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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **1818**

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The bill was read for the first time and referred to the Committee on Environment and Natural Resources

1.1 A bill for an act
1.2 relating to natural resources; modifying restrictions on vehicles hauling
1.3 unfinished forest products; modifying renewable energy objectives; modifying
1.4 apportionment of net income; defining wood products industry; modifying
1.5 certain tax exemptions; appropriating money; amending Minnesota Statutes
1.6 2006, sections 169.8261; 216B.1691, by adding a subdivision; 290.191,
1.7 subdivision 2; 297A.68, subdivision 5; 297A.69, subdivision 3.

1.8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.9 Section 1. Minnesota Statutes 2006, section 169.8261, is amended to read:

1.10 **169.8261 GROSS WEIGHT LIMITATIONS; FOREST PRODUCTS.**

1.11 (a) A vehicle or combination of vehicles hauling raw or unfinished forest products,
1.12 including wood chips, paper, pulp, oriented strandboard, laminated strand lumber,
1.13 hardboard, treated lumber, untreated lumber, or barrel staves, by the most direct route to the
1.14 nearest highway that has been designated under section 169.832, subdivision 11, may be
1.15 operated on any highway with gross weights permitted under sections 169.822 to 169.829
1.16 without regard to load restrictions imposed on that highway, except that the vehicles must:

1.17 (1) comply with seasonal load restrictions in effect between the dates set by the
1.18 commissioner under section 169.87, subdivision 2;

1.19 (2) comply with bridge load limits posted under section 169.84;

1.20 (3) be equipped and operated with six axles and brakes;

1.21 (4) not exceed 90,000 pounds gross weight, or 98,000 pounds gross weight during
1.22 the time when seasonal increases are authorized under section 169.826;

1.23 (5) not be operated on interstate and defense highways;

1.24 (6) obtain an annual permit from the commissioner of transportation;

1.25 (7) obey all road postings; and

2.1 (8) not exceed 20,000 pounds gross weight on any single axle.

2.2 (b) A vehicle operated under this section may exceed the legal axle weight limits
2.3 listed in section 169.824 by not more than 12.5 percent; except that, the weight limits may
2.4 be exceeded by not more than 22.5 percent during the time when seasonal increases are
2.5 authorized under section 169.826, subdivision 1.

2.6 Sec. 2. Minnesota Statutes 2006, section 216B.1691, is amended by adding a
2.7 subdivision to read:

2.8 Subd. 7. Allocation of costs. Electricity providers may not charge costs for meeting
2.9 the objectives in this section to any industry or industrial facility where the industry or
2.10 facility demonstrates that it is already meeting the objectives. Renewable energy as
2.11 defined in section 216B.2422 generated from renewable sources associated with an
2.12 industry's or industrial facility's own operation irrespective of ownership of the generating
2.13 facility shall be included in determining if the objectives are being met.

2.14 Sec. 3. Minnesota Statutes 2006, section 290.191, subdivision 2, is amended to read:

2.15 Subd. 2. **Apportionment formula of general application.** (a) Except for those
2.16 trades or businesses required to use a different formula under subdivision 3 or section
2.17 290.36, and for those trades or businesses that receive permission to use some other
2.18 method under section 290.20 or under subdivision 4, a trade or business required to
2.19 apportion its net income must apportion its income to this state on the basis of the
2.20 percentage obtained by taking the sum of:

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

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

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

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

3.3 Taxable years	Sales factor	Property factor	Payroll factor
3.4 beginning during	percent	percent	percent
3.5 calendar year			
3.6 2007	78	11	11
3.7 2008	81 85	9.5 7.5	9.5 7.5
3.8 2009	84 90	8 5	8 5
3.9 2010	87 95	6.5 2.5	6.5 2.5
3.10 2011	90	5	5
3.11 2012	93	3.5	3.5
3.12 2013	96	2	2
3.13 2014 and later	100	0	0
3.14 calendar years			

3.15 **EFFECTIVE DATE.** This section is effective for tax years beginning after
 3.16 December 31, 2006.

3.17 Sec. 4. Minnesota Statutes 2006, section 297A.68, subdivision 5, is amended to read:

3.18 Subd. 5. **Capital equipment.** (a) Capital equipment is exempt: as follows:

3.19 (1) for sales and purchases of capital equipment by the wood products industry, the
 3.20 tax is not imposed;

3.21 (2) for sales and purchases of capital equipment by a small business, the tax is
 3.22 not imposed. For purposes of this subdivision, "small business" is as defined in section
 3.23 645.445, subdivision 2; and

3.24 (3) for all other sales and purchases of capital equipment, the tax must be imposed
 3.25 and collected as if the rate under section 297A.62, subdivision 1, applied, and then
 3.26 refunded in the manner provided in section 297A.75.

3.27 "Capital equipment" means machinery and equipment purchased or leased, and used
 3.28 in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining,
 3.29 or refining tangible personal property to be sold ultimately at retail if the machinery and
 3.30 equipment are essential to the integrated production process of manufacturing, fabricating,
 3.31 mining, or refining. Capital equipment also includes machinery and equipment
 3.32 used primarily to electronically transmit results retrieved by a customer of an online
 3.33 computerized data retrieval system.

3.34 (b) Capital equipment includes, but is not limited to:

3.35 (1) machinery and equipment used to operate, control, or regulate the production
 3.36 equipment;

4.1 (2) machinery and equipment used for research and development, design, quality
4.2 control, and testing activities;

4.3 (3) environmental control devices that are used to maintain conditions such as
4.4 temperature, humidity, light, or air pressure when those conditions are essential to and are
4.5 part of the production process;

4.6 (4) materials and supplies used to construct and install machinery or equipment;

4.7 (5) repair and replacement parts, including accessories, whether purchased as spare
4.8 parts, repair parts, or as upgrades or modifications to machinery or equipment;

4.9 (6) materials used for foundations that support machinery or equipment;

4.10 (7) materials used to construct and install special purpose buildings used in the
4.11 production process;

4.12 (8) ready-mixed concrete equipment in which the ready-mixed concrete is mixed
4.13 as part of the delivery process regardless if mounted on a chassis, repair parts for
4.14 ready-mixed concrete trucks, and leases of ready-mixed concrete trucks; and

4.15 (9) machinery or equipment used for research, development, design, or production
4.16 of computer software.

4.17 (c) Capital equipment does not include the following:

4.18 (1) motor vehicles taxed under chapter 297B;

4.19 (2) machinery or equipment used to receive or store raw materials;

4.20 (3) building materials, except for materials included in paragraph (b), clauses (6)
4.21 and (7);

4.22 (4) machinery or equipment used for nonproduction purposes, including, but not
4.23 limited to, the following: plant security, fire prevention, first aid, and hospital stations;
4.24 support operations or administration; pollution control; and plant cleaning, disposal of
4.25 scrap and waste, plant communications, space heating, cooling, lighting, or safety;

4.26 (5) farm machinery and aquaculture production equipment as defined by section
4.27 297A.61, subdivisions 12 and 13;

4.28 (6) machinery or equipment purchased and installed by a contractor as part of an
4.29 improvement to real property;

4.30 (7) machinery and equipment used by restaurants in the furnishing, preparing, or
4.31 serving of prepared foods as defined in section 297A.61, subdivision 31;

4.32 (8) machinery and equipment used to furnish the services listed in section 297A.61,
4.33 subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii);

4.34 (9) machinery or equipment used in the transportation, transmission, or distribution
4.35 of petroleum, liquefied gas, natural gas, water, or steam, in, by, or through pipes, lines,
4.36 tanks, mains, or other means of transporting those products. This clause does not apply to

5.1 machinery or equipment used to blend petroleum or biodiesel fuel as defined in section
5.2 239.77; or

5.3 (10) any other item that is not essential to the integrated process of manufacturing,
5.4 fabricating, mining, or refining.

5.5 (d) For purposes of this subdivision:

5.6 (1) "Equipment" means independent devices or tools separate from machinery but
5.7 essential to an integrated production process, including computers and computer software,
5.8 used in operating, controlling, or regulating machinery and equipment; and any subunit or
5.9 assembly comprising a component of any machinery or accessory or attachment parts of
5.10 machinery, such as tools, dies, jigs, patterns, and molds.

5.11 (2) "Fabricating" means to make, build, create, produce, or assemble components or
5.12 property to work in a new or different manner.

5.13 (3) "Integrated production process" means a process or series of operations through
5.14 which tangible personal property is manufactured, fabricated, mined, or refined. For
5.15 purposes of this clause, (i) manufacturing begins with the removal of raw materials
5.16 from inventory and ends when the last process prior to loading for shipment has been
5.17 completed; (ii) fabricating begins with the removal from storage or inventory of the
5.18 property to be assembled, processed, altered, or modified and ends with the creation
5.19 or production of the new or changed product; (iii) mining begins with the removal of
5.20 overburden from the site of the ores, minerals, stone, peat deposit, or surface materials and
5.21 ends when the last process before stockpiling is completed; and (iv) refining begins with
5.22 the removal from inventory or storage of a natural resource and ends with the conversion
5.23 of the item to its completed form.

5.24 (4) "Machinery" means mechanical, electronic, or electrical devices, including
5.25 computers and computer software, that are purchased or constructed to be used for the
5.26 activities set forth in paragraph (a), beginning with the removal of raw materials from
5.27 inventory through completion of the product, including packaging of the product.

5.28 (5) "Machinery and equipment used for pollution control" means machinery and
5.29 equipment used solely to eliminate, prevent, or reduce pollution resulting from an activity
5.30 described in paragraph (a).

5.31 (6) "Manufacturing" means an operation or series of operations where raw materials
5.32 are changed in form, composition, or condition by machinery and equipment and which
5.33 results in the production of a new article of tangible personal property. For purposes of
5.34 this subdivision, "manufacturing" includes the generation of electricity or steam to be
5.35 sold at retail.

5.36 (7) "Mining" means the extraction of minerals, ores, stone, or peat.

6.1 (8) "Online data retrieval system" means a system whose cumulation of information
6.2 is equally available and accessible to all its customers.

6.3 (9) "Primarily" means machinery and equipment used 50 percent or more of the time
6.4 in an activity described in paragraph (a).

6.5 (10) "Refining" means the process of converting a natural resource to an intermediate
6.6 or finished product, including the treatment of water to be sold at retail.

6.7 (11) "Wood products industry" means:

6.8 (i) manufacturers of pulp, paper, and paperboard;

6.9 (ii) sawmills and planing mills;

6.10 (iii) manufacturers of panelboard, including veneer, plywood, and reconstituted
6.11 wood products, such as particleboard, waferboard, and oriented strandboard;

6.12 (iv) manufacturers of fabricated wood millwork;

6.13 (v) manufacturers of structural wood members; and

6.14 (vi) manufacturers of prefabricated wood buildings and components.

6.15 (12) Wood products industry does not include:

6.16 (i) logging;

6.17 (ii) manufacturers of wood cabinets, furniture, office or store fixtures, toys and
6.18 playground equipment, caskets, or miscellaneous wood products;

6.19 (iii) manufacturers of wood containers;

6.20 (iv) businesses engaged in wood preserving;

6.21 (v) the operation of timber tracts or tree farms;

6.22 (vi) forest nurseries and the gathering of forest products; and

6.23 (vii) forestry services related to timber production.

6.24 (13) This subdivision does not apply to telecommunications equipment as
6.25 provided in subdivision 35, and does not apply to wire, cable, fiber, poles, or conduit
6.26 for telecommunications services.

6.27 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
6.28 June 30, 2007.

6.29 Sec. 5. Minnesota Statutes 2006, section 297A.69, subdivision 3, is amended to read:

6.30 Subd. 3. **Repair and replacement parts.** Repair and replacement parts, except tires,
6.31 used for maintenance or repair of farm machinery, logging equipment, including skidder
6.32 tires, and aquaculture production equipment are exempt, if the part replaces a machinery
6.33 part assigned a specific or generic part number by the manufacturer of the machinery.

6.34 Sec. 6. **APPROPRIATIONS, DEPARTMENT OF NATURAL RESOURCES.**

7.1 Subdivision 1. **General fund appropriations.** (a) \$1,500,000 in fiscal year
7.2 2008 and \$1,500,000 in fiscal year 2009 are appropriated from the general fund to the
7.3 commissioner of natural resources to support additional technical and cost-share assistance
7.4 to nonindustrial private forest landowners.

7.5 (b) \$780,000 in fiscal year 2008 and \$780,000 in fiscal year 2009 are appropriated
7.6 from the general fund to the commissioner of natural resources for implementation of the
7.7 Sustainable Forest Resources Act in Minnesota Statutes, chapter 89A.

7.8 (c) \$200,000 in fiscal year 2008 is appropriated from the general fund to the
7.9 Minnesota Forest Resources Council under Minnesota Statutes, chapter 89A, to review
7.10 and provide recommendations to the legislature and the governor on policies to maintain
7.11 the productive forest land base.

7.12 (d) \$200,000 in fiscal year 2008 is appropriated from the general fund to the
7.13 Minnesota Forest Resources Council under Minnesota Statutes, chapter 89A, for the
7.14 Forest Resources Research Advisory Committee under Minnesota Statutes, section
7.15 89A.08, to conduct research on topics recommended by the governor's task force on the
7.16 competitiveness of Minnesota's primary forest products industry.

7.17 (e) \$480,000 in fiscal year 2008 is appropriated from the general fund to the
7.18 Forest Resources Interagency Information Cooperative under Minnesota Statutes,
7.19 section 89A.09, to implement technical assistance, technology development, and transfer
7.20 programs as recommended by the governor's task force on the competitiveness of
7.21 Minnesota's primary forest products industry.

7.22 Subd. 2. **Forest management investment account appropriations.** (a) \$3,167,000
7.23 in fiscal year 2008 and \$3,167,000 in fiscal year 2009 are appropriated from the forest
7.24 management investment account to the commissioner of natural resources to cover the
7.25 costs attributable to generating revenue to the forest management investment account.

7.26 (b) \$750,000 in fiscal year 2008 and \$750,000 in fiscal year 2009 are appropriated
7.27 from the forest management investment account to the commissioner of natural resources
7.28 to hire additional filed foresters to work on timber sales.

7.29 (c) \$1,000,000 in fiscal year 2008 and \$1,000,000 in fiscal year 2009 are appropriated
7.30 from the forest management investment account to the commissioner of natural resources
7.31 for forest improvement efforts, including precommercial and noncommercial thinning
7.32 and seedling protection.

7.33 (d) \$1,100,000 in fiscal year 2008 and \$1,100,000 in fiscal year 2009 are
7.34 appropriated from the forest management investment account to the commissioner of
7.35 natural resources for forest road maintenance.

- 8.1 (e) \$400,000 in fiscal year 2008 and \$400,000 in fiscal year 2009 are appropriated
8.2 from the forest management investment account to the commissioner of natural resources
8.3 to accelerate the continual reinventory of state-administered forest lands.