall report the reassessed value to the county auditor.~~

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

Sec. 15. Minnesota Statutes 2007 Supplement, section 273.1231, is amended by adding a subdivision to read:

Subd. 8. **Utility property.** "Utility property" means property appraised and classified for tax purposes by the commissioner of revenue and the values are provided to the city or county assessor by order under sections 273.33 to 273.3711.

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

Sec. 16. Minnesota Statutes 2007 Supplement, section 273.1232, subdivision 1, is amended to read:

Subdivision 1. **Reassessments required.** For the purposes of sections 273.1231 to 273.1235, the county assessor must reassess all damaged property in a disaster or emergency area, ~~and the county assessor or~~ except that the commissioner of revenue ~~as appropriate~~ shall reassess all property for which an application is submitted to the commissioner under section 273.1233 or 273.1235. As soon as practical, the assessor or commissioner of revenue must report the reassessed value to the county auditor.

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

Sec. 17. Minnesota Statutes 2007 Supplement, section 273.1233, subdivision 1, is amended to read:

Subdivision 1. **Abatement authorization.** (a) Notwithstanding section 375.192, a county board may grant an abatement of net tax for homestead and nonhomestead property under the provisions of this paragraph for taxes payable in the year in which the destruction occurs if:

(1) the owner submits a written application to the county assessor as soon as practical after the damage has occurred;

(2) the owner submits a written application to the county board as soon as practical after the damage has occurred; and

(3) the county assessor determines that 50 percent or more of a homestead dwelling or other

building has been (i) unintentionally or accidentally destroyed, or (ii) destroyed by arson or vandalism by someone other than the owner.

Abatements granted under this paragraph are not subject to approval by the commissioner of revenue.

(b) Notwithstanding sections 270C.86 and 375.192, the commissioner of revenue may grant an abatement of net tax for utility property ~~that the commissioner is required by law to appraise~~ for taxes payable in the year in which the destruction occurs if:

(1) the owner submits a written application to the commissioner as soon as practical after the damage has occurred;

(2) the owner forwards a copy of the written application to the county board as soon as practical after the damage has occurred; and

(3) the commissioner determines that 50 percent or more of the property has been (i) unintentionally or accidentally destroyed, or (ii) destroyed by arson or vandalism by someone other than the owner.

Abatements granted under this paragraph are not subject to approval by the county board of the county where the property is located.

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

Sec. 18. Minnesota Statutes 2007 Supplement, section 273.1233, subdivision 3, is amended to read:

Subd. 3. **Reimbursement, levy, and appropriation.** (a) If the destruction occurs as a result of a disaster or emergency and the property is located in a disaster or emergency area, the county auditor shall certify the abatements granted under this section to the commissioner of revenue for reimbursement to each taxing jurisdiction in which the damaged property is located. The commissioner shall make the payments to the taxing jurisdictions containing the property, other than school districts and the state, at the time distributions are made under section 473H.10, subdivision 3. Reimbursements to school districts shall be made as provided in section 273.1392. No reimbursement is to be paid to the state treasury.

(b) Local taxing authorities may levy in the following year the amount of unreimbursed tax dollars lost as a result of the reductions granted pursuant to this ~~subdivision~~ section and sections 273.1234 and 273.1235 outside of any statutory restriction as to levy amount or tax rate.

(c) There is annually appropriated from the general fund to the commissioner of revenue an amount necessary to make the payments required by this section.

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

Sec. 19. Minnesota Statutes 2007 Supplement, section 273.1234, is amended to read:

273.1234 TAX RELIEF FOR DESTROYED PROPERTY; HOMESTEAD AND DISASTER CREDITS.

Subdivision 1. **Credit provided.** The county auditor shall compute a credit for taxes payable

in the year following the year in which the damage or destruction occurred for each reassessed homestead property within the county that is located within a disaster or emergency area. The credit is equal to the difference in the net tax on the property computed using the market value of the property established for the January 2 assessment in the year in which the damage occurred and as computed using the reassessed value.

Subd. 2. **Credit reimbursements.** The county auditor shall certify the credits granted under this section to the commissioner of revenue for reimbursement to each taxing jurisdiction in which the damaged property is located. The commissioner shall make the payments to the taxing jurisdictions containing the property, other than school districts and the state, at the time distributions are made under section 473H.10, subdivision 3. Reimbursements to school districts shall be made as provided in section 273.1392. ~~No reimbursement is to be paid to the state treasury.~~

Subd. 3. **Appropriation.** There is annually appropriated from the general fund to the commissioner of revenue an amount necessary to make the payments required by this section.

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

Sec. 20. Minnesota Statutes 2007 Supplement, section 273.1235, subdivision 1, is amended to read:

Subdivision 1. **Credit provided.** The county board may grant a credit for taxes payable in the year following the year in which the damage or destruction occurred for: (1) homestead ~~properties~~ property that meets all the requirements under section 273.1233, subdivision 1, paragraph (a), but that ~~do~~ does not qualify for a credit under section 273.1234, except that an application need only be submitted by the end of the year in which the damage occurred; and (2) nonhomestead and utility property ~~meeting the requirements~~ that meets all the requirements under section 273.1233, subdivision 1, paragraph (b), except that an application need only be submitted by the end of the year in which the damage occurred.

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

Sec. 21. Minnesota Statutes 2007 Supplement, section 273.1235, subdivision 3, is amended to read:

Subd. 3. **Credit reimbursements.** The county auditor shall certify the credits granted under this section for property within a disaster or emergency area to the commissioner of revenue for reimbursement to each taxing jurisdiction in which the damaged property is located. The commissioner shall make the payments to the taxing jurisdictions containing the property, other than school districts and the state, at the time distributions are made under section 473H.10, subdivision 3. Reimbursements to school districts shall be made as provided in section 273.1392. ~~No reimbursement is to be paid to the state treasury.~~ No reimbursement is to be made for credits to property not located in a disaster or emergency area.

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

Sec. 22. Minnesota Statutes 2006, section 273.124, subdivision 6, is amended to read:

Subd. 6. **Leasehold cooperatives.** When one or more dwellings or one or more buildings which each contain several dwelling units is owned by a nonprofit corporation subject to the provisions of chapter 317A and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code

~~of 1986, as amended through December 31, 1990~~, or a limited partnership which corporation or partnership operates the property in conjunction with a cooperative association, and has received public financing, homestead treatment may be claimed by the cooperative association on behalf of the members of the cooperative for each dwelling unit occupied by a member of the cooperative. The cooperative association must provide the assessor with the Social Security numbers of those members. To qualify for the treatment provided by this subdivision, the following conditions must be met:

(a) the cooperative association must be organized under chapter 308A or 308B and all voting members of the board of directors must be resident tenants of the cooperative and must be elected by the resident tenants of the cooperative;

(b) the cooperative association must have a lease for occupancy of the property for a term of at least 20 years, which permits the cooperative association, while not in default on the lease, to participate materially in the management of the property, including material participation in establishing budgets, setting rent levels, and hiring and supervising a management agent;

(c) to the extent permitted under state or federal law, the cooperative association must have a right under a written agreement with the owner to purchase the property if the owner proposes to sell it; if the cooperative association does not purchase the property it is offered for sale, the owner may not subsequently sell the property to another purchaser at a price lower than the price at which it was offered for sale to the cooperative association unless the cooperative association approves the sale;

(d) a minimum of 40 percent of the cooperative association's members must have incomes at or less than 60 percent of area median gross income as determined by the United States Secretary of Housing and Urban Development under section 142(d)(2)(B) of the Internal Revenue Code ~~of 1986, as amended through December 31, 1991~~. For purposes of this clause, "member income" means the income of a member existing at the time the member acquires cooperative membership;

(e) if a limited partnership owns the property, it must include as the managing general partner a nonprofit organization operating under the provisions of chapter 317A and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code ~~of 1986, as amended through December 31, 1990,~~ and the limited partnership agreement must provide that the managing general partner have sufficient powers so that it materially participates in the management and control of the limited partnership;

(f) prior to becoming a member of a leasehold cooperative described in this subdivision, a person must have received notice that (1) describes leasehold cooperative property in plain language, including but not limited to the effects of classification under this subdivision on rents, property taxes and tax credits or refunds, and operating expenses, and (2) states that copies of the articles of incorporation and bylaws of the cooperative association, the lease between the owner and the cooperative association, a sample sublease between the cooperative association and a tenant, and, if the owner is a partnership, a copy of the limited partnership agreement, can be obtained upon written request at no charge from the owner, and the owner must send or deliver the materials within seven days after receiving any request;

(g) if a dwelling unit of a building was occupied on the 60th day prior to the date on which the unit became leasehold cooperative property described in this subdivision, the notice described in paragraph (f) must have been sent by first class mail to the occupant of the unit at least 60 days prior

to the date on which the unit became leasehold cooperative property. For purposes of the notice under this paragraph, the copies of the documents referred to in paragraph (f) may be in proposed version, provided that any subsequent material alteration of those documents made after the occupant has requested a copy shall be disclosed to any occupant who has requested a copy of the document. Copies of the articles of incorporation and certificate of limited partnership shall be filed with the secretary of state after the expiration of the 60-day period unless the change to leasehold cooperative status does not proceed;

(h) the county attorney of the county in which the property is located must certify to the assessor that the property meets the requirements of this subdivision;

(i) the public financing received must be from at least one of the following sources:

(1) tax increment financing proceeds used for the acquisition or rehabilitation of the building or interest rate write-downs relating to the acquisition of the building;

(2) government issued bonds exempt from taxes under section 103 of the Internal Revenue Code ~~of 1986, as amended through December 31, 1991~~, the proceeds of which are used for the acquisition or rehabilitation of the building;

(3) programs under section 221(d)(3), 202, or 236, of Title II of the National Housing Act;

(4) rental housing program funds under Section 8 of the United States Housing Act of 1937, as amended through December 31, 2007, 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;

(5) low-income housing credit under section 42 of the Internal Revenue Code ~~of 1986, as amended through December 31, 1991~~;

(6) public financing provided by a local government used for the acquisition or rehabilitation of the building, including grants or loans from (i) federal community development block grants; (ii) HOME block grants; or (iii) residential rental bonds issued under chapter 474A; or

(7) other rental housing program funds provided by the Minnesota Housing Finance Agency for the acquisition or rehabilitation of the building;

(j) at the time of the initial request for homestead classification or of any transfer of ownership of the property, the governing body of the municipality in which the property is located must hold a public hearing and make the following findings:

(1) that the granting of the homestead treatment of the apartment's units will facilitate safe, clean, affordable housing for the cooperative members that would otherwise not be available absent the homestead designation;

(2) that the owner has presented information satisfactory to the governing body showing that the savings garnered from the homestead designation of the units will be used to reduce tenant's rents or provide a level of furnishing or maintenance not possible absent the designation; and

(3) that the requirements of paragraphs (b), (d), and (i) have been met.

Homestead treatment must be afforded to units occupied by members of the cooperative

association and the units must be assessed as provided in subdivision 3, provided that any unit not so occupied shall be classified and assessed pursuant to the appropriate class. No more than three acres of land may, for assessment purposes, be included with each dwelling unit that qualifies for homestead treatment under this subdivision.

When dwelling units no longer qualify under this subdivision, the current owner must notify the assessor within 60 days. Failure to notify the assessor within 60 days shall result in the loss of benefits under this subdivision for taxes payable in the year that the failure is discovered. For these purposes, "benefits under this subdivision" means the difference in the net tax capacity of the units which no longer qualify as computed under this subdivision and as computed under the otherwise applicable law, times the local tax rate applicable to the building for that taxes payable year. Upon discovery of a failure to notify, the assessor shall inform the auditor of the difference in net tax capacity for the building or buildings in which units no longer qualify, and the auditor shall calculate the benefits under this subdivision. Such amount, plus a penalty equal to 100 percent of that amount, shall then be demanded of the building's owner. The property owner may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing a proof of service as provided in section 278.01 with the Minnesota Tax Court within 60 days of the date of the notice from the county. The appeal shall be governed by the Tax Court procedures provided in chapter 271, for cases relating to the tax laws as defined in section 271.01, subdivision 5; disregarding sections 273.125, subdivision 5, and 278.03, but including section 278.05, subdivision 2. If the amount of the benefits under this subdivision and penalty are not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of the benefit and penalty to the succeeding year's tax list to be collected as part of the property taxes on the affected buildings.

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

Sec. 23. Minnesota Statutes 2006, section 273.124, subdivision 13, as amended by Laws 2008, chapter 154, article 13, section 29, is amended to read:

Subd. 13. **Homestead application.** (a) A person who meets the homestead requirements under subdivision 1 must file a homestead application with the county assessor to initially obtain homestead classification.

(b) The format and contents of a uniform homestead application shall be prescribed by the commissioner of revenue. The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property or by the qualifying relative and returned to the county assessor in order for the property to receive homestead treatment.

(c) Every property owner applying for homestead classification must furnish to the county assessor the Social Security number of each occupant who is listed as an owner of the property on the deed of record, the name and address of each owner who does not occupy the property, and the name and Social Security number of each owner's spouse who occupies the property. The application must be signed by each owner who occupies the property and by each owner's spouse who occupies the property, or, in the case of property that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

If a property owner occupies a homestead, the property owner's spouse may not claim another property as a homestead unless the property owner and the property owner's spouse file with the assessor an affidavit or other proof required by the assessor stating that the property qualifies as a homestead under subdivision 1, paragraph (e).

Owners or spouses occupying residences owned by their spouses and previously occupied with the other spouse, either of whom fail to include the other spouse's name and Social Security number on the homestead application or provide the affidavits or other proof requested, will be deemed to have elected to receive only partial homestead treatment of their residence. The remainder of the residence will be classified as nonhomestead residential. When an owner or spouse's name and Social Security number appear on homestead applications for two separate residences and only one application is signed, the owner or spouse will be deemed to have elected to homestead the residence for which the application was signed.

The Social Security numbers, state or federal tax returns or tax return information, or affidavits or other proofs of the property owners and spouses submitted under this or another section to support a claim for a property tax homestead classification, and the federal income tax schedule F required by this section, are private data on individuals as defined by section 13.02, subdivision 12, but, notwithstanding that section, the private data may be disclosed to the commissioner of revenue, or, for purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

(d) If residential real estate is occupied and used for purposes of a homestead by a relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for the property to receive homestead status, a homestead application must be filed with the assessor. The Social Security number of each relative and spouse of a relative occupying the property shall be required on the homestead application filed under this subdivision. If a different relative of the owner subsequently occupies the property, the owner of the property must notify the assessor within 30 days of the change in occupancy. The Social Security number of a relative or relative's spouse occupying the property is private data on individuals as defined by section 13.02, subdivision 12, but may be disclosed to the commissioner of revenue, or, for the purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

(e) The homestead application shall also notify the property owners that the application filed under this section will not be mailed annually and that if the property is granted homestead status for any assessment year, that same property shall remain classified as homestead until the property is sold or transferred to another person, or the owners, the spouse of the owner, or the relatives no longer use the property as their homestead. Upon the sale or transfer of the homestead property, a certificate of value must be timely filed with the county auditor as provided under section 272.115. Failure to notify the assessor within 30 days that the property has been sold, transferred, or that the owner, the spouse of the owner, or the relative is no longer occupying the property as a homestead, shall result in the penalty provided under this subdivision and the property will lose its current homestead status.

(f) If the homestead application is not returned within 30 days, the county will send a second application to the present owners of record. The notice of proposed property taxes prepared under section 275.065, subdivision 3, shall reflect the property's classification. If a homestead application has not been filed with the county by December 15, the assessor shall classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner may be entitled to receive the homestead classification by proper application under section 375.192.

(g) At the request of the commissioner, each county must give the commissioner a list that includes the name and Social Security number of each occupant of homestead property who is the

property owner, property owner's spouse, qualifying relative of a property owner, or a spouse of a qualifying relative. The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

(h) If the commissioner finds that a property owner may be claiming a fraudulent homestead, the commissioner shall notify the appropriate counties. Within 90 days of the notification, the county assessor shall investigate to determine if the homestead classification was properly claimed. If the property owner does not qualify, the county assessor shall notify the county auditor who will determine the amount of homestead benefits that had been improperly allowed. For the purpose of this section, "homestead benefits" means the tax reduction resulting from the classification as a homestead under section 273.13, the taconite homestead credit under section 273.135, the residential homestead and agricultural homestead credits under section 273.1384, and the supplemental homestead credit under section 273.1391.

The county auditor shall send a notice to the person who owned the affected property at the time the homestead application related to the improper homestead was filed, demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent of the homestead benefits. The person notified may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing proof of service as provided in section 278.01 with the Minnesota Tax Court within 60 days of the date of the notice from the county. Procedurally, the appeal is governed by the provisions in chapter 271 which apply to the appeal of a property tax assessment or levy, but without requiring any prepayment of the amount in controversy. If the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of taxes and penalty to the county treasurer. The county treasurer will add interest to the unpaid homestead benefits and penalty amounts at the rate provided in section 279.03 for real property taxes becoming delinquent in the calendar year during which the amount remains unpaid. Interest may be assessed for the period beginning 60 days after demand for payment was made.

If the person notified is the current owner of the property, the treasurer may add the total amount of homestead benefits, penalty, interest, and costs to the ad valorem taxes otherwise payable on the property by including the amounts on the property tax statements under section 276.04, subdivision 3. The amounts added under this paragraph to the ad valorem taxes shall include interest accrued through December 31 of the year preceding the taxes payable year for which the amounts are first added. These amounts, when added to the property tax statement, become subject to all the laws for the enforcement of real or personal property taxes for that year, and for any subsequent year.

If the person notified is not the current owner of the property, the treasurer may collect the amounts due under the Revenue Recapture Act in chapter 270A, or use any of the powers granted in sections 277.20 and 277.21 without exclusion, to enforce payment of the homestead benefits, penalty, interest, and costs, as if those amounts were delinquent tax obligations of the person who owned the property at the time the application related to the improperly allowed homestead was filed. The treasurer may relieve a prior owner of personal liability for the homestead benefits, penalty, interest, and costs, and instead extend those amounts on the tax lists against the property as provided in this paragraph to the extent that the current owner agrees in writing. On all demands, billings, property tax statements, and related correspondence, the county must list and state separately the amounts of homestead benefits, penalty, interest and costs being demanded, billed or assessed.

(i) Any amount of homestead benefits recovered by the county from the property owner shall be distributed to the county, city or town, and school district where the property is located in the same proportion that each taxing district's levy was to the total of the three taxing districts' levy for the current year. Any amount recovered attributable to taconite homestead credit shall be transmitted to the St. Louis County auditor to be deposited in the taconite property tax relief account. Any amount recovered that is attributable to supplemental homestead credit is to be transmitted to the commissioner of revenue for deposit in the general fund of the state treasury. The total amount of penalty collected must be deposited in the county general fund.

(j) If a property owner has applied for more than one homestead and the county assessors cannot determine which property should be classified as homestead, the county assessors will refer the information to the commissioner. The commissioner shall make the determination and notify the counties within 60 days.

(k) In addition to lists of homestead properties, the commissioner may ask the counties to furnish lists of all properties and the record owners. The Social Security numbers and federal identification numbers that are maintained by a county or city assessor for property tax administration purposes, and that may appear on the lists retain their classification as private or nonpublic data; but may be viewed, accessed, and used by the county auditor or treasurer of the same county for the limited purpose of assisting the commissioner in the preparation of microdata samples under section 270C.12.

(l) On or before April 30 each year beginning in 2007, each county must provide the commissioner with the following data for each parcel of homestead property by electronic means as defined in section 289A.02, subdivision 8:

(i) the property identification number assigned to the parcel for purposes of taxes payable in the current year;

(ii) the name and Social Security number of each occupant of homestead property who is the property owner, property owner's spouse, qualifying relative of a property owner, or spouse of a qualifying relative;

(iii) the classification of the property under section 273.13 for taxes payable in the current year and in the prior year;

(iv) an indication of whether the property was classified as a homestead for taxes payable in the current year because of occupancy by a relative of the owner or by a spouse of a relative;

(v) the property taxes payable as defined in section 290A.03, subdivision 13, for the current year and the prior year;

(vi) the market value of improvements to the property first assessed for tax purposes for taxes payable in the current year;

(vii) the assessor's estimated market value assigned to the property for taxes payable in the current year and the prior year;

(viii) the taxable market value assigned to the property for taxes payable in the current year and the prior year;

(ix) whether there are delinquent property taxes owing on the homestead;

(x) the unique taxing district in which the property is located; and

(xi) such other information as the commissioner decides is necessary.

The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

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

Sec. 24. Minnesota Statutes 2006, section 273.124, subdivision 21, is amended to read:

Subd. 21. **Trust property; homestead.** Real property held by a trustee under a trust is eligible for classification as homestead property if:

(1) the grantor or surviving spouse of the grantor of the trust occupies and uses the property as a homestead;

(2) a relative or surviving relative of the grantor who meets the requirements of subdivision 1, paragraph (c), in the case of residential real estate; or subdivision 1, paragraph (d), in the case of agricultural property, occupies and uses the property as a homestead;

(3) a family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm in which the grantor or the grantor's surviving spouse is a shareholder, member, or partner rents the property ~~held by a trustee under a trust~~, and ~~the grantor, the spouse of the grantor, or the son or daughter of the grantor, who is also~~ a shareholder, member, or partner of the corporation, joint farm venture, limited liability company, or partnership occupies and uses the property as a homestead, or is actively farming the property on behalf of the corporation, joint farm venture, limited liability company, or partnership; or

(4) a person who has received homestead classification for property taxes payable in 2000 on the basis of an unqualified legal right under the terms of the trust agreement to occupy the property as that person's homestead and who continues to use the property as a homestead or a person who received the homestead classification for taxes payable in 2005 under clause (3) who does not qualify under clause (3) for taxes payable in 2006 or thereafter but who continues to qualify under clause (3) as it existed for taxes payable in 2005.

For purposes of this subdivision, "grantor" is defined as the person creating or establishing a testamentary, inter Vivos, revocable or irrevocable trust by written instrument or through the exercise of a power of appointment.

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

Sec. 25. Minnesota Statutes 2006, section 273.128, subdivision 1, as amended by Laws 2008, chapter 154, article 2, section 10, is amended to read:

Subdivision 1. **Requirement.** Low-income rental property classified as class 4d under section 273.13, subdivision 25, is entitled to valuation under this section if at least 20 percent of the units in the rental housing property meet any of the following qualifications:

(1) the units are subject to a housing assistance payments contract under Section 8 of the United States Housing Act of 1937, as amended through December 31, 2007;

(2) the units are rent-restricted 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~~;

(3) the units are financed by the Rural Housing Service of the United States Department of Agriculture and receive payments under the rental assistance program pursuant to section 521(a) of the Housing Act of 1949, as amended; or

(4) the units are subject to rent and income restrictions under the terms of financial assistance provided to the rental housing property by the federal government or the state of Minnesota, or a local unit of government, as evidenced by a document recorded against the property.

The restrictions must require assisted units to be occupied by residents whose household income at the time of initial occupancy does not exceed 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development. The restriction must also require the rents for assisted units to not exceed 30 percent of 60 percent of the greater of area or state median income, adjusted for family size, as determined by the United States Department of Housing and Urban Development.

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

Sec. 26. Minnesota Statutes 2006, section 273.13, subdivision 22, as amended by Laws 2008, chapter 154, article 2, section 11, is amended to read:

Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and (c), real estate which is residential and used for homestead purposes is class 1a. In the case of a duplex or triplex in which one of the units is used for homestead purposes, the entire property is deemed to be used for homestead purposes. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first $500,000 of market value of class 1a property has a net class rate of one percent of its market value; and the market value of class 1a property that exceeds $500,000 has a class rate of 1.25 percent of its market value.

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

(1) any person who is blind as defined in section 256D.35, or the blind person and the blind person's spouse; or

(2) any person who is permanently and totally disabled or by the disabled person and the disabled person's spouse.

Property is classified and assessed under clause (2) 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 under paragraph (b) only if the commissioner of revenue or the county assessor certifies 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 $50,000 market value of class 1b property has a net class rate of .45 percent of its market value. The remaining market value of class 1b property has a class rate using the rates for class 1a or class 2a property, whichever is appropriate, of similar market value.

(c) Class 1c property is commercial use real and personal property that abuts public water as defined in section 103G.005, subdivision 15, 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, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort even if the title to the homestead is held by the corporation, partnership, or limited liability company. 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. Class 1c property must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 1c property must provide recreational activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. Any unit in which the right to use the property is transferred to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c even though it may remain available for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. The portion of the property used as a homestead is class 1a property under paragraph (a). The remainder of the property is classified as follows: the first $600,000 of market value is tier I, the next $1,700,000 of market value is tier II, and any remaining market value is tier III. The class rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes in which all or a portion of the property was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated as class 1c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located must be designated as class 3a commercial. The owner of property desiring designation as class 1c property must provide guest registers or other records demonstrating that the units for which class 1c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

(d) Class 1d property includes structures that meet all of the following criteria:

(1) the structure is located on property that is classified as agricultural property under section

273.13, subdivision 23;

(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 structure meets all applicable health and safety requirements for the appropriate season; and

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

The market value of class 1d property has the same class rates as class 1a property under paragraph (a).

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

Sec. 27. Minnesota Statutes 2006, section 273.13, subdivision 25, as amended by Laws 2008, chapter 154, article 2, section 13, is amended to read:

Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. The market value of class 4a property has a class rate of 1.25 percent.

(b) Class 4b includes:

(1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential recreational property;

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

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units; and

(4) unimproved property that is classified residential as determined under subdivision 33.

The market value of class 4b property has a class rate of 1.25 percent.

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential recreational property; and

(2) a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4bb property has the same class rates as class 1a property under subdivision 22.

Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for

class 4bb.

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), or subdivision 23, paragraph (b), clause (1), real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes, including real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. Class 4c property must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 4c property must provide recreational activities such as renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. A camping pad offered for rent by a property that otherwise qualifies for class 4c is also class 4c regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. In order for a property to be classified as class 4c, seasonal residential recreational for commercial purposes, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (ii) at least 20 percent of the annual gross receipts must be from charges for rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for marina services, launch services, and guide services, or the sale of bait and fishing tackle. For purposes of this determination, a paid booking of five or more nights shall be counted as two bookings. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 4c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated class 4c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 4c property must provide guest registers or other records demonstrating that the units for which class 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 4c;

(2) qualified property used as a golf course if:

(i) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property;

(3) real property up to a maximum of three acres of land owned and used by a nonprofit community service oriented organization and that is not used for residential purposes on either a temporary or permanent basis, qualifies for class 4c provided that it meets either of the following:

(i) the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment; or

(ii) the organization makes annual charitable contributions and donations at least equal to the property's previous year's property taxes and the property is allowed to be used for public and community meetings or events for no charge, as appropriate to the size of the facility.

For purposes of this clause,

(A) "charitable contributions and donations" has the same meaning as lawful gambling purposes under section 349.12, subdivision 25, excluding those purposes relating to the payment of taxes, assessments, fees, auditing costs, and utility payments;

(B) "property taxes" excludes the state general tax;

(C) a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code ~~of 1986, as amended through December 31, 1990~~; and

(D) "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises.

Any portion of the property qualifying under item (i) 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.

The organization shall maintain records of its charitable contributions and donations and of public meetings and events held on the property and make them available upon request any time to the assessor to ensure eligibility. An organization meeting the requirement under item (ii) must file an application by May 1 with the assessor for eligibility for the current year's assessment. The commissioner shall prescribe a uniform application form and instructions;

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

(5) manufactured home parks as defined in section 327.14, subdivision 3;

(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2;

(7) a leased or privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land is on an airport owned or operated by a city, town, county, Metropolitan Airports Commission, or group thereof; and

(ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale;

(8) a privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land abuts a public airport; and

(ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use or activity performed at the hangar; and

(9) residential real estate, a portion of which is used by the owner for homestead purposes, and that is also a place of lodging, if all of the following criteria are met:

(i) rooms are provided for rent to transient guests that generally stay for periods of 14 or fewer days;

(ii) meals are provided to persons who rent rooms, the cost of which is incorporated in the basic room rate;

(iii) meals are not provided to the general public except for special events on fewer than seven days in the calendar year preceding the year of the assessment; and

(iv) the owner is the operator of the property.

The market value subject to the 4c classification under this clause is limited to five rental units. Any rental units on the property in excess of five, must be valued and assessed as class 3a. The portion of the property used for purposes of a homestead by the owner must be classified as class 1a property under subdivision 22.

Class 4c property has a class rate of 1.5 percent of market value, except that (i) each parcel of

seasonal residential recreational property not used for commercial purposes has the same class rates as class 4bb property, (ii) manufactured home parks assessed under clause (5) have the same class rate as class 4b property, (iii) commercial-use seasonal residential recreational property has a class rate of one percent for the first $500,000 of market value, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a class rate of one percent, (v) the market value of property described in clauses (2) and (6) has a class rate of 1.25 percent, and (vi) that portion of the market value of property in clause (9) qualifying for class 4c property has a class rate of 1.25 percent.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.128, subdivision 3, only the proportion of qualifying units to the total number of units in the building qualify for class 4d. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

Class 4d property has a class rate of 0.75 percent.

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

Sec. 28. Minnesota Statutes 2006, section 273.13, subdivision 33, is amended to read:

Subd. 33. **Classification of unimproved property.** (a) All real property that is not improved with a structure must be classified according to its current use.

(b) Except as provided in subdivision 23, paragraph (b), clause (1), real property that is not improved with a structure and for which there is no identifiable current use must be classified according to its highest and best use permitted under the local zoning ordinance. If the ordinance permits more than one use, the land must be classified according to the highest and best use permitted under the ordinance. If no such ordinance exists, the assessor shall consider the most likely potential use of the unimproved land based upon the use made of surrounding land or land in proximity to the unimproved land.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

Sec. 29. Minnesota Statutes 2006, section 274.014, subdivision 3, is amended to read:

Subd. 3. **Proof of compliance; transfer of duties.** (a) Any city or town that conducts local boards of appeal and equalization meetings must provide proof to the county assessor by December 1, 2006, and each year thereafter, that it is in compliance with the requirements of subdivision 2. Beginning in 2006, this notice must also verify that there was a quorum of voting members at each meeting of the board of appeal and equalization in the current year. A city or town that does not comply with these requirements is deemed to have transferred its board of appeal and equalization powers to the county beginning with the following year's assessment and continuing unless the powers are reinstated under paragraph (c).

(b) The county shall notify the taxpayers when the board of appeal and equalization for a city or town has been transferred to the county under this subdivision and, prior to the meeting time of the county board of equalization, the county shall make available to those taxpayers a procedure for a

review of the assessments, including, but not limited to, open book meetings. This alternate review process shall take place in April and May.

(c) A local board whose powers are transferred to the county under this subdivision may be reinstated by resolution of the governing body of the city or town and upon proof of compliance with the requirements of subdivision 2. The resolution and proofs must be provided to the county assessor by December 1 in order to be effective for the following year's assessment.

(d) A local board whose powers are transferred to the county under this subdivision may continue to employ a local assessor and is not deemed to have transferred its powers to make assessments.

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

Sec. 30. Minnesota Statutes 2006, section 276.04, subdivision 2, as amended by Laws 2008, chapter 154, article 2, section 19, 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 amount of the state tax from the parcel of real property for which a particular tax statement is prepared. The dollar amounts attributable to the county, the state tax, the voter approved school tax, the other local school tax, the township or municipality, and the total of the metropolitan special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated. The amounts due all other special taxing districts, if any, may be aggregated except that any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be listed on a separate line directly under the appropriate county's levy. If the county levy under this paragraph includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount. In the case of Ramsey County, if the county levy under this paragraph includes an amount for public library service under section 134.07, the amount attributable for that purpose may be separated from the remaining county levy amount. The amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement.

(b) The property tax statements for manufactured homes and sectional structures taxed as personal property shall contain the same information that is required on the tax statements for real property.

(c) Real and personal property tax statements must contain the following information in the order given in this paragraph. The information must contain the current year tax information in the right column with the corresponding information for the previous year in a column on the left:

(1) the property's estimated market value under section 273.11, subdivision 1;

(2) the property's taxable market value after reductions under section 273.11, subdivisions 1a and 16;

(3) the property's gross tax, before credits;

(4) for homestead residential and agricultural properties, the credits under section 273.1384;

(5) any credits received under sections 273.119; ~~273.123~~ 273.1234 or 273.1235; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief"; and

(6) the net tax payable in the manner required in paragraph (a).

(d) If the county uses envelopes for mailing property tax statements and if the county agrees, a taxing district may include a notice with the property tax statement notifying taxpayers when the taxing district will begin its budget deliberations for the current year, and encouraging taxpayers to attend the hearings. If the county allows notices to be included in the envelope containing the property tax statement, and if more than one taxing district relative to a given property decides to include a notice with the tax statement, the county treasurer or auditor must coordinate the process and may combine the information on a single announcement.

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

Sec. 31. Minnesota Statutes 2006, section 290B.04, subdivision 1, is amended to read:

Subdivision 1. **Initial application.** (a) A taxpayer meeting the program qualifications under section 290B.03 may apply to the commissioner of revenue for the deferral of taxes. Applications are due on or before July 1 for deferral of any of the following year's property taxes. A taxpayer may apply in the year in which the taxpayer becomes 65 years old, provided that no deferral of property taxes will be made until the calendar year after the taxpayer becomes 65 years old. The application, which shall be prescribed by the commissioner of revenue, shall include the following items and any other information which the commissioner deems necessary:

(1) the name, address, and Social Security number of the owner or owners;

(2) a copy of the property tax statement for the current payable year for the homesteaded property;

(3) the initial year of ownership and occupancy as a homestead;

(4) the owner's household income for the previous calendar year; and

(5) information on any mortgage loans or other amounts secured by mortgages or other liens against the property, for which purpose the commissioner may require the applicant to provide a copy of the mortgage note, the mortgage, or a statement of the balance owing on the mortgage loan provided by the mortgage holder. The commissioner may require the appropriate documents in connection with obtaining and confirming information on unpaid amounts secured by other liens.

The application must state that program participation is voluntary. The application must also state that the deferred amount depends directly on the applicant's household income, and that program participation includes authorization for the annual deferred amount, the cumulative deferral and interest that appear on each year's notice prepared by the county under subdivision 6, is public data.

The application must state that program participants may claim the property tax refund based on the full amount of property taxes eligible for the refund, including any deferred amounts. The application must also state that property tax refunds will be used to offset any deferral and interest under this program, and that any other amounts subject to revenue recapture under section 270A.03, subdivision 7, will also be used to offset any deferral and interest under this program.

(b) As part of the initial application process, the commissioner may require the applicant to obtain at the applicant's own cost and submit:

(1) if the property is registered property under chapter 508 or 508A, a copy of the original certificate of title in the possession of the county registrar of titles (sometimes referred to as "condition of register"); or

(2) if the property is abstract property, a report prepared by a licensed abstracter showing the last deed and any unsatisfied mortgages, liens, judgments, and state and federal tax lien notices which were recorded on or after the date of that last deed with respect to the property or to the applicant.

The certificate or report under clauses (1) and (2) need not include references to any documents filed or recorded more than 40 years prior to the date of the certification or report. The certification or report must be as of a date not more than 30 days prior to submission of the application.

The commissioner may also require the county recorder or county registrar of the county where the property is located to provide copies of recorded documents related to the applicant or the property, for which the recorder or registrar shall not charge a fee. The commissioner may use any information available to determine or verify eligibility under this section. The household income from the application is private data on individuals as defined in section 13.02, subdivision 12.

EFFECTIVE DATE. This section is effective for data collected or maintained by the commissioner of revenue beginning the day following final enactment.

Sec. 32. Minnesota Statutes 2006, section 469.040, subdivision 4, is amended to read:

Subd. 4. **Facilities funded from multiple sources.** In the metropolitan area, as defined in section 473.121, subdivision 2, the tax treatment provided in subdivision 3 applies to that portion of any multifamily rental housing facility represented by the ratio of (1) the number of units in the facility that are subject to the requirements of Section 5 of the United States Housing Act of 1937, as the result of the implementation of a federal court order or consent decree to (2) the total number of units within the facility.

The housing and redevelopment authority for the city in which the facility is located, any public entity exercising the powers of such housing and redevelopment authority, or the county housing and redevelopment authority for the county in which the facility is located, shall annually certify to the assessor responsible for assessing the facility, at the time and in the manner required by the assessor, the number of units in the facility that are subject to the requirements of Section 5 of the United States Housing Act of 1937.

Nothing in this subdivision shall prevent that portion of the facility not subject to this subdivision from meeting the requirements of section ~~273.126~~ 273.128, and for that purpose the total number of units in the facility must be taken into account.

EFFECTIVE DATE. This section is effective retroactively for taxes payable in 2006 and

thereafter.

Sec. 33. Minnesota Statutes 2006, section 469.174, subdivision 10b, is amended to read:

Subd. 10b. **Qualified disaster area.** A "qualified disaster area" is an area that meets the following requirements:

(1) parcels consisting of 70 percent of the area of the district were occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures immediately before the disaster or emergency;

(2) the area of the district was subject to a disaster or emergency, as defined in section ~~273.123, subdivision 1~~ 273.1231, subdivision 2, within the 18-month period ending on the day the request for certification of the district is made; and

(3) 50 percent or more of the buildings in the area have suffered substantial damage as a result of the disaster or emergency.

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

Sec. 34. Minnesota Statutes 2006, section 469.177, subdivision 1c, is amended to read:

Subd. 1c. **Original net tax capacity adjustments; presidential disaster area.** (a) The provisions of this subdivision apply to a district located in a disaster area, as described in section ~~273.123, subdivision 1, paragraph (b)~~ 273.1231, subdivision 3, paragraph (a), clause (1), and are effective for taxes payable in the first calendar year beginning at least four months after the date of the determination.

(b) For a district certified before the date of the disaster area determination as provided in section ~~273.123, subdivision 1, paragraph (b)~~ 273.1231, subdivision 3, paragraph (a), clause (1), upon the request of the municipality, the county auditor shall reduce the original net tax capacity of the district by the reduction in the net tax capacity of properties in the district that is attributable to the physical effects of the disaster, but not below zero. The assessor shall determine the amount of the reduction in market value that is attributable to the physical effects of the disaster to be used by the county auditor in computing the reduction in net tax capacity.

(c) For a district that does not qualify under paragraph (b) and for which the request for certification is made in the same calendar year as the disaster area determination, upon the request of the municipality, the assessor shall determine the reduction in market value of properties in the district that is attributable to the physical effects of the disaster. The county auditor shall use the reduced market value in certifying the original net tax capacity of the district.

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

Sec. 35. **REPEALER.**

Minnesota Statutes 2006, section 477A.014, subdivision 5, and Minnesota Statutes 2007 Supplement, section 477A.014, subdivision 4, are repealed.

EFFECTIVE DATE. This section is effective for aid payable in 2009 and thereafter.

ARTICLE 14

DEPARTMENT JOB OPPORTUNITY BUILDING ZONES

Section 1. Minnesota Statutes 2006, section 469.319, is amended to read:

469.319 REPAYMENT OF TAX BENEFITS BY BUSINESSES THAT NO LONGER OPERATE IN A ZONE.

Subdivision 1. **Repayment obligation.** A business must repay the ~~amount of the~~ total tax ~~reduction~~ benefits listed in section 469.315 ~~and any refund under section 469.318 in excess of tax liability,~~ received during the two years immediately before it (1) ceased to ~~operate in the zone, if the business:~~

~~(1) received tax reductions authorized by section 469.315; and~~

~~(2)(i) did not meet the goals specified in an agreement entered into with the applicant that states any obligation the qualified business must fulfill in order to be eligible for tax benefits. The commissioner of employment and economic development may extend for up to one year the period for meeting any goals provided in an agreement. The applicant may extend the period for meeting other goals by documenting in writing the reason for the extension and attaching a copy of the document to its next annual report to the commissioner of employment and economic development; or~~

~~(ii) ceased to operate its facility located within the job opportunity building zone~~ perform a substantial level of activities described in the business subsidy agreement, or (2) otherwise ~~ceases~~ ceased to be ~~or is not~~ a qualified business, other than those subject to the provisions of section 469.3191.

Subd. 1a. **Repayment obligation of businesses not operating in zone.** Persons that receive benefits without operating a business in a zone are subject to repayment under this section if the business for which those benefits relate is subject to repayment under this section. Such persons are deemed to have ceased performing in the zone on the same day that the qualified business for which the benefits relate becomes subject to repayment under subdivision 1.

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

(b) "Business" means any person ~~who~~ that received tax benefits enumerated in section 469.315.

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

(d) "Persons that receive benefits without operating a business in a zone" means persons that claim benefits under section 469.316, subdivision 2 or 4, as well as persons that own property leased by a qualified business and eligible for benefits under section 272.02, subdivision 64, or 297A.68, subdivision 37, paragraph (b).

Subd. 3. **Disposition of repayment.** The repayment must be paid to the state to the extent it represents a state tax reduction and to the county to the extent it represents a property tax reduction. Any amount repaid to the state must be deposited in the general fund. Any amount repaid to the county for the property tax exemption must be distributed to the ~~local governments~~ taxing authorities with authority to levy taxes in the zone in the same manner provided for distribution of payment of delinquent property taxes. Any repayment of local sales taxes must be repaid to the commissioner

for distribution to the city or county imposing the local sales tax.

Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under chapter 290 or 297A or local taxes collected pursuant to section 297A.99, a business must file an amended return with the commissioner of revenue and pay any taxes required to be repaid within 30 days after ~~ceasing to do business in the zone~~ becoming subject to repayment under this section. The amount required to be repaid is determined by calculating the tax for the period or periods for which repayment is required without regard to the exemptions and credits allowed under section 469.315.

(b) For the repayment of taxes imposed under chapter 297B, a business must pay any taxes required to be repaid to the motor vehicle registrar, as agent for the commissioner of revenue, within 30 days after ~~ceasing to do business in the zone~~ becoming subject to repayment under this section.

(c) For the repayment of property taxes, the county auditor shall prepare a tax statement for the business, applying the applicable tax extension rates for each payable year and provide a copy to the business and to the taxpayer of record. The business must pay the taxes to the county treasurer within 30 days after receipt of the tax statement. The business or the taxpayer of record may appeal the valuation and determination of the property tax to the Tax Court within 30 days after receipt of the tax statement.

(d) The provisions of chapters 270C and 289A relating to the commissioner's authority to audit, assess, and collect the tax and to hear appeals are applicable to the repayment required under paragraphs (a) and (b). The commissioner may impose civil penalties as provided in chapter 289A, and the additional tax and penalties are subject to interest at the rate provided in section 270C.40, from 30 days after ~~ceasing to do business in the job opportunity building zone~~ becoming subject to repayment under this section until the date the tax is paid.

(e) If a property tax is not repaid under paragraph (c), the county treasurer shall add the amount required to be repaid to the property taxes assessed against the property for payment in the year following the year in which the ~~treasurer discovers that the business ceased to operate in the job opportunity building zone~~ auditor provided the statement under paragraph (c).

(f) For determining the tax required to be repaid, a ~~tax~~ reduction of a state or local sales or use tax is deemed to have been received on the date that the ~~tax would have been due if the taxpayer had not been entitled to the exemption or on the date a refund was issued for a refundable tax credit~~ good or service was purchased or first put to a taxable use. In the case of an income tax or franchise tax, including the credit payable under section 469.318, a reduction of tax is deemed to have been received for the two most recent tax years that have ended prior to the date that the business became subject to repayment under this section. In the case of a property tax, a reduction of tax is deemed to have been received for the taxes payable in the year that the business became subject to repayment under this section and for the taxes payable in the prior year.

(g) The commissioner may assess the repayment of taxes under paragraph (d) any time within two years after the business ~~ceases to operate in the job opportunity building zone~~ becomes subject to repayment under subdivision 1, or within any period of limitations for the assessment of tax under section 289A.38, whichever period is later. The county auditor may send the statement under paragraph (c) any time within three years after the business becomes subject to repayment under subdivision 1.

(h) A business is not entitled to any income tax or franchise tax benefits, including refundable

credits, for any part of the year in which the business becomes subject to repayment under this section nor for any year thereafter. Property is not exempt from tax under section 272.02, subdivision 64, for any taxes payable in the year following the year in which the property became subject to repayment under this section nor for any year thereafter. A business is not eligible for any sales tax benefits beginning with goods or services purchased or first put to a taxable use on the day that the business becomes subject to repayment under this section.

Subd. 5. **Waiver authority.** (a) The commissioner may waive all or part of a repayment required under subdivision 1, if the commissioner, in consultation with the commissioner of employment and economic development and appropriate officials from the local government units in which the qualified business is located, determines that requiring repayment of the tax is not in the best interest of the state or the local government units and the business ceased operating as a result of circumstances beyond its control including, but not limited to:

(1) a natural disaster;

(2) unforeseen industry trends; or

(3) loss of a major supplier or customer.

(b)(1) The commissioner shall waive repayment required under subdivision 1a if the commissioner has waived repayment by the operating business under subdivision 1, unless the person that received benefits without having to operate a business in the zone was a contributing factor in the qualified business becoming subject to repayment under subdivision 1.

(2) The commissioner shall waive the repayment required under subdivision 1a, even if the repayment has not been waived for the operating business if:

(i) the person that received benefits without having to operate a business in the zone and the business that operated in the zone are not related parties as defined in section 267(b) of the Internal Revenue Code of 1986, as amended through December 31, 2007; and

(ii) actions of the person were not a contributing factor in the qualified business becoming subject to repayment under subdivision 1.

Subd. 6. **Reconciliation.** Where this section is inconsistent with section 116J.994, subdivision 3, paragraph (e), or 6, or any other provisions of sections 116J.993 to 116J.995, this section prevails.

EFFECTIVE DATE. The amendment to subdivision 4, paragraph (c), of this section is effective the day following final enactment. The amendment to subdivision 4, paragraph (f), is effective January 1, 2008, and applies to all businesses that become subject to this section in 2008 and thereafter. The rest of this section is effective retroactively from January 1, 2004, except that for violations that occur before the day following final enactment, this section does not apply if the business has repaid the benefits or the commissioner has granted a waiver.

Sec. 2. **[469.3191] BREACH OF AGREEMENTS BY BUSINESSES THAT CONTINUE TO OPERATE IN ZONE.**

(a) A "business in violation of its business subsidy agreement but not subject to section 469.319" means a business that is operating in violation of the business subsidy agreement but maintains a level of operations in the zone that does not subject it to the repayment provisions of section 469.319,

subdivision 1, clause (1).

(b) A business described in paragraph (a) that does not sign a new or amended business subsidy agreement, as authorized under paragraph (h), is subject to repayment of benefits under section 469.319 from the day that it ceases to perform in the zone a substantial level of activities described in the business subsidy agreement.

(c) A business described in paragraph (a) ceases being a qualified business after the last day that it has to meet the goals stated in the agreement.

(d) A business is not entitled to any income tax or franchise tax benefits, including refundable credits, for any part of the year in which the business is no longer a qualified business under paragraph (c), and thereafter. A business is not eligible for sales tax benefits beginning with goods or services purchased or put to a taxable use on the day that it is no longer a qualified business under paragraph (c). Property is not exempt from tax under section 272.02, subdivision 64, for any taxes payable in the year following the year in which the business is no longer a qualified business under paragraph (c), and thereafter.

(e) A business described in paragraph (a) that wants to resume eligibility for benefits under section 469.315 must request that the commissioner of employment and economic development determine the length of time that the business is ineligible for benefits. The commissioner shall determine the length of ineligibility by applying the proportionate level of performance under the agreement to the total duration of the zone as measured from the date that the business subsidy agreement was executed. The length of time must not be less than one full year for each tax benefit listed in section 469.315. The commissioner of employment and economic development and the appropriate local government officials shall consult with the commissioner of revenue to ensure that the period of ineligibility includes at least one full year of benefits for each tax.

(f) The length of ineligibility determined under paragraph (e) must be applied by reducing the zone duration for the property by the duration of the ineligibility.

(g) The zone duration of property that has been adjusted under paragraph (f) must not be altered again to permit the business additional benefits under section 469.315.

(h) A business described in paragraph (a) becomes eligible for benefits available under section 469.315 by entering into a new or amended business subsidy agreement with the appropriate local government unit. The new or amended agreement must cover a period beginning from the date of ineligibility under the original business subsidy agreement, through the zone duration determined by the commissioner under paragraph (f). No exemption of property taxes under section 272.02, subdivision 64, is available under the new or amended agreement for property taxes due or paid before the date of the final execution of the new or amended agreement, but unpaid taxes due after that date need not be paid.

(i) A business that violates the terms of an agreement authorized under paragraph (h) is permanently barred from seeking benefits under section 469.315 and is subject to the repayment provisions under section 469.319 effective from the day that the business ceases to operate as a qualified business in the zone under the second agreement.

EFFECTIVE DATE. This section is effective retroactively from January 1, 2004. For violations that occur before the day following final enactment, this section does not apply if the business has

repaid the benefits or the commissioner has granted a waiver.

Sec. 3. **[469.3192] PROHIBITION AGAINST AMENDMENTS TO BUSINESS SUBSIDY AGREEMENT.**

Except as authorized under section 469.3191, under no circumstance shall terms of any agreement required as a condition for eligibility for benefits listed under section 469.315 be amended to change job creation, job retention, or wage goals included in the agreement.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to all agreements executed before, on, or after the effective date.

Sec. 4. **[469.3193] CERTIFICATION OF CONTINUING ELIGIBILITY FOR JOBZ BENEFITS.**

(a) By December 1 of each year, every qualified business must certify to the commissioner of revenue, on a form prescribed by the commissioner, whether it is in compliance with any agreement required as a condition for eligibility for benefits listed under section 469.315. A business that fails to submit the certification, or any business, including those still operating in the zone, that submits a certification that the commissioner of revenue later determines materially misrepresents the business's compliance with the agreement, is subject to the repayment provisions under section 469.319 from January 1 of the year in which the report is due or the date that the business became subject to section 469.319, whichever is earlier. Any such business is permanently barred from obtaining benefits under section 469.315. For purposes of this section, the bar applies to an entity and also applies to any individuals or entities that have an ownership interest of at least 20 percent of the entity.

(b) Before the sanctions under paragraph (a) apply to a business that fails to submit the certification, the commissioner of revenue shall send notice to the business, demanding that the certification be submitted within 30 days and advising the business of the consequences for failing to do so. The commissioner of revenue shall notify the commissioner of employment and economic development and the appropriate job opportunity subzone administrator whenever notice is sent to a business under this paragraph.

(c) The certification required under this section is public.

(d) The commissioner of revenue shall promptly notify the commissioner of employment and economic development of all businesses that certify that they are not in compliance with the terms of their business subsidy agreement and all businesses that fail to file the certification.

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

ARTICLE 15

DEPARTMENT MISCELLANEOUS

Section 1. Minnesota Statutes 2006, section 16D.02, subdivision 3, is amended to read:

Subd. 3. **Debt.** "Debt" means an amount owed to the state directly, or through a state agency, on account of a fee, duty, lease, direct loan, loan insured or guaranteed by the state, rent, service, sale of real or personal property, overpayment, fine, assessment, penalty, restitution, damages, interest, tax, bail bond, forfeiture, reimbursement, liability owed, an assignment to the state including

assignments under section 256.741, the Social Security Act, or other state or federal law, recovery of costs incurred by the state, or any other source of indebtedness to the state. Debt also includes amounts owed to individuals as a result of civil, criminal, or administrative action brought by the state or a state agency pursuant to its statutory authority or for which the state or state agency acts in a fiduciary capacity in providing collection services in accordance with the regulations adopted under the Social Security Act at Code of Federal Regulations, title 45, section 302.33. When the commissioner provides collection services pursuant to a debt qualification plan, debt also includes an amount owed to the courts, local government units, Minnesota state colleges and universities governed by the Board of Trustees of the Minnesota State Colleges and Universities, or University of Minnesota ~~for which the commissioner provides collection services pursuant to contract~~.

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

Sec. 2. Minnesota Statutes 2006, section 16D.02, subdivision 6, is amended to read:

Subd. 6. **Referring agency.** "Referring agency" means a state agency, local government unit, Minnesota state colleges and universities governed by the Board of Trustees of the Minnesota State Colleges and Universities, University of Minnesota, or a court, that has entered into a debt qualification plan with the commissioner to refer debts to the commissioner for collection.

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

Sec. 3. Minnesota Statutes 2006, section 16D.04, subdivision 2, as amended by Laws 2008, chapter 154, article 15, section 2, is amended to read:

Subd. 2. **Agency participation.** (a) A referring agency must refer, by electronic means, debts to the commissioner for collection. ~~Responsibility for the debt, including the reporting of the debt to the commissioner of finance and the decision with regard to the continuing collection and uncollectibility of the debt, remains with the referring agency.~~ Decisions with regard to continuing collection and the uncollectibility of referred debts shall be made by the commissioner who shall then notify the commissioner of finance and the referring agency. A decision by the commissioner that a referred debt is uncollectible does not prevent the referring agency from taking additional collection action.

(b) Before a debt becomes 121 days past due, a referring agency may refer the debt to the commissioner for collection at any time after a debt becomes delinquent and uncontested and the debtor has no further administrative appeal of the amount of the debt. When a debt owed to a referring agency becomes 121 days past due, the referring agency must refer the debt to the commissioner for collection. This requirement does not apply if there is a dispute over the amount or validity of the debt, if the debt is the subject of legal action or administrative proceedings, or the agency determines that the debtor is adhering to acceptable payment arrangements. The commissioner may provide that certain types of debt need not be referred to the commissioner for collection under this paragraph. Methods and procedures for referral must follow internal guidelines prepared by the commissioner.

(c) If the referring agency is a court, the court must furnish a debtor's Social Security number to the commissioner when the court refers the debt.

EFFECTIVE DATE. This section is effective for debts referred after December 31, 2008.

Sec. 4. Minnesota Statutes 2006, section 270A.08, subdivision 1, is amended to read:

Subdivision 1. **Notice to debtor.** (a) Not later than five days after the claimant agency has sent notification to the department pursuant to section 270A.07, subdivision 1, the claimant agency shall send a written notification to the debtor asserting the right of the claimant agency to the refund or any part thereof. If the notice is returned to the claimant agency as undeliverable, or the claimant agency has reason to believe the debtor did not receive the notice, the claimant agency shall obtain the ~~current~~ last known address of the debtor from the commissioner and resend the corrected notice.

(b) If a debt has been referred to the commissioner for collection under chapter 16D, and the referring agency meets the definition of claimant agency under this chapter, the commissioner must notify the debtor prior to using revenue recapture under this chapter for collection of the debt. The notice must be sent by United States mail or personal delivery to the last known address of the debtor.

EFFECTIVE DATE. This section is effective for debts referred after December 31, 2008.

Sec. 5. Minnesota Statutes 2006, section 270C.33, subdivision 5, is amended to read:

Subd. 5. **Prohibition against collection during appeal period of an order.** No collection action can be taken on an order of assessment, or any other order imposing a liability, including the filing of liens under section 270C.63, and no late payment penalties may be imposed when a return has been filed for the tax type and period upon which the order is based, during the appeal period of an order. The appeal period of an order ends: (1) 60 days after the order has been mailed to the taxpayer by the commissioner; (2) if an administrative appeal is filed under section 270C.35, 60 days after determination of the administrative appeal; (3) if an appeal to Tax Court is filed under chapter 271, when the decision of the Tax Court is made; or (4) if an appeal to Tax Court is filed and the appeal is based upon a constitutional challenge to the tax, 60 days after final determination of the appeal. This subdivision does not apply to a jeopardy assessment under section 270C.36, or a jeopardy collection under section 270C.36.

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

ARTICLE 16

MISCELLANEOUS

Section 1. **DATA UPDATE.**

The commissioner of revenue must continue to maintain, update, and make available the information required under Laws 1987, chapter 268, article 7, section 1, subdivision 6, paragraph (b). The commissioner must provide the most complete and current data available, when requested, to the chairs of the senate and house of representatives committees on taxes. $200,000 is appropriated from the general fund to the commissioner of revenue in fiscal year 2009 for this purpose."

Delete the title and insert:

"A bill for an act relating to the financing and operation of state and local government; making policy, technical, administrative, enforcement, collection, refund, and other changes to income, franchise, property, sales and use, motor vehicle sales, cigarette and tobacco products, gasoline, insurance premiums, aggregate removal, mortgage, deed, and production taxes, and other taxes and tax-related provisions; providing for aids to local governments; providing income tax subtractions;

modifying taxation of foreign operating corporations; providing sales tax exemptions; modifying and authorizing local government taxes; authorizing and modifying levies, property valuation procedures, homestead provisions, property tax classes, class rates, and tax bases; changing and providing property tax exemptions and credits; creating Surplus Lines Association of Minnesota; changing JOBZ, border city allocation, tax increment financing, and economic development powers and incentives; changing provisions relating to fiscal disparities, state debt collection procedures; authorizing utility rate adjustments; changing distributions of production tax proceeds; providing for sale of forest lands; providing for higher education grants in the taconite assistance area; authorizing issuance of obligations; modifying a taxing district; changing and imposing powers, duties, and requirements on certain local governments and authorities and state departments or agencies; authorizing local governments to provide certain development incentives; providing rules for operation of certain tax increment financing districts; requiring studies; requiring development of recommendations for a stadium; appropriating money; amending Minnesota Statutes 2006, sections 13.51, subdivision 3; 13.585, subdivision 5; 16D.02, subdivisions 3, 6; 16D.04, subdivision 2, as amended; 60A.196; 116J.993, subdivision 3; 116J.994, subdivisions 2, 5; 126C.01, subdivision 3; 126C.41, subdivision 2; 216B.1646; 270A.08, subdivision 1; 270C.33, subdivision 5; 270C.56, subdivision 1, as amended; 272.02, subdivisions 13, 20, 21, 27, 31, 38, 49, 55, 82, 84, by adding a subdivision; 272.03, subdivisions 2, 3, by adding a subdivision; 273.11, subdivision 8; 273.111, subdivisions 3, as amended, 6, 8, 14, by adding subdivisions; 273.112, subdivision 3; 273.124, subdivisions 6, 11, 13, as amended, 21; 273.128, subdivision 1, as amended; 273.13, subdivisions 22, as amended, 23, as amended, 24, 25, as amended, 33; 273.19, subdivision 1; 274.014, subdivision 3; 275.025, subdivisions 1, 2, 4; 275.065, by adding a subdivision; 276.04, subdivision 2, as amended; 278.05, subdivision 6, as amended; 280.39, as amended; 287.20, subdivisions 3a, 9, by adding a subdivision; 289A.18, subdivision 1, as amended; 289A.20, subdivision 4, as amended; 289A.55, by adding a subdivision; 289A.60, subdivision 15, as amended, by adding a subdivision; 290.01, subdivisions 6b, 19c, as amended, 19d, as amended; 290.06, by adding subdivisions; 290.068, subdivision 3; 290.07, subdivision 1; 290.21, subdivision 4; 290.34, by adding a subdivision; 290.92, subdivisions 1, 26; 290A.10; 290B.04, subdivision 1; 295.50, subdivision 4; 295.52, subdivision 4, as amended; 295.53, subdivision 4a; 296A.01, subdivisions 44, 45; 296A.03, subdivision 2; 296A.07, subdivision 4; 296A.08, subdivision 3; 296A.16, subdivision 2; 297A.61, subdivisions 22, 29; 297A.665, as amended; 297A.67, subdivision 7, as amended; 297A.71, by adding subdivisions; 297A.75; 297A.995, subdivision 10, by adding subdivisions; 297B.01, subdivision 7; 297B.03; 297F.01, subdivision 8; 297F.09, subdivision 10, as amended; 297F.21, subdivision 1; 297G.01, subdivision 9; 297G.09, subdivision 9, as amended; 297H.09; 297I.05, subdivision 12; 298.22, subdivision 5a, as added; 298.24, subdivision 1, as amended; 298.28, subdivisions 4, as amended, 9a, 9d, as added; 298.2961, subdivision 4, as amended; 298.75, subdivisions 1, 2, 6, 7; 365.243, by adding a subdivision; 365A.095; 383A.80, subdivision 4; 383A.81, subdivisions 1, 2; 383B.80, subdivision 4; 383B.81, subdivisions 1, 2; 383E.20; 469.040, subdivision 4; 469.174, subdivision 10b; 469.177, subdivision 1c; 469.312, by adding a subdivision; 469.319; 473.39, by adding a subdivision; 473.446, subdivisions 2, 8; 473F.08, by adding a subdivision; 477A.011, subdivisions 34, 36, as amended, by adding subdivisions; 477A.0124, subdivisions 4, 5, by adding a subdivision; 477A.013, subdivisions 1, 8, as amended, 9, as amended, by adding a subdivision; 477A.03, subdivisions 2a, 2b, by adding subdivisions; Minnesota Statutes 2007 Supplement, sections 115A.1314, subdivision 2; 273.1231, subdivision 7, by adding a subdivision; 273.1232, subdivision 1; 273.1233, subdivisions 1, 3; 273.1234; 273.1235, subdivisions 1, 3; 273.1393; 290.01, subdivision 19b, as amended; 297A.70, subdivision 3; 298.227; Laws 1991, chapter 291, article 8, section 27, subdivisions 3, as amended,

4, as amended; Laws 1995, chapter 264, article 5, section 46, subdivision 2; Laws 1998, chapter 389, article 8, section 45, subdivision 3; Laws 1999, chapter 243, article 4, section 18, subdivisions 1, 3, 4; Laws 2003, chapter 127, article 10, section 31, subdivision 1; Laws 2006, chapter 259, article 10, section 14, subdivision 1; Laws 2008, chapter 154, article 2, section 27; article 8, section 14; article 9, sections 23; 24; proposing coding for new law in Minnesota Statutes, chapters 60A; 116J; 273; 383C; 383D; 383E; 469; proposing coding for new law as Minnesota Statutes, chapter 290D; repealing Minnesota Statutes 2006, sections 272.027, subdivision 3; 275.025, subdivision 3; 279.01, subdivision 4; 473.4461; 477A.014, subdivision 5; Minnesota Statutes 2007 Supplement, section 477A.014, subdivision 4; Laws 2005, First Special Session chapter 3, article 5, section 24; Minnesota Rules, parts 8031.0100, subpart 3; 8093.2100."

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

SECOND READING OF SENATE BILLS

S.F. No. 2869 was read the second time.

MEMBERS EXCUSED

Senator Michel was excused from the Session of today from 11:00 a.m. to 12:50 p.m. Senators Berglin, Rosen and Wergin were excused from the Session of today from 12:00 noon to 12:05 p.m. Senator Johnson was excused from the Session of today at 4:20 p.m. Senator Limmer was excused from the Session of today at 6:15 p.m. Senator Rest was excused from the Session of today at 6:30 p.m.

ADJOURNMENT

Senator Pogemiller moved that the Senate do now adjourn until 11:00 a.m., Monday, March 31, 2008. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate

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