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State of Minnesota
HOUSE OF REPRESENTATIVES

**EIGHTY-FIFTH
SESSION**

HOUSE FILE No. 3149

February 18, 2008

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The bill was read for the first time and referred to the Committee on Taxes

A bill for an act

1.1 relating to taxation; making policy, technical, administrative, and clarifying
1.2 changes to various taxes and fees and related provisions; changing provisions
1.3 relating to government data practices and debt collection; providing for
1.4 compliance with job opportunity building zone requirements; amending
1.5 Minnesota Statutes 2006, sections 13.51, subdivision 3; 13.585, subdivision
1.6 5; 16D.02, subdivisions 3, 6; 16D.04, subdivision 2; 163.051, subdivision 5;
1.7 270A.08, subdivision 1; 270C.33, subdivision 5; 270C.56, subdivision 1; 272.02,
1.8 subdivisions 13, 20, 21, 27, 31, 38, 49; 272.03, subdivision 3, by adding a
1.9 subdivision; 273.11, subdivision 8; 273.124, subdivisions 6, 13, 21; 273.128,
1.10 subdivision 1; 273.13, subdivisions 22, 23, 25, 33; 274.01, subdivision 3;
1.11 274.014, subdivision 3; 276.04, subdivision 2; 287.20, subdivisions 3a, 9, by
1.12 adding a subdivision; 289A.18, subdivision 1; 289A.55, by adding a subdivision;
1.13 289A.60, by adding a subdivision; 290.01, subdivision 6b; 290.068, subdivision
1.14 3; 290.07, subdivision 1; 290.21, subdivision 4; 290.92, subdivision 26; 290B.04,
1.15 subdivision 1; 295.50, subdivision 4; 295.52, subdivision 4; 295.53, subdivision
1.16 4a; 296A.07, subdivision 4; 296A.08, subdivision 3; 296A.16, subdivision 2;
1.17 297A.61, subdivisions 22, 29; 297A.665; 297A.67, subdivision 7; 297A.995,
1.18 subdivision 10, by adding subdivisions; 297B.01, subdivision 7; 297B.03;
1.19 297F.01, subdivision 8; 297F.21, subdivision 1; 297G.01, subdivision 9;
1.20 297H.09; 297I.05, subdivision 12; 469.040, subdivision 4; 469.174, subdivision
1.21 10b; 469.177, subdivision 1c; 469.319; 477A.03, subdivision 2a; Minnesota
1.22 Statutes 2007 Supplement, sections 115A.1314, subdivision 2; 273.1231,
1.23 subdivision 7, by adding a subdivision; 273.1232, subdivision 1; 273.1233,
1.24 subdivisions 1, 3; 273.1234; 273.1235, subdivisions 1, 3; proposing coding for
1.25 new law in Minnesota Statutes, chapters 273; 469; repealing Minnesota Statutes
1.26 2006, section 477A.014, subdivision 5; Minnesota Statutes 2007 Supplement,
1.27 section 477A.014, subdivision 4; Minnesota Rules, parts 8031.0100, subpart
1.28 3; 8093.2100.

1.30 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:**

ARTICLE 1

INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES

Section 1. Minnesota Statutes 2006, section 289A.18, subdivision 1, 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;

3.1 (9) returns of mining companies must be filed on May 1 following the close of the
3.2 calendar year; and

3.3 (10) returns required to be filed with the commissioner under section 289A.12,
3.4 subdivision 2, 4 to 10, or 14, must be filed within 30 days after being demanded by the
3.5 commissioner.

3.6 **EFFECTIVE DATE.** This section is effective the day following final enactment
3.7 except that the change in clause (6) is effective for taxable years beginning after December
3.8 31, 2007.

3.9 Sec. 2. Minnesota Statutes 2006, section 290.01, subdivision 6b, is amended to read:

3.10 Subd. 6b. **Foreign operating corporation.** The term "foreign operating
3.11 corporation," when applied to a corporation, means a domestic corporation with the
3.12 following characteristics:

3.13 (1) it is part of a unitary business at least one member of which is taxable in this state;

3.14 (2) it is not a foreign sales corporation under section 922 of the Internal Revenue
3.15 Code, as amended through December 31, 1999, for the taxable year;

3.16 (3)(i) the average of the percentages of its property and payrolls, including the pro
3.17 rata share of its unitary partnerships' property and payrolls, assigned to locations outside
3.18 the United States, where the United States includes the District of Columbia and excludes
3.19 the commonwealth of Puerto Rico and possessions of the United States, as determined
3.20 under section 290.191 or 290.20, is 80 percent or more; or (ii) it has in effect a valid
3.21 election under section 936 of the Internal Revenue Code; and

3.22 (4) it has a minimum of \$1,000,000 of payroll and \$2,000,000 of property, as
3.23 determined under section 290.191 or 290.20, that are located outside the United States. If
3.24 the domestic corporation does not have payroll as determined under section 290.191 or
3.25 290.20, but it or its partnerships have paid \$1,000,000 for work, performed directly for the
3.26 domestic corporation or the partnerships, outside the United States, then paragraph (3)(i)
3.27 shall not require payrolls to be included in the average calculation.

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

3.29 Sec. 3. Minnesota Statutes 2006, section 290.068, subdivision 3, is amended to read:

3.30 Subd. 3. **Limitation; carryover.** (a)(1) The credit for the taxable year shall not
3.31 exceed the liability for tax. "Liability for tax" for purposes of this section means the tax
3.32 imposed under ~~this chapter~~ section 290.06, subdivision 1, for the taxable year reduced by
3.33 the sum of the nonrefundable credits allowed under this chapter.

4.1 (2) In the case of a corporation which is a partner in a partnership, the credit allowed
4.2 for the taxable year shall not exceed the lesser of the amount determined under clause (1)
4.3 for the taxable year or an amount (separately computed with respect to the corporation's
4.4 interest in the trade or business or entity) equal to the amount of tax attributable to that
4.5 portion of taxable income which is allocable or apportionable to the corporation's interest
4.6 in the trade or business or entity.

4.7 (b) If the amount of the credit determined under this section for any taxable year
4.8 exceeds the limitation under clause (a), the excess shall be a research credit carryover to
4.9 each of the 15 succeeding taxable years. The entire amount of the excess unused credit for
4.10 the taxable year shall be carried first to the earliest of the taxable years to which the credit
4.11 may be carried and then to each successive year to which the credit may be carried. The
4.12 amount of the unused credit which may be added under this clause shall not exceed the
4.13 taxpayer's liability for tax less the research credit for the taxable year.

4.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
4.15 December 31, 2007.

4.16 Sec. 4. Minnesota Statutes 2006, section 290.07, subdivision 1, is amended to read:

4.17 Subdivision 1. **Annual accounting period.** Net income and taxable net income
4.18 shall be computed upon the basis of the taxpayer's annual accounting period. If a taxpayer
4.19 has no annual accounting period, or has one other than a fiscal year, as heretofore defined,
4.20 the net income and taxable net income shall be computed on the basis of the calendar year.
4.21 Taxpayers shall employ the same accounting period on which they report, or would be
4.22 required to report, their net income under the Internal Revenue Code. The commissioner
4.23 shall provide by rule for the determination of the accounting period for taxpayers who
4.24 file a combined report under section ~~290.34~~ 290.17, subdivision ~~2~~ 4, when members of
4.25 the group use different accounting periods for federal income tax purposes. Unless the
4.26 taxpayer changes its accounting period for federal purposes, the due date of the return
4.27 is not changed.

4.28 A taxpayer may change accounting periods only with the consent of the
4.29 commissioner. In case of any such change, the taxpayer shall pay a tax for the period
4.30 not included in either the taxpayer's former or newly adopted taxable year, computed as
4.31 provided in section 290.32.

4.32 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
4.33 December 31, 2007.

5.1 Sec. 5. Minnesota Statutes 2006, section 290.21, subdivision 4, is amended to read:

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

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

5.16 (ii) the remaining 20 percent of dividends if the dividends are received from a
5.17 corporation which is subject to tax under section 290.36 and which is a member of an
5.18 affiliated group of corporations as defined by the Internal Revenue Code and the dividend
5.19 is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as
5.20 amended through December 31, 1989, or is deducted under an election under section
5.21 243(b) of the Internal Revenue Code; or

5.22 (iii) the remaining 20 percent of the dividends if the dividends are received from a
5.23 property and casualty insurer as defined under section 60A.60, subdivision 8, which is a
5.24 member of an affiliated group of corporations as defined by the Internal Revenue Code
5.25 and either: (A) the dividend is eliminated in consolidation under Treasury Regulation
5.26 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted
5.27 under an election under section 243(b) of the Internal Revenue Code.

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

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

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

6.8 The dividend deduction provided in this subdivision applies to the amount of
6.9 regulated investment company dividends only to the extent determined under section
6.10 854(b) of the Internal Revenue Code.

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

6.14 (d) If dividends received by a corporation that does not have nexus with Minnesota
6.15 under the provisions of Public Law 86-272 are included as income on the return of
6.16 an affiliated corporation permitted or required to file a combined report under section
6.17 290.17, subdivision 4 or 290.34, subdivision 2, then for purposes of this subdivision the
6.18 determination as to whether the trade or business of the corporation consists principally
6.19 of the holding of stocks and the collection of income and gains therefrom shall be made
6.20 with reference to the trade or business of the affiliated corporation having a nexus with
6.21 Minnesota.

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

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

6.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
6.31 December 31, 2007.

6.32 Sec. 6. Minnesota Statutes 2006, section 290.92, subdivision 26, is amended to read:

6.33 Subd. 26. **Extension of withholding to certain payments where identifying**
6.34 **number not furnished or inaccurate.** (a) If, in the case of any reportable payment, (1)
6.35 the payee fails to furnish the payee's Social Security account number to the payor, ~~or~~

7.1 (2) the payee is subject to federal backup withholding on the reportable payment under
7.2 section 3406 of the Internal Revenue Code, or (3) the commissioner notifies the payor that
7.3 the Social Security account number furnished by the payee is incorrect, then the payor
7.4 shall deduct and withhold from the payment a tax equal to the amount of the payment
7.5 multiplied by the highest rate used in determining the income tax liability of an individual
7.6 under section 290.06, subdivision 2c.

7.7 (b)(1) In the case of any failure described in clause (a)(1), clause (a) shall apply to
7.8 any reportable payment made by the payor during the period during which the Social
7.9 Security account number has not been furnished.

7.10 (2) In any case where there is a notification described in clause (a)~~(2)~~(3), clause (a)
7.11 shall apply to any reportable payment made by the payor (i) after the close of the 30th
7.12 day after the day on which the payor received the notification, and (ii) before the payee
7.13 furnishes another Social Security account number.

7.14 (3)(i) Unless the payor elects not to have this subparagraph apply with respect to
7.15 the payee, clause (a) shall also apply to any reportable payment made after the close of
7.16 the period described in paragraph (1) or (2) (as the case may be) and before the 30th
7.17 day after the close of the period.

7.18 (ii) If the payor elects the application of this subparagraph with respect to the payee,
7.19 clause (a) shall also apply to any reportable payment made during the 30-day period
7.20 described in paragraph (2).

7.21 (iii) The payor may elect a period shorter than the grace period set forth in
7.22 subparagraph (i) or (ii) as the case may be.

7.23 (c) The provisions of section 3406 of the Internal Revenue Code shall apply and
7.24 shall govern when withholding shall be required and the definition of terms. The term
7.25 "reportable payment" shall include only those payments for personal services. No tax
7.26 shall be deducted or withheld under this subdivision with respect to any amount for
7.27 which withholding is otherwise required under this section. For purposes of this section,
7.28 payments which are subject to withholding under this subdivision shall be treated as if
7.29 they were wages paid by an employer to an employee and amounts deducted and withheld
7.30 under this subdivision shall be treated as if deducted and withheld under subdivision 2a.

7.31 (d) Whenever the commissioner notifies a payor under this subdivision that the
7.32 Social Security account number furnished by any payee is incorrect, the commissioner
7.33 shall at the same time furnish a copy of the notice to the payor, and the payor shall
7.34 promptly furnish the copy to the payee. If the commissioner notifies a payor under this
7.35 subdivision that the Social Security account number furnished by any payee is incorrect
7.36 and the payee subsequently furnishes another Social Security account number to the

8.1 payor, the payor shall promptly notify the commissioner of the other Social Security
8.2 account number furnished.

8.3 **EFFECTIVE DATE.** This section is effective for payments made after December
8.4 31, 2008.

8.5 Sec. 7. **RULE CHANGE.**

8.6 The commissioner of revenue shall amend Minnesota Rules, part 8019.0405, subpart
8.7 2, item A, so that subpart 2, item A, also includes a citation to Minnesota Statutes, section
8.8 290.17, subdivision 4, paragraph (j), for the requirement that two or more corporations
8.9 that are part of a unitary business file a combined income report. The commissioner of
8.10 revenue must use Minnesota Statutes, section 14.389, in adopting the amendment.

8.11 Sec. 8. **REPEALER.**

8.12 Minnesota Rules, part 8031.0100, subpart 3, is repealed effective the day following
8.13 final enactment.

8.14 Minnesota Rules, part 8093.2100, is repealed effective the day following final
8.15 enactment.

8.16 ARTICLE 2

8.17 SALES AND USE TAXES

8.18 Section 1. Minnesota Statutes 2006, section 289A.55, is amended by adding a
8.19 subdivision to read:

8.20 Subd. 10. **Relief for purchasers.** A purchaser that meets the requirements of section
8.21 297A.995, subdivision 11, is relieved from the imposition of interest on tax and penalty.

8.22 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
8.23 December 31, 2008.

8.24 Sec. 2. Minnesota Statutes 2006, section 289A.60, is amended by adding a subdivision
8.25 to read:

8.26 Subd. 28. **Relief for purchasers.** A purchaser that meets the requirements of
8.27 section 297A.995, subdivision 11, is relieved from the imposition of penalty.

8.28 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
8.29 December 31, 2008.

9.1 Sec. 3. Minnesota Statutes 2006, section 297A.61, subdivision 22, is amended to read:

9.2 Subd. 22. **Internal Revenue Code.** Unless specifically provided otherwise,
 9.3 "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through
 9.4 December 31, ~~2000~~ 2007.

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

9.6 Sec. 4. Minnesota Statutes 2006, section 297A.61, subdivision 29, is amended to read:

9.7 Subd. 29. **State.** Unless specifically provided otherwise, "state" means any state of
 9.8 the United States, the Commonwealth of Puerto Rico, and the District of Columbia.

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

9.10 Sec. 5. Minnesota Statutes 2006, section 297A.665, is amended to read:

9.11 **297A.665 PRESUMPTION OF TAX; BURDEN OF PROOF.**

9.12 (a) For the purpose of the proper administration of this chapter and to prevent
 9.13 evasion of the tax, until the contrary is established, it is presumed that:

9.14 (1) all gross receipts are subject to the tax; and

9.15 (2) all retail sales for delivery in Minnesota are for storage, use, or other consumption
 9.16 in Minnesota.

9.17 (b) The burden of proving that a sale is not a taxable retail sale is on the seller.

9.18 However, the seller may take from the purchaser at the time of the sale a fully completed
 9.19 exemption certificate which conclusively relieves the seller from collecting and remitting
 9.20 the tax. This relief from liability does not apply to a seller who fraudulently fails to collect
 9.21 the tax or solicits purchasers to participate in the unlawful claim of an exemption. If a
 9.22 seller claiming that certain sales are exempt is not in possession of the required exemption
 9.23 certificates within 60 days after receiving written notice from the commissioner that the
 9.24 certificates are required, deductions claimed by the seller that required delivery of the
 9.25 certificates must be disallowed. If the certificates are delivered to the commissioner within
 9.26 the 60-day period, the commissioner may verify the reason or basis for the exemption
 9.27 claimed in the certificates before allowing any deductions. A deduction must not be
 9.28 granted on the basis of certificates delivered to the commissioner after the 60-day period.

9.29 (c) A certified service provider, as defined in section 297A.995, subdivision 2, is
 9.30 relieved of liability under this section to the extent a seller who is its client is relieved of
 9.31 liability.

9.32 ~~(e)~~ (d) A purchaser of tangible personal property or any items listed in section
 9.33 297A.63 that are shipped or brought to Minnesota by the purchaser has the burden

10.1 of proving that the property was not purchased from a retailer for storage, use, or
10.2 consumption in Minnesota.

10.3 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
10.4 made after December 31, 2007.

10.5 Sec. 6. Minnesota Statutes 2006, section 297A.67, subdivision 7, is amended to read:

10.6 Subd. 7. **Drugs; medical devices.** (a) Sales of the following drugs and medical
10.7 devices for human use are exempt:

10.8 (1) drugs ~~for human use~~, including over-the-counter drugs;

10.9 (2) single-use finger-pricking devices for the extraction of blood and other single-use
10.10 devices and single-use diagnostic agents used in diagnosing, monitoring, or treating
10.11 diabetes;

10.12 (3) insulin and medical oxygen for human use, regardless of whether prescribed
10.13 or sold over the counter;

10.14 (4) prosthetic devices;

10.15 (5) durable medical equipment for home use only;

10.16 (6) mobility enhancing equipment; and

10.17 (7) prescription corrective eyeglasses.

10.18 (b) For purposes of this subdivision:

10.19 (1) "Drug" means a compound, substance, or preparation, and any component of
10.20 a compound, substance, or preparation, other than food and food ingredients, dietary
10.21 supplements, or alcoholic beverages that is:

10.22 (i) recognized in the official United States Pharmacopoeia, official Homeopathic
10.23 Pharmacopoeia of the United States, or official National Formulary, and supplement
10.24 to any of them;

10.25 (ii) intended for use in the diagnosis, cure, mitigation, treatment, or prevention
10.26 of disease; or

10.27 (iii) intended to affect the structure or any function of the body.

10.28 (2) "Durable medical equipment" means equipment, including repair and
10.29 replacement parts, but not including mobility enhancing equipment, that:

10.30 (i) can withstand repeated use;

10.31 (ii) is primarily and customarily used to serve a medical purpose;

10.32 (iii) generally is not useful to a person in the absence of illness or injury; and

10.33 (iv) is not worn in or on the body.

11.1 For purposes of this clause, "repair and replacement parts" includes all components
 11.2 or attachments used in conjunction with the durable medical equipment, but does not
 11.3 include repair and replacement parts which are for single patient use only.

11.4 (3) "Mobility enhancing equipment" means equipment, including repair and
 11.5 replacement parts, but not including durable medical equipment, that:

11.6 (i) is primarily and customarily used to provide or increase the ability to move from
 11.7 one place to another and that is appropriate for use either in a home or a motor vehicle;

11.8 (ii) is not generally used by persons with normal mobility; and

11.9 (iii) does not include any motor vehicle or equipment on a motor vehicle normally
 11.10 provided by a motor vehicle manufacturer.

11.11 (4) "Over-the-counter drug" means a drug that contains a label that identifies the
 11.12 product as a drug as required by Code of Federal Regulations, title 21, section 201.66. The
 11.13 label must include a "drug facts" panel or a statement of the active ingredients with a list of
 11.14 those ingredients contained in the compound, substance, or preparation. Over-the-counter
 11.15 drugs do not include grooming and hygiene products, regardless of whether they otherwise
 11.16 meet the definition. "Grooming and hygiene products" are soaps, cleaning solutions,
 11.17 shampoo, toothpaste, mouthwash, antiperspirants, and suntan lotions and sunscreens.

11.18 (5) "Prescribed" and "prescription" means a direction in the form of an order,
 11.19 formula, or recipe issued in any form of oral, written, electronic, or other means of
 11.20 transmission by a duly licensed health care professional.

11.21 (6) "Prosthetic device" means a replacement, corrective, or supportive device,
 11.22 including repair and replacement parts, worn on or in the body to:

11.23 (i) artificially replace a missing portion of the body;

11.24 (ii) prevent or correct physical deformity or malfunction; or

11.25 (iii) support a weak or deformed portion of the body.

11.26 Prosthetic device does not include corrective eyeglasses.

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

11.28 Sec. 7. Minnesota Statutes 2006, section 297A.995, subdivision 10, is amended to read:

11.29 Subd. 10. **Relief from certain liability.** (a) Notwithstanding subdivision 9, sellers
 11.30 and certified service providers are relieved from liability to the state for having charged
 11.31 and collected the incorrect amount of sales or use tax resulting from the seller or certified
 11.32 service provider (1) relying on erroneous data provided by ~~this state~~ the commissioner
 11.33 in the database files on tax rates, boundaries, or taxing jurisdiction assignments, or (2)

12.1 relying on erroneous data provided by the state in its taxability matrix concerning the
12.2 taxability of products and services.

12.3 (b) Notwithstanding subdivision 9, sellers and certified service providers are
12.4 relieved from liability to the state for having charged and collected the incorrect amount
12.5 of sales or use tax resulting from the seller or certified service provider relying on the
12.6 certification by the commissioner as to the accuracy of a certified automated system as to
12.7 the taxability of product categories. The relief from liability provided by this paragraph
12.8 does not apply when the sellers or certified service providers have incorrectly classified
12.9 an item or transaction into a product category, unless the item or transaction within a
12.10 product category was approved by the commissioner or approved jointly by the states that
12.11 are signatories to the agreement. The sellers and certified service providers must revise a
12.12 classification within ten days after receipt of notice from the commissioner that an item or
12.13 transaction within a product category is incorrectly classified as to its taxability, or they
12.14 are not relieved from liability for the incorrect classification following the notification.

12.15 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
12.16 made after December 31, 2007.

12.17 Sec. 8. Minnesota Statutes 2006, section 297A.995, is amended by adding a
12.18 subdivision to read:

12.19 Subd. 11. **Purchaser relief from certain liability.** (a) Notwithstanding other
12.20 provisions in the law, a purchaser is relieved from liability resulting from having paid
12.21 the incorrect amount of sales or use tax if a purchaser, whether or not holding a direct
12.22 pay permit, or a purchaser's seller or certified service provider relied on erroneous data
12.23 provided by this state in the database files on tax rates, boundaries, taxing jurisdiction
12.24 assignments, or in the taxability matrix. After providing an address-based database for
12.25 assigning taxing jurisdictions and their associated rates, no relief for errors resulting from
12.26 the purchaser's reliance on a database using zip codes is allowed.

12.27 (b) With respect to reliance on the taxability matrix provided by this state in
12.28 paragraph (a), relief is limited to erroneous classifications in the taxability matrix for
12.29 items included within the classifications as "taxable," "exempt," "included in sales
12.30 price," "excluded from sales price," "included in the definition," and "excluded from
12.31 the definition."

12.32 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
12.33 December 31, 2008.

13.1 Sec. 9. Minnesota Statutes 2006, section 297A.995, is amended by adding a
13.2 subdivision to read:

13.3 Subd. 12. **Database files.** For purposes of this section, "database files on tax rates,
13.4 boundaries, and taxing jurisdiction assignments" and the "taxability matrix" means those
13.5 databases and the taxability matrix required under the agreement.

13.6 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
13.7 made after December 31, 2007.

13.8 Sec. 10. Minnesota Statutes 2006, section 297B.01, subdivision 7, is amended to read:

13.9 Subd. 7. **Sale, sells, selling, purchase, purchased, or acquired.** (a) "Sale," "sells,"
13.10 "selling," "purchase," "purchased," or "acquired" means any transfer of title of any motor
13.11 vehicle, whether absolutely or conditionally, for a consideration in money or by exchange
13.12 or barter for any purpose other than resale in the regular course of business.

13.13 (b) Any motor vehicle utilized by the owner only by leasing such vehicle to others
13.14 or by holding it in an effort to so lease it, and which is put to no other use by the owner
13.15 other than resale after such lease or effort to lease, shall be considered property purchased
13.16 for resale.

13.17 (c) The terms also shall include any transfer of title or ownership of a motor vehicle
13.18 by other means, for or without consideration, except that these terms shall not include:

13.19 (1) the acquisition of a motor vehicle by inheritance from or by bequest of, a
13.20 decedent who owned it;

13.21 (2) the transfer of a motor vehicle which was previously licensed in the names of
13.22 two or more joint tenants and subsequently transferred without monetary consideration to
13.23 one or more of the joint tenants;

13.24 (3) the transfer of a motor vehicle by way of gift between individuals, or gift
13.25 from a limited used vehicle dealer licensed under section 168.27, subdivision 4a, to an
13.26 individual, when the transfer is with no monetary or other consideration or expectation
13.27 of consideration and the parties to the transfer submit an affidavit to that effect at the
13.28 time the title transfer is recorded;

13.29 (4) the voluntary or involuntary transfer of a motor vehicle between a husband and
13.30 wife in a divorce proceeding; or

13.31 (5) the transfer of a motor vehicle by way of a gift to an organization that is exempt
13.32 from federal income taxation under section 501(c)(3) of the Internal Revenue Code,
13.33 as amended through December 31, ~~1996~~ 2007, when the motor vehicle will be used
13.34 exclusively for religious, charitable, or educational purposes.

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

14.2 Sec. 11. Minnesota Statutes 2006, section 297B.03, is amended to read:

14.3 **297B.03 EXEMPTIONS.**

14.4 There is specifically exempted from the provisions of this chapter and from
14.5 computation of the amount of tax imposed by it the following:

14.6 (1) purchase or use, including use under a lease purchase agreement or installment
14.7 sales contract made pursuant to section 465.71, of any motor vehicle by the United States
14.8 and its agencies and instrumentalities and by any person described in and subject to the
14.9 conditions provided in section 297A.67, subdivision 11;

14.10 (2) purchase or use of any motor vehicle by any person who was a resident of
14.11 another state or country at the time of the purchase and who subsequently becomes a
14.12 resident of Minnesota, provided the purchase occurred more than 60 days prior to the date
14.13 such person began residing in the state of Minnesota and the motor vehicle was registered
14.14 in the person's name in the other state or country;

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

14.17 (4) purchase or use of any motor vehicle previously registered in the state of
14.18 Minnesota when such transfer constitutes a transfer within the meaning of section 118,
14.19 331, 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal
14.20 Revenue Code of 1986, as amended through December 31, ~~1999~~ 2007;

14.21 (5) purchase or use of any vehicle owned by a resident of another state and leased
14.22 to a Minnesota-based private or for-hire carrier for regular use in the transportation of
14.23 persons or property in interstate commerce provided the vehicle is titled in the state of
14.24 the owner or secured party, and that state does not impose a sales tax or sales tax on
14.25 motor vehicles used in interstate commerce;

14.26 (6) purchase or use of a motor vehicle by a private nonprofit or public educational
14.27 institution for use as an instructional aid in automotive training programs operated by the
14.28 institution. "Automotive training programs" includes motor vehicle body and mechanical
14.29 repair courses but does not include driver education programs;

14.30 (7) purchase of a motor vehicle for use as an ambulance by an ambulance service
14.31 licensed under section 144E.10;

14.32 (8) purchase of a motor vehicle by or for a public library, as defined in section
14.33 134.001, subdivision 2, as a bookmobile or library delivery vehicle;

14.34 (9) purchase of a ready-mixed concrete truck;

15.1 (10) purchase or use of a motor vehicle by a town for use exclusively for road
 15.2 maintenance, including snowplows and dump trucks, but not including automobiles,
 15.3 vans, or pickup trucks;

15.4 (11) purchase or use of a motor vehicle by a corporation, society, association,
 15.5 foundation, or institution organized and operated exclusively for charitable, religious,
 15.6 or educational purposes, except a public school, university, or library, but only if the
 15.7 vehicle is:

15.8 (i) a truck, as defined in section 168.011, a bus, as defined in section 168.011, or a
 15.9 passenger automobile, as defined in section 168.011, if the automobile is designed and
 15.10 used for carrying more than nine persons including the driver; and

15.11 (ii) intended to be used primarily to transport tangible personal property or
 15.12 individuals, other than employees, to whom the organization provides service in
 15.13 performing its charitable, religious, or educational purpose;

15.14 (12) purchase of a motor vehicle for use by a transit provider exclusively to provide
 15.15 transit service is exempt if the transit provider is either (i) receiving financial assistance or
 15.16 reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29,
 15.17 473.388, or 473.405;

15.18 (13) purchase or use of a motor vehicle by a qualified business, as defined in section
 15.19 469.310, located in a job opportunity building zone, if the motor vehicle is principally
 15.20 garaged in the job opportunity building zone and is primarily used as part of or in direct
 15.21 support of the person's operations carried on in the job opportunity building zone. The
 15.22 exemption under this clause applies to sales, if the purchase was made and delivery
 15.23 received during the duration of the job opportunity building zone. The exemption under
 15.24 this clause also applies to any local sales and use tax.

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

15.26 **ARTICLE 3**
 15.27 **SPECIAL TAXES AND FEES**

15.28 Section 1. Minnesota Statutes 2007 Supplement, section 115A.1314, subdivision 2,
 15.29 is amended to read:

15.30 Subd. 2. **Creation of account; appropriations.** (a) The electronic waste account
 15.31 is established in the environmental fund. The commissioner of revenue must deposit
 15.32 receipts from the fee established in subdivision 1 in the account. Any interest earned on
 15.33 the account must be credited to the account. Money from other sources may be credited to
 15.34 the account. Beginning in the second program year and continuing each program year

16.1 thereafter, as of the last day of each program year, the commissioner of revenue shall
 16.2 determine the total amount of the variable fees that were collected. By July 15, 2009, and
 16.3 each July 15 thereafter, the commissioner of the Pollution Control Agency shall inform
 16.4 the commissioner of revenue of the amount necessary to operate the program in the new
 16.5 program year. To the extent that the total fees collected by the commissioner of revenue in
 16.6 connection with this section ~~exceeds~~ exceed the amount the commissioner of the Pollution
 16.7 Control Agency determines necessary to operate the program for the new program
 16.8 year, the commissioner of revenue shall refund on a pro rata basis, to all manufacturers
 16.9 who paid any fees for the previous program year, the amount of fees collected by the
 16.10 commissioner of revenue in excess of the amount necessary to operate the program for the
 16.11 new program year. No individual refund is required of amounts of \$100 or less for a fiscal
 16.12 year. Manufacturers who report collections less than 50 percent of their obligation for the
 16.13 previous program year are not eligible for a refund. Amounts not refunded pursuant to this
 16.14 paragraph shall remain in the account. The commissioner of revenue shall issue refunds
 16.15 by August 10. In lieu of issuing a refund, the commissioner of revenue may grant credit
 16.16 against a manufacturer's variable fee due by September 1.

16.17 (b) Until June 30, 2009, money in the account is annually appropriated to the
 16.18 Pollution Control Agency:

16.19 (1) for the purpose of implementing sections 115A.1312 to 115A.1330, including
 16.20 transfer to the commissioner of revenue to carry out the department's duties under
 16.21 section 115A.1320, subdivision 2, and transfer to the commissioner of administration for
 16.22 responsibilities under section 115A.1324; and

16.23 (2) to the commissioner of the Pollution Control Agency to be distributed on a
 16.24 competitive basis through contracts with counties outside the 11-county metropolitan
 16.25 area, as defined in paragraph (c), and with private entities that collect for recycling
 16.26 covered electronic devices in counties outside the 11-county metropolitan area, where the
 16.27 collection and recycling is consistent with the respective county's solid waste plan, for
 16.28 the purpose of carrying out the activities under sections 115A.1312 to 115A.1330. In
 16.29 awarding competitive grants under this clause, the commissioner must give preference to
 16.30 counties and private entities that are working cooperatively with manufacturers to help
 16.31 them meet their recycling obligations under section 115A.1318, subdivision 1.

16.32 (c) The 11-county metropolitan area consists of the counties of Anoka, Carver,
 16.33 Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright.

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

16.35 Sec. 2. Minnesota Statutes 2006, section 270C.56, subdivision 1, is amended to read:

17.1 Subdivision 1. **Liability imposed.** A person who, either singly or jointly with
17.2 others, has the control of, supervision of, or responsibility for filing returns or reports,
17.3 paying taxes, or collecting or withholding and remitting taxes and who fails to do so, or a
17.4 person who is liable under any other law, is liable for the payment of taxes, penalties, and
17.5 interest arising under chapters 295, 296A, 297A, 297F, and 297G, or sections 256.9658,
17.6 290.92 and 297E.02.

17.7 **EFFECTIVE DATE.** This section is effective for fees due after June 30, 2008.

17.8 Sec. 3. Minnesota Statutes 2006, section 287.20, subdivision 3a, is amended to read:

17.9 Subd. 3a. **Designated transfer.** "Designated transfer" means any of the following:

17.10 (1) a transfer between (i) an entity owned by a sole owner, and (ii) that sole owner;

17.11 (2) a transfer between (i) an entity in which a husband, a wife, or both are the sole
17.12 owners, and (ii) the husband, wife, or both;

17.13 (3) a transfer between (i) an entity with multiple co-owners, and (ii) all of the
17.14 co-owners, so long as each of the co-owners maintains the same percentage ownership
17.15 interest in the transferred real property, whether directly or through ownership of a
17.16 percentage of the entity;

17.17 (4) a transfer between (i) a revocable trust, and (ii) the grantor or grantors of the
17.18 revocable trust; or

17.19 (5) a transfer of substantially all of the assets of one or more entities pursuant to a
17.20 reorganization, as defined in section 287.20, subdivision 9.

17.21 For purposes of this definition of designated transfer, an interest in an entity that is
17.22 owned, directly or indirectly, by or for another entity shall be considered as being owned
17.23 proportionately by or for the owners of the other entity under provisions similar to those
17.24 of section 267(c)(1) and (5) of the Internal Revenue Code of 1986, ~~as amended through~~
17.25 ~~December 31, 2004.~~

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

17.27 Sec. 4. Minnesota Statutes 2006, section 287.20, subdivision 9, is amended to read:

17.28 Subd. 9. **Reorganization.** "Reorganization" means the transfer of substantially all
17.29 of the assets of a corporation, a limited liability company, or a partnership not in the usual
17.30 or regular course of business if at the time of the transfer the transfer qualifies as: (i) a
17.31 corporate reorganization under section 368(a) of the Internal Revenue Code of 1986, ~~as~~
17.32 ~~amended through December 31, 2004;~~ or (ii) a transfer from a partnership to another

18.1 partnership when the transferee is treated as a continuation of the transferor under section
 18.2 708 of the Internal Revenue Code of 1986, as amended through December 31, 2004.

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

18.4 Sec. 5. Minnesota Statutes 2006, section 287.20, is amended by adding a subdivision
 18.5 to read:

18.6 **Subd. 10. Internal Revenue Code.** Unless specifically defined otherwise, "Internal
 18.7 Revenue Code" means the Internal Revenue Code of 1986, as amended through December
 18.8 31, 2007.

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

18.10 Sec. 6. Minnesota Statutes 2006, section 295.50, subdivision 4, is amended to read:

18.11 **Subd. 4. Health care provider.** (a) "Health care provider" means:

18.12 (1) a person whose health care occupation is regulated or required to be regulated by
 18.13 the state of Minnesota furnishing any or all of the following goods or services directly to a
 18.14 patient or consumer: medical, surgical, optical, visual, dental, hearing, nursing services,
 18.15 drugs, laboratory, diagnostic or therapeutic services;

18.16 (2) a person who provides goods and services not listed in clause (1) that qualify for
 18.17 reimbursement under the medical assistance program provided under chapter 256B;

18.18 (3) a staff model health plan company;

18.19 (4) an ambulance service required to be licensed; or

18.20 (5) a person who sells or repairs hearing aids and related equipment or prescription
 18.21 eyewear.

18.22 (b) Health care provider does not include:

18.23 (1) hospitals; medical supplies distributors, except as specified under paragraph

18.24 (a), clause (5); nursing homes licensed under chapter 144A or licensed in any other
 18.25 jurisdiction; wholesale drug distributors; pharmacies; surgical centers; bus and taxicab

18.26 transportation, or any other providers of transportation services other than ambulance

18.27 services required to be licensed; supervised living facilities for persons with developmental

18.28 disabilities, licensed under Minnesota Rules, parts 4665.0100 to 4665.9900; housing

18.29 with services establishments required to be registered under chapter 144D; board

18.30 and lodging establishments providing only custodial services that are licensed under

18.31 chapter 157 and registered under section 157.17 to provide supportive services or health

18.32 supervision services; adult foster homes as defined in Minnesota Rules, part 9555.5105;

18.33 day training and habilitation services for adults with developmental disabilities as defined

19.1 in section 252.41, subdivision 3; boarding care homes, as defined in Minnesota Rules, part
19.2 4655.0100; and adult day care centers as defined in Minnesota Rules, part 9555.9600;

19.3 (2) home health agencies as defined in Minnesota Rules, part 9505.0175, subpart
19.4 15; a person providing personal care services and supervision of personal care services
19.5 as defined in Minnesota Rules, part 9505.0335; a person providing private duty nursing
19.6 services as defined in Minnesota Rules, part 9505.0360; and home care providers required
19.7 to be licensed under chapter 144A;

19.8 (3) a person who employs health care providers solely for the purpose of providing
19.9 patient services to its employees; ~~and~~

19.10 (4) an educational institution that employs health care providers solely for the
19.11 purpose of providing patient services to its students if the institution does not receive fee
19.12 for service payments or payments for extended coverage; and

19.13 (5) a person who receives all payments for patient services from health care
19.14 providers, surgical centers, or hospitals for goods and services that are taxable to the
19.15 paying health care providers, surgical centers, or hospitals, as provided under section
19.16 295.53, subdivision 1, clause (3) or (4), or from a source of funds that is exempt from tax
19.17 under this chapter.

19.18 **EFFECTIVE DATE.** Paragraph (b), clause (1) is effective the day following final
19.19 enactment. Paragraph (b), clause (5) is effective for payments received after June 30, 2008.

19.20 Sec. 7. Minnesota Statutes 2006, section 295.52, subdivision 4, is amended to read:

19.21 Subd. 4. **Use tax; prescription drugs.** (a) A person that receives prescription
19.22 drugs for resale or use in Minnesota, other than from a wholesale drug distributor that
19.23 is subject to tax under subdivision 3, is subject to a tax equal to the price paid to the
19.24 wholesale drug distributor multiplied by the tax percentage specified in this section. When
19.25 a person manufactures the drugs, the person is subject to tax equal to the cost incurred
19.26 by the person to manufacture the drugs multiplied by the tax percentage specified in this
19.27 section. Liability for the tax is incurred when prescription drugs are received or delivered
19.28 in Minnesota by the person.

19.29 (b) A person that receives prescription drugs for use in Minnesota from a nonresident
19.30 pharmacy required to be registered under section 151.19 is subject to a tax equal to
19.31 the price paid by the nonresident pharmacy to the wholesale drug distributor or the
19.32 price received by the nonresident pharmacy, whichever is lower, multiplied by the tax
19.33 percentage specified in this section. Liability for the tax is incurred when prescription
19.34 drugs are received in Minnesota by the person.

20.1 (c) A tax imposed under this subdivision does not apply to purchases by an
20.2 individual for personal consumption.

20.3 **EFFECTIVE DATE.** This section is effective for drug purchases after June 30,
20.4 2008.

20.5 Sec. 8. Minnesota Statutes 2006, section 295.53, subdivision 4a, is amended to read:

20.6 Subd. 4a. **Credit for research.** (a) In addition to the exemptions allowed under
20.7 subdivision 1, a hospital or health care provider may claim an annual credit against the
20.8 total amount of tax, if any, the hospital or health care provider owes for that calendar year
20.9 under sections 295.50 to 295.57. The credit shall equal 2.5 percent of revenues for patient
20.10 services used to fund expenditures for qualifying research conducted by an allowable
20.11 research program. The amount of the credit shall not exceed the tax liability of the hospital
20.12 or health care provider under sections 295.50 to 295.57.

20.13 (b) For purposes of this subdivision, the following requirements apply:

20.14 (1) expenditures must be for program costs of qualifying research conducted by
20.15 an allowable research program;

20.16 (2) an allowable research program must be a formal program of medical and health
20.17 care research conducted by an entity which is exempt under section 501(c)(3) of the
20.18 Internal Revenue Code ~~of 1986~~, as amended through December 31, 2007, or is owned and
20.19 operated under authority of a governmental unit;

20.20 (3) qualifying research must:

20.21 (A) be approved in writing by the governing body of the hospital or health care
20.22 provider which is taking the deduction under this subdivision;

20.23 (B) have as its purpose the development of new knowledge in basic or applied
20.24 science relating to the diagnosis and treatment of conditions affecting the human body;

20.25 (C) be subject to review by individuals with expertise in the subject matter of the
20.26 proposed study but who have no financial interest in the proposed study and are not
20.27 involved in the conduct of the proposed study; and

20.28 (D) be subject to review and supervision by an institutional review board operating
20.29 in conformity with federal regulations if the research involves human subjects or
20.30 an institutional animal care and use committee operating in conformity with federal
20.31 regulations if the research involves animal subjects. Research expenses are not exempt if
20.32 the study is a routine evaluation of health care methods or products used in a particular
20.33 setting conducted for the purpose of making a management decision. Costs of clinical
20.34 research activities paid directly for the benefit of an individual patient are excluded from

21.1 this exemption. Basic research in fields including biochemistry, molecular biology, and
 21.2 physiology are also included if such programs are subject to a peer review process.

21.3 (c) No credit shall be allowed under this subdivision for any revenue received by the
 21.4 hospital or health care provider in the form of a grant, gift, or otherwise, whether from a
 21.5 government or nongovernment source, on which the tax liability under section 295.52 is
 21.6 not imposed.

21.7 (d) The taxpayer shall apply for the credit under this section on the annual return
 21.8 under section 295.55, subdivision 5.

21.9 (e) Beginning September 1, 2001, if the actual or estimated amount paid under
 21.10 this section for the calendar year exceeds \$2,500,000, the commissioner of finance shall
 21.11 determine the rate of the research credit for the following calendar year to the nearest
 21.12 one-half percent so that refunds paid under this section will most closely equal \$2,500,000.
 21.13 The commissioner of finance shall publish in the State Register by October 1 of each year
 21.14 the rate of the credit for the following calendar year. A determination under this section
 21.15 is not subject to the rulemaking provisions of chapter 14.

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

21.17 Sec. 9. Minnesota Statutes 2006, section 296A.07, subdivision 4, is amended to read:

21.18 Subd. 4. **Exemptions.** The provisions of subdivision 1 do not apply to gasoline or
 21.19 denatured ethanol purchased by:

- 21.20 (1) a transit system or transit provider receiving financial assistance or
 21.21 reimbursement under section 174.24, 256B.0625, subdivision 17, or 473.384; ~~or~~
 21.22 (2) an ambulance service licensed under chapter 144E; or
 21.23 (3) a licensed distributor to be delivered to a terminal for use in blending.

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

21.25 Sec. 10. Minnesota Statutes 2006, section 296A.08, subdivision 3, is amended to read:

21.26 Subd. 3. **Exemptions.** The provisions of subdivisions 1 and 2 do not apply to
 21.27 special fuel or alternative fuels purchased by:

- 21.28 (1) a transit system or transit provider receiving financial assistance or
 21.29 reimbursement under section 174.24, 256B.0625, subdivision 17, or 473.384; ~~or~~
 21.30 (2) an ambulance service licensed under chapter 144E; or
 21.31 (3) a licensed distributor to be delivered to a terminal for use in blending.

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

22.1 Sec. 11. Minnesota Statutes 2006, section 296A.16, subdivision 2, is amended to read:

22.2 Subd. 2. **Fuel used in other vehicle; claim for refund.** Any person who buys and
22.3 uses gasoline for a qualifying purpose other than use in motor vehicles, snowmobiles
22.4 except as provided in clause (2), or motorboats, or special fuel for a qualifying purpose
22.5 other than use in licensed motor vehicles, and who paid the tax directly or indirectly
22.6 through the amount of the tax being included in the price of the gasoline or special fuel, or
22.7 otherwise, shall be reimbursed and repaid the amount of the tax paid upon filing with the
22.8 commissioner a claim for refund in the form and manner prescribed by the commissioner,
22.9 and containing the information the commissioner shall require. By signing any such claim
22.10 which is false or fraudulent, the applicant shall be subject to the penalties provided in this
22.11 chapter for knowingly making a false claim. The claim shall set forth the total amount
22.12 of the gasoline so purchased and used by the applicant other than in motor vehicles, or
22.13 special fuel purchased and used by the applicant other than in licensed motor vehicles,
22.14 and shall state when and for what purpose it was used. When a claim contains an error
22.15 in computation or preparation, the commissioner is authorized to adjust the claim in
22.16 accordance with the evidence shown on the claim or other information available to the
22.17 commissioner. The commissioner, on being satisfied that the claimant is entitled to the
22.18 payments, shall approve the claim and transmit it to the commissioner of finance. The
22.19 words "gasoline" or "special fuel" as used in this subdivision do not include aviation
22.20 gasoline or special fuel for aircraft. Gasoline or special fuel bought and used for a
22.21 "qualifying purpose" means:

22.22 (1) Gasoline or special fuel used in carrying on a trade or business, used on a farm
22.23 situated in Minnesota, and used for a farming purpose. "Farm" and "farming purpose"
22.24 have the meanings given them in section 6420(c)(2), (3), and (4) of the Internal Revenue
22.25 Code of 1986, as amended through December 31, ~~1997~~ 2007.

22.26 (2) Gasoline or special fuel used for off-highway business use.

22.27 (i) "Off-highway business use" means any use off the public highway by a person in
22.28 that person's trade, business, or activity for the production of income.

22.29 (ii) Off-highway business use includes use of a passenger snowmobile off the public
22.30 highways as part of the operations of a resort as defined in section 157.15, subdivision 11;
22.31 and use of gasoline or special fuel to operate a power takeoff unit on a vehicle, but not
22.32 including fuel consumed during idling time.

22.33 (iii) Off-highway business use does not include use as a fuel in a motor vehicle
22.34 which, at the time of use, is registered or is required to be registered for highway use under
22.35 the laws of any state or foreign country; or use of a licensed motor vehicle fuel tank in lieu
22.36 of a separate storage tank for storing fuel to be used for a qualifying purpose, as defined in

23.1 this section. Fuel purchased to be used for a qualifying purpose cannot be placed in the
 23.2 fuel tank of a licensed motor vehicle and must be stored in a separate supply tank.

23.3 (3) Gasoline or special fuel placed in the fuel tanks of new motor vehicles,
 23.4 manufactured in Minnesota, and shipped by interstate carrier to destinations in other
 23.5 states or foreign countries.

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

23.7 Sec. 12. Minnesota Statutes 2006, section 297F.01, subdivision 8, is amended to read:

23.8 Subd. 8. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
 23.9 Revenue Code" means the Internal Revenue Code of 1986, as amended through December
 23.10 31, ~~1996~~ 2007.

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

23.12 Sec. 13. Minnesota Statutes 2006, section 297F.21, subdivision 1, is amended to read:

23.13 Subdivision 1. **Contraband defined.** The following are declared to be contraband
 23.14 and therefore subject to civil and criminal penalties under this chapter:

23.15 (a) Cigarette packages which do not have stamps affixed to them as provided in this
 23.16 chapter, including but not limited to (i) packages with illegible stamps and packages with
 23.17 stamps that are not complete or whole even if the stamps are legible, and (ii) all devices
 23.18 for the vending of cigarettes in which packages as defined in item (i) are found, including
 23.19 all contents contained within the devices.

23.20 (b) A device for the vending of cigarettes and all packages of cigarettes, where the
 23.21 device does not afford at least partial visibility of contents. Where any package exposed
 23.22 to view does not carry the stamp required by this chapter, it shall be presumed that all
 23.23 packages contained in the device are unstamped and contraband.

23.24 (c) A device for the vending of cigarettes to which the commissioner or authorized
 23.25 agents have been denied access for the inspection of contents. In lieu of seizure, the
 23.26 commissioner or an agent may seal the device to prevent its use until inspection of
 23.27 contents is permitted.

23.28 (d) A device for the vending of cigarettes which does not carry the name and address
 23.29 of the owner, plainly marked and visible from the front of the machine.

23.30 (e) A device including, but not limited to, motor vehicles, trailers, snowmobiles,
 23.31 airplanes, and boats used with the knowledge of the owner or of a person operating with
 23.32 the consent of the owner for the storage or transportation of more than 5,000 cigarettes
 23.33 which are contraband under this subdivision. When cigarettes are being transported in

24.1 the course of interstate commerce, or are in movement from either a public warehouse to
 24.2 a distributor upon orders from a manufacturer or distributor, or from one distributor to
 24.3 another, the cigarettes are not contraband, notwithstanding the provisions of clause (a).

24.4 (f) A device including, but not limited to, motor vehicles, trailers, snowmobiles,
 24.5 airplanes, and boats used with the knowledge of the owner, or of a person operating with
 24.6 the consent of the owner, for the storage or transportation of untaxed tobacco products
 24.7 intended for sale in Minnesota other than those in the possession of a licensed distributor
 24.8 on or before the due date for payment of the tax under section 297F.09, subdivision 2.

24.9 (g) Cigarette packages or tobacco products obtained from an unlicensed seller.

24.10 (h) Cigarette packages offered for sale or held as inventory in violation of section
 24.11 297F.20, subdivision 7.

24.12 (i) Tobacco products on which the tax has not been paid by a licensed distributor.

24.13 (j) Any cigarette packages or tobacco products offered for sale or held as inventory
 24.14 for which there is not an invoice from a licensed seller as required under section 297F.13,
 24.15 subdivision 4.

24.16 (k) Cigarette packages which have been imported into the United States in violation
 24.17 of United States Code, title 26, section 5754. All cigarettes held in violation of that section
 24.18 shall be presumed to have entered the United States after December 31, 1999, in the
 24.19 absence of proof to the contrary.

24.20 (l) Cigarettes and cigarette packaging which are not in compliance with fire safety
 24.21 requirements of sections 299F.850 to 299F.859.

24.22 **EFFECTIVE DATE.** Property added in paragraph (l) of this section is contraband
 24.23 effective December 1, 2008.

24.24 Sec. 14. Minnesota Statutes 2006, section 297G.01, subdivision 9, is amended to read:

24.25 Subd. 9. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
 24.26 Revenue Code" means the Internal Revenue Code of 1986, as amended through December
 24.27 31, ~~1996~~ 2007.

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

24.29 Sec. 15. Minnesota Statutes 2006, section 297H.09, is amended to read:

24.30 **297H.09 BAD DEBTS.**

24.31 The remitter of the solid waste management tax may offset against the tax payable,
 24.32 with respect to any reporting period, the amount of tax imposed by this chapter previously
 24.33 remitted to the commissioner of revenue which qualified as a bad debt under section

25.1 166(a) of the Internal Revenue Code, as amended through December 31, ~~1993~~ 2007,
 25.2 during such reporting period, but only in proportion to the portion of such debt which
 25.3 became uncollectable. This section applies only to accrual basis remitters that remit tax
 25.4 before it is collected and to the extent they are unable to collect the tax.

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

25.6 Sec. 16. Minnesota Statutes 2006, section 297I.05, subdivision 12, is amended to read:

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

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

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

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

25.14 (4) the direct funded premium received by the reinsurance association under section
 25.15 79.34 from self-insurers approved under section 176.181 and political subdivisions that
 25.16 self-insure; and

25.17 ~~(5) gross premiums less return premiums received by a nonprofit health service plan~~
 25.18 ~~corporation authorized under chapter 62C; and~~

25.19 ~~(6)~~ (5) gross premiums less return premiums paid to an insurer other than a licensed
 25.20 insurance company or a surplus lines licensee for coverage of risks resident or located in
 25.21 Minnesota by a purchasing group or any members of the purchasing group to a broker or
 25.22 agent for the purchasing group.

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

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

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

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

26.1 **ARTICLE 4**

26.2 **PROPERTY TAXES AND AIDS**

26.3 Section 1. Minnesota Statutes 2006, section 13.51, subdivision 3, is amended to read:

26.4 Subd. 3. **Data on income of individuals.** Income information on individuals
26.5 collected and maintained by political subdivisions to determine eligibility of property for
26.6 class 4d under ~~section 273.126~~ sections 273.128 and 273.13, is private data on individuals
26.7 as defined in section 13.02, subdivision 12.

26.8 **EFFECTIVE DATE.** This section is effective for data collected or maintained by
26.9 political subdivisions beginning the day following final enactment.

26.10 Sec. 2. Minnesota Statutes 2006, section 13.585, subdivision 5, is amended to read:

26.11 Subd. 5. **Private data on individuals.** Income information on individuals collected
26.12 and maintained by a housing agency to determine eligibility of property for class 4d
26.13 under sections ~~273.126~~ 273.128 and 273.13, is private data on individuals as defined in
26.14 section 13.02, subdivision 12. The data may be disclosed to the county and local assessors
26.15 responsible for determining eligibility of the property for classification 4d.

26.16 **EFFECTIVE DATE.** This section is effective for data collected or maintained by a
26.17 housing agency beginning the day following final enactment.

26.18 Sec. 3. Minnesota Statutes 2006, section 163.051, subdivision 5, is amended to read:

26.19 Subd. 5. **Effect on road and bridge levy.** For taxes payable in the same year
26.20 that the county first receives tax revenues under this section, the county auditor of each
26.21 metropolitan county shall reduce the amount of the property taxes levied pursuant to law
26.22 ~~in 1973 for collection in 1974,~~ by the board of commissioners of such county for the
26.23 county road and bridge fund, by the ~~following amount: Anoka County, \$341,750; Carver~~
26.24 ~~County, \$86,725; Dakota County, \$386,165; Hennepin County, \$2,728,425; Ramsey~~
26.25 ~~County, \$1,276,815; Scott County, \$104,805; Washington County, \$227,220~~ estimated
26.26 wheelage tax revenues to be received by the county in that taxes payable year, and shall
26.27 spread only the balance thereof on the tax rolls for collection ~~in 1972.~~ The county auditor
26.28 shall also reduce the amount of such taxes levied pursuant to law ~~in 1972 and any~~
26.29 ~~subsequent year,~~ for collection in the respective ensuing years, by the amount of wheelage
26.30 taxes received by the county in the 12 months immediately preceding ~~such levy~~ May 1 of
26.31 the year preceding the taxes payable year.

27.1 **EFFECTIVE DATE.** This section is effective retroactively beginning the day
 27.2 following final enactment for taxes payable in 2007 and thereafter.

27.3 Sec. 4. Minnesota Statutes 2006, section 272.02, subdivision 13, is amended to read:

27.4 Subd. 13. **Emergency shelters for victims of domestic abuse.** Property used in
 27.5 a continuous program to provide emergency shelter for victims of domestic abuse is
 27.6 exempt, provided the organization that owns and sponsors the shelter is exempt from
 27.7 federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code
 27.8 ~~of 1986, as amended through December 31, 1992~~, notwithstanding the fact that the
 27.9 sponsoring organization receives funding under Section 8 of the United States Housing
 27.10 Act of 1937, as amended.

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

27.12 Sec. 5. Minnesota Statutes 2006, section 272.02, subdivision 20, is amended to read:

27.13 Subd. 20. **Transitional housing facilities.** Transitional housing facilities are
 27.14 exempt. "Transitional housing facility" means a facility that meets the following
 27.15 requirements. (i) It provides temporary housing to individuals, couples, or families. (ii)
 27.16 It has the purpose of reuniting families and enabling parents or individuals to obtain
 27.17 self-sufficiency, advance their education, get job training, or become employed in jobs that
 27.18 provide a living wage. (iii) It provides support services such as child care, work readiness
 27.19 training, and career development counseling; and a self-sufficiency program with periodic
 27.20 monitoring of each resident's progress in completing the program's goals. (iv) It provides
 27.21 services to a resident of the facility for at least three months but no longer than three
 27.22 years, except residents enrolled in an educational or vocational institution or job training
 27.23 program. These residents may receive services during the time they are enrolled but in no
 27.24 event longer than four years. (v) It is owned and operated or under lease from a unit of
 27.25 government or governmental agency under a property disposition program and operated by
 27.26 one or more organizations exempt from federal income tax under section 501(c)(3) of the
 27.27 Internal Revenue Code ~~of 1986, as amended through December 31, 1992~~. This exemption
 27.28 applies notwithstanding the fact that the sponsoring organization receives financing by a
 27.29 direct federal loan or federally insured loan or a loan made by the Minnesota Housing
 27.30 Finance Agency under the provisions of either Title II of the National Housing Act or the
 27.31 Minnesota Housing Finance Agency Law of 1971, as amended through December 31,
 27.32 2007, or rules promulgated by the agency pursuant to it, and notwithstanding the fact
 27.33 that the sponsoring organization receives funding under Section 8 of the United States
 27.34 Housing Act of 1937, as amended through December 31, 2007.

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

28.2 Sec. 6. Minnesota Statutes 2006, section 272.02, subdivision 21, is amended to read:

28.3 Subd. 21. **Property used to provide computing resources to University of**
 28.4 **Minnesota.** Real and personal property, including leasehold or other personal property
 28.5 interests, is exempt if it is owned and operated by a corporation of which more than 50
 28.6 percent of the total voting power of the stock of the corporation is owned collectively by:
 28.7 (i) the Board of Regents of the University of Minnesota, (ii) the University of Minnesota
 28.8 Foundation, an organization exempt from federal income taxation under section 501(c)(3)
 28.9 of the Internal Revenue Code of 1986, as amended through December 31, 1992, and (iii)
 28.10 a corporation organized under chapter 317A, which by its articles of incorporation is
 28.11 prohibited from providing pecuniary gain to any person or entity other than the regents
 28.12 of the University of Minnesota; which property is used primarily to manage or provide
 28.13 goods, services, or facilities utilizing or relating to large-scale advanced scientific
 28.14 computing resources to the regents of the University of Minnesota and others.

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

28.16 Sec. 7. Minnesota Statutes 2006, section 272.02, subdivision 27, is amended to read:

28.17 Subd. 27. **Superior National Forest; recreational property for use by disabled**
 28.18 **veterans.** Real and personal property is exempt if it is located in the Superior National
 28.19 Forest, and owned or leased and operated by a nonprofit organization that is exempt
 28.20 from federal income taxation under section 501(c)(3) of the Internal Revenue Code of
 28.21 1986, as amended through December 31, 1992, and primarily used to provide recreational
 28.22 opportunities for disabled veterans and their families.

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

28.24 Sec. 8. Minnesota Statutes 2006, section 272.02, subdivision 31, is amended to read:

28.25 Subd. 31. **Business incubator property.** Property owned by a nonprofit charitable
 28.26 organization that qualifies for tax exemption under section 501(c)(3) of the Internal
 28.27 Revenue Code of 1986, as amended through December 31, 1997, that is intended to be
 28.28 used as a business incubator in a high-unemployment county, is exempt. As used in this
 28.29 subdivision, a "business incubator" is a facility used for the development of nonretail
 28.30 businesses, offering access to equipment, space, services, and advice to the tenant
 28.31 businesses, for the purpose of encouraging economic development, diversification, and
 28.32 job creation in the area served by the organization, and "high-unemployment county" is a

29.1 county that had an average annual unemployment rate of 7.9 percent or greater in 1997.
 29.2 Property that qualifies for the exemption under this subdivision is limited to no more than
 29.3 two contiguous parcels and structures that do not exceed in the aggregate 40,000 square
 29.4 feet. This exemption expires after taxes payable in 2011.

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

29.6 Sec. 9. Minnesota Statutes 2006, section 272.02, subdivision 38, is amended to read:

29.7 Subd. 38. **Conversion to exempt or taxable uses.** (a) Any property, except
 29.8 property taxed as personal property under section 273.125, that is exempt from taxation on
 29.9 January 2 of any year which, due to sale or other reason, loses its exemption prior to July 1
 29.10 of any year, shall be placed on the current assessment rolls for that year.

29.11 The valuation shall be determined with respect to its value on January 2 of such
 29.12 year. The classification shall be based upon the use to which the property was put by the
 29.13 purchaser, or in the event the purchaser has not utilized the property by July 1, the intended
 29.14 use of the property, determined by the county assessor, based upon all relevant facts.

29.15 (b) Property, except property taxed as personal property under section 273.125, that
 29.16 is subject to tax on January 2 that is acquired before July 1 of the year is exempt for that
 29.17 assessment year if the property is to be used for an exempt purpose under subdivisions 2
 29.18 to 8.

29.19 (c) Property which forfeits to the state for nonpayment of real estate taxes on or
 29.20 before December 31 in an assessment year, shall be removed from the assessment rolls for
 29.21 that assessment year. Forfeited property that is repurchased, or sold at a public or private
 29.22 sale, on or before December 31 of an assessment year shall be placed on the assessment
 29.23 rolls for that year's assessment.

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

29.25 Sec. 10. Minnesota Statutes 2006, section 272.02, subdivision 49, is amended to read:

29.26 Subd. 49. **Agricultural historical society property.** Property is exempt from
 29.27 taxation if it is owned by a nonprofit charitable or educational organization that qualifies
 29.28 for exemption under section 501(c)(3) of the Internal Revenue Code of 1986, ~~as amended~~
 29.29 ~~through December 31, 2000~~, and meets the following criteria:

29.30 (1) the property is primarily used for storing and exhibiting tools, equipment, and
 29.31 artifacts useful in providing an understanding of local or regional agricultural history.
 29.32 Primary use is determined each year based on the number of days the property is used
 29.33 solely for storage and exhibition purposes;

30.1 (2) the property is limited to a maximum of 20 acres per owner per county, but
 30.2 includes the land and any taxable structures, fixtures, and equipment on the land;

30.3 (3) the property is not used for a revenue-producing activity for more than ten days
 30.4 in each calendar year; and

30.5 (4) the property is not used for residential purposes on either a temporary or
 30.6 permanent basis.

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

30.8 Sec. 11. Minnesota Statutes 2006, section 272.03, subdivision 3, is amended to read:

30.9 Subd. 3. **Construction of terms.** For the purposes of chapters 270 to 284, unless a
 30.10 different meaning is indicated by the context, the words, phrases, and terms defined in
 30.11 subdivisions 4 to ~~11~~ 13 shall have the meanings given them.

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

30.13 Sec. 12. Minnesota Statutes 2006, section 272.03, is amended by adding a subdivision
 30.14 to read:

30.15 **Subd. 13. Internal Revenue Code.** Unless specifically defined otherwise, "Internal
 30.16 Revenue Code" means the Internal Revenue Code of 1986, as amended through December
 30.17 31, 2007.

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

30.19 Sec. 13. **[273.105] INTERNAL REVENUE CODE.**

30.20 **Unless specifically defined otherwise, for purposes of this chapter, "Internal Revenue**
 30.21 **Code" means the Internal Revenue Code of 1986, as amended through December 31, 2007.**

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

30.23 Sec. 14. Minnesota Statutes 2006, section 273.11, subdivision 8, is amended to read:

30.24 Subd. 8. **Limited equity cooperative apartments.** For the purposes of this
 30.25 subdivision, the terms defined in this subdivision have the meanings given them.

30.26 A "limited equity cooperative" is a corporation organized under chapter 308A or
 30.27 308B, which has as its primary purpose the provision of housing and related services to
 30.28 its members which meets one of the following criteria with respect to the income of its
 30.29 members: (1) a minimum of 75 percent of members must have incomes at or less than
 30.30 90 percent of area median income, (2) a minimum of 40 percent of members must have

31.1 incomes at or less than 60 percent of area median income, or (3) a minimum of 20 percent
31.2 of members must have incomes at or less than 50 percent of area median income. For
31.3 purposes of this clause, "member income" shall mean the income of a member existing at
31.4 the time the member acquires cooperative membership, and median income shall mean
31.5 the St. Paul-Minneapolis metropolitan area median income as determined by the United
31.6 States Department of Housing and Urban Development. It must also meet the following
31.7 requirements:

31.8 (a) The articles of incorporation set the sale price of occupancy entitling cooperative
31.9 shares or memberships at no more than a transfer value determined as provided in the
31.10 articles. That value may not exceed the sum of the following:

31.11 (1) the consideration paid for the membership or shares by the first occupant of the
31.12 unit, as shown in the records of the corporation;

31.13 (2) the fair market value, as shown in the records of the corporation, of any
31.14 improvements to the real property that were installed at the sole expense of the member
31.15 with the prior approval of the board of directors;

31.16 (3) accumulated interest, or an inflation allowance not to exceed the greater of a ten
31.17 percent annual noncompounded increase on the consideration paid for the membership or
31.18 share by the first occupant of the unit, or the amount that would have been paid on that
31.19 consideration if interest had been paid on it at the rate of the percentage increase in the
31.20 revised Consumer Price Index for All Urban Consumers for the Minneapolis-St. Paul
31.21 metropolitan area prepared by the United States Department of Labor, provided that the
31.22 amount determined pursuant to this clause may not exceed \$500 for each year or fraction
31.23 of a year the membership or share was owned; plus

31.24 (4) real property capital contributions shown in the records of the corporation to
31.25 have been paid by the transferor member and previous holders of the same membership,
31.26 or of separate memberships that had entitled occupancy to the unit of the member
31.27 involved. These contributions include contributions to a corporate reserve account the
31.28 use of which is restricted to real property improvements or acquisitions, contributions to
31.29 the corporation which are used for real property improvements or acquisitions, and the
31.30 amount of principal amortized by the corporation on its indebtedness due to the financing
31.31 of real property acquisition or improvement or the averaging of principal paid by the
31.32 corporation over the term of its real property-related indebtedness.

31.33 (b) The articles of incorporation require that the board of directors limit the purchase
31.34 price of stock or membership interests for new member-occupants or resident shareholders
31.35 to an amount which does not exceed the transfer value for the membership or stock as
31.36 defined in clause (a).

32.1 (c) The articles of incorporation require that the total distribution out of capital to a
32.2 member shall not exceed that transfer value.

32.3 (d) The articles of incorporation require that upon liquidation of the corporation any
32.4 assets remaining after retirement of corporate debts and distribution to members will
32.5 be conveyed to a charitable organization described in section 501(c)(3) of the Internal
32.6 Revenue Code of 1986, as amended through December 31, 1992, or a public agency.

32.7 A "limited equity cooperative apartment" is a dwelling unit owned by a limited
32.8 equity cooperative.

32.9 "Occupancy entitling cooperative share or membership" is the ownership interest
32.10 in a cooperative organization which entitles the holder to an exclusive right to occupy a
32.11 dwelling unit owned or leased by the cooperative.

32.12 For purposes of taxation, the assessor shall value a unit owned by a limited equity
32.13 cooperative at the lesser of its market value or the value determined by capitalizing the net
32.14 operating income of a comparable apartment operated on a rental basis at the capitalization
32.15 rate used in valuing comparable buildings that are not limited equity cooperatives. If a
32.16 cooperative fails to operate in accordance with the provisions of clauses (a) to (d), the
32.17 property shall be subject to additional property taxes in the amount of the difference
32.18 between the taxes determined in accordance with this subdivision for the last ten years that
32.19 the property had been assessed pursuant to this subdivision and the amount that would
32.20 have been paid if the provisions of this subdivision had not applied to it. The additional
32.21 taxes, plus interest at the rate specified in section 549.09, shall be extended against the
32.22 property on the tax list for the current year.

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

32.24 Sec. 15. Minnesota Statutes 2007 Supplement, section 273.1231, subdivision 7,
32.25 is amended to read:

32.26 Subd. 7. **Reassessed market value.** "Reassessed market value" means the taxable
32.27 market value of the property established for the January 2 assessment in the year that the
32.28 disaster or destruction occurs, as adjusted by the county assessor or the commissioner of
32.29 revenue to reflect the loss in market value caused by the damage. ~~As soon as practical, the~~
32.30 ~~assessor or commissioner shall report the reassessed value to the county auditor.~~

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

32.32 Sec. 16. Minnesota Statutes 2007 Supplement, section 273.1231, is amended by adding
32.33 a subdivision to read:

33.1 Subd. 8. Utility property. "Utility property" means property appraised and
 33.2 classified for tax purposes by the commissioner of revenue under sections 273.33 to
 33.3 273.3711.

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

33.5 Sec. 17. Minnesota Statutes 2007 Supplement, section 273.1232, subdivision 1,
 33.6 is amended to read:

33.7 Subdivision 1. **Reassessments required.** For the purposes of sections 273.1231
 33.8 to 273.1235, the county assessor must reassess all damaged property in a disaster or
 33.9 emergency area, ~~and the county assessor or~~ except that the commissioner of revenue
 33.10 ~~as appropriate~~ shall reassess all property for which an application is submitted to the
 33.11 commissioner under section 273.1233 or 273.1235. As soon as practical, the assessor or
 33.12 commissioner of revenue must report the reassessed value to the county auditor.

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

33.14 Sec. 18. Minnesota Statutes 2007 Supplement, section 273.1233, subdivision 1,
 33.15 is amended to read:

33.16 Subdivision 1. **Abatement authorization.** (a) Notwithstanding section 375.192,
 33.17 a county board may grant an abatement of net tax for homestead and nonhomestead
 33.18 property under the provisions of this paragraph for taxes payable in the year in which
 33.19 the destruction occurs if:

33.20 (1) the owner submits a written application to the county assessor as soon as
 33.21 practical after the damage has occurred;

33.22 (2) the owner submits a written application to the county board as soon as practical
 33.23 after the damage has occurred; and

33.24 (3) the county assessor determines that 50 percent or more of a homestead dwelling
 33.25 or other building has been (i) unintentionally or accidentally destroyed, or (ii) destroyed
 33.26 by arson or vandalism by someone other than the owner.

33.27 Abatements granted under this paragraph are not subject to approval by the
 33.28 commissioner of revenue.

33.29 (b) Notwithstanding sections 270C.86 and 375.192, the commissioner of revenue
 33.30 may grant an abatement of net tax for utility property ~~that the commissioner is required by~~
 33.31 ~~law to appraise~~ for taxes payable in the year in which the destruction occurs if:

33.32 (1) the owner submits a written application to the commissioner as soon as practical
 33.33 after the damage has occurred;

34.1 (2) the owner forwards a copy of the written application to the county board as soon
34.2 as practical after the damage has occurred; and

34.3 (3) the commissioner determines that 50 percent or more of the property has been
34.4 (i) unintentionally or accidentally destroyed, or (ii) destroyed by arson or vandalism by
34.5 someone other than the owner.

34.6 Abatements granted under this paragraph are not subject to approval by the county
34.7 board of the county where the property is located.

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

34.9 Sec. 19. Minnesota Statutes 2007 Supplement, section 273.1233, subdivision 3,
34.10 is amended to read:

34.11 Subd. 3. **Reimbursement, levy, and appropriation.** (a) If the destruction occurs as
34.12 a result of a disaster or emergency and the property is located in a disaster or emergency
34.13 area, the county auditor shall certify the abatements granted under this section to the
34.14 commissioner of revenue for reimbursement to each taxing jurisdiction in which the
34.15 damaged property is located. The commissioner shall make the payments to the taxing
34.16 jurisdictions containing the property, other than school districts and the state, at the time
34.17 distributions are made under section 473H.10, subdivision 3. Reimbursements to school
34.18 districts shall be made as provided in section 273.1392. No reimbursement is to be paid
34.19 to the state treasury.

34.20 (b) Local taxing authorities may levy in the following year the amount of
34.21 unreimbursed tax dollars lost as a result of the reductions granted pursuant to this
34.22 ~~subdivision~~ section and sections 273.1234 and 273.1235 outside of any statutory
34.23 restriction as to levy amount or tax rate.

34.24 (c) There is annually appropriated from the general fund to the commissioner of
34.25 revenue an amount necessary to make the payments required by this section.

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

34.27 Sec. 20. Minnesota Statutes 2007 Supplement, section 273.1234, is amended to read:

34.28 **273.1234 TAX RELIEF FOR DESTROYED PROPERTY; HOMESTEAD**
34.29 **AND DISASTER CREDITS.**

34.30 Subdivision 1. **Credit provided.** The county auditor shall compute a credit for taxes
34.31 payable in the year following the year in which the damage or destruction occurred for
34.32 each reassessed homestead property within the county that is located within a disaster
34.33 or emergency area. The credit is equal to the difference in the net tax on the property

35.1 computed using the market value of the property established for the January 2 assessment
 35.2 in the year in which the damage occurred and as computed using the reassessed value.

35.3 Subd. 2. **Credit reimbursements.** The county auditor shall certify the credits
 35.4 granted under this section to the commissioner of revenue for reimbursement to each
 35.5 taxing jurisdiction in which the damaged property is located. The commissioner shall
 35.6 make the payments to the taxing jurisdictions containing the property, other than
 35.7 school districts and the state, at the time distributions are made under section 473H.10,
 35.8 subdivision 3. Reimbursements to school districts shall be made as provided in section
 35.9 273.1392. ~~No reimbursement is to be paid to the state treasury.~~

35.10 Subd. 3. **Appropriation.** There is annually appropriated from the general fund
 35.11 to the commissioner of revenue an amount necessary to make the payments required
 35.12 by this section.

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

35.14 Sec. 21. Minnesota Statutes 2007 Supplement, section 273.1235, subdivision 1,
 35.15 is amended to read:

35.16 Subdivision 1. **Credit provided.** The county board may grant a credit for taxes
 35.17 payable in the year following the year in which the damage or destruction occurred
 35.18 for: (1) homestead ~~properties~~ property that meets all the requirements under section
 35.19 273.1233, subdivision 1, paragraph (a), but that ~~do~~ does not qualify for a credit under
 35.20 section 273.1234, except that an application need only be submitted by the end of the
 35.21 year in which the damage occurred; and (2) nonhomestead and utility property meeting
 35.22 the requirements that meets all the requirements under section 273.1233, subdivision 1,
 35.23 paragraph (b), except that an application need only be submitted by the end of the year
 35.24 in which the damage occurred.

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

35.26 Sec. 22. Minnesota Statutes 2007 Supplement, section 273.1235, subdivision 3,
 35.27 is amended to read:

35.28 Subd. 3. **Credit reimbursements.** The county auditor shall certify the credits
 35.29 granted under this section for property within a disaster or emergency area to the
 35.30 commissioner of revenue for reimbursement to each taxing jurisdiction in which the
 35.31 damaged property is located. The commissioner shall make the payments to the taxing
 35.32 jurisdictions containing the property, other than school districts and the state, at the time
 35.33 distributions are made under section 473H.10, subdivision 3. Reimbursements to school

36.1 districts shall be made as provided in section 273.1392. ~~No reimbursement is to be paid~~
 36.2 ~~to the state treasury.~~ No reimbursement is to be made for credits to property not located
 36.3 in a disaster or emergency area.

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

36.5 Sec. 23. Minnesota Statutes 2006, section 273.124, subdivision 6, is amended to read:

36.6 Subd. 6. **Leasehold cooperatives.** When one or more dwellings or one or more
 36.7 buildings which each contain several dwelling units is owned by a nonprofit corporation
 36.8 subject to the provisions of chapter 317A and qualifying under section 501(c)(3) or
 36.9 501(c)(4) of the Internal Revenue Code of 1986, ~~as amended through December 31,~~
 36.10 ~~1990,~~ or a limited partnership which corporation or partnership operates the property in
 36.11 conjunction with a cooperative association, and has received public financing, homestead
 36.12 treatment may be claimed by the cooperative association on behalf of the members of
 36.13 the cooperative for each dwelling unit occupied by a member of the cooperative. The
 36.14 cooperative association must provide the assessor with the Social Security numbers of
 36.15 those members. To qualify for the treatment provided by this subdivision, the following
 36.16 conditions must be met:

36.17 (a) the cooperative association must be organized under chapter 308A or 308B and
 36.18 all voting members of the board of directors must be resident tenants of the cooperative
 36.19 and must be elected by the resident tenants of the cooperative;

36.20 (b) the cooperative association must have a lease for occupancy of the property for a
 36.21 term of at least 20 years, which permits the cooperative association, while not in default on
 36.22 the lease, to participate materially in the management of the property, including material
 36.23 participation in establishing budgets, setting rent levels, and hiring and supervising a
 36.24 management agent;

36.25 (c) to the extent permitted under state or federal law, the cooperative association
 36.26 must have a right under a written agreement with the owner to purchase the property if the
 36.27 owner proposes to sell it; if the cooperative association does not purchase the property it is
 36.28 offered for sale, the owner may not subsequently sell the property to another purchaser at
 36.29 a price lower than the price at which it was offered for sale to the cooperative association
 36.30 unless the cooperative association approves the sale;

36.31 (d) a minimum of 40 percent of the cooperative association's members must have
 36.32 incomes at or less than 60 percent of area median gross income as determined by the
 36.33 United States Secretary of Housing and Urban Development under section 142(d)(2)(B)
 36.34 of the Internal Revenue Code of 1986, ~~as amended through December 31, 1991.~~ For

37.1 purposes of this clause, "member income" means the income of a member existing at the
37.2 time the member acquires cooperative membership;

37.3 (e) if a limited partnership owns the property, it must include as the managing
37.4 general partner a nonprofit organization operating under the provisions of chapter 317A
37.5 and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986,
37.6 ~~as amended through December 31, 1990~~; and the limited partnership agreement must
37.7 provide that the managing general partner have sufficient powers so that it materially
37.8 participates in the management and control of the limited partnership;

37.9 (f) prior to becoming a member of a leasehold cooperative described in this
37.10 subdivision, a person must have received notice that (1) describes leasehold cooperative
37.11 property in plain language, including but not limited to the effects of classification
37.12 under this subdivision on rents, property taxes and tax credits or refunds, and operating
37.13 expenses, and (2) states that copies of the articles of incorporation and bylaws of the
37.14 cooperative association, the lease between the owner and the cooperative association, a
37.15 sample sublease between the cooperative association and a tenant, and, if the owner is a
37.16 partnership, a copy of the limited partnership agreement, can be obtained upon written
37.17 request at no charge from the owner, and the owner must send or deliver the materials
37.18 within seven days after receiving any request;

37.19 (g) if a dwelling unit of a building was occupied on the 60th day prior to the date on
37.20 which the unit became leasehold cooperative property described in this subdivision, the
37.21 notice described in paragraph (f) must have been sent by first class mail to the occupant of
37.22 the unit at least 60 days prior to the date on which the unit became leasehold cooperative
37.23 property. For purposes of the notice under this paragraph, the copies of the documents
37.24 referred to in paragraph (f) may be in proposed version, provided that any subsequent
37.25 material alteration of those documents made after the occupant has requested a copy
37.26 shall be disclosed to any occupant who has requested a copy of the document. Copies of
37.27 the articles of incorporation and certificate of limited partnership shall be filed with the
37.28 secretary of state after the expiration of the 60-day period unless the change to leasehold
37.29 cooperative status does not proceed;

37.30 (h) the county attorney of the county in which the property is located must certify to
37.31 the assessor that the property meets the requirements of this subdivision;

37.32 (i) the public financing received must be from at least one of the following sources:

37.33 (1) tax increment financing proceeds used for the acquisition or rehabilitation of the
37.34 building or interest rate write-downs relating to the acquisition of the building;

38.1 (2) government issued bonds exempt from taxes under section 103 of the Internal
 38.2 Revenue Code of 1986, as amended through December 31, 1991, the proceeds of which
 38.3 are used for the acquisition or rehabilitation of the building;

38.4 (3) programs under section 221(d)(3), 202, or 236, of Title II of the National
 38.5 Housing Act;

38.6 (4) rental housing program funds under Section 8 of the United States Housing Act
 38.7 of 1937, as amended through December 31, 2007, or the market rate family graduated
 38.8 payment mortgage program funds administered by the Minnesota Housing Finance
 38.9 Agency that are used for the acquisition or rehabilitation of the building;

38.10 (5) low-income housing credit under section 42 of the Internal Revenue Code of
 38.11 1986, as amended through December 31, 1991;

38.12 (6) public financing provided by a local government used for the acquisition or
 38.13 rehabilitation of the building, including grants or loans from (i) federal community
 38.14 development block grants; (ii) HOME block grants; or (iii) residential rental bonds issued
 38.15 under chapter 474A; or

38.16 (7) other rental housing program funds provided by the Minnesota Housing Finance
 38.17 Agency for the acquisition or rehabilitation of the building;

38.18 (j) at the time of the initial request for homestead classification or of any transfer of
 38.19 ownership of the property, the governing body of the municipality in which the property is
 38.20 located must hold a public hearing and make the following findings:

38.21 (1) that the granting of the homestead treatment of the apartment's units will
 38.22 facilitate safe, clean, affordable housing for the cooperative members that would otherwise
 38.23 not be available absent the homestead designation;

38.24 (2) that the owner has presented information satisfactory to the governing body
 38.25 showing that the savings garnered from the homestead designation of the units will be
 38.26 used to reduce tenant's rents or provide a level of furnishing or maintenance not possible
 38.27 absent the designation; and

38.28 (3) that the requirements of paragraphs (b), (d), and (i) have been met.

38.29 Homestead treatment must be afforded to units occupied by members of the
 38.30 cooperative association and the units must be assessed as provided in subdivision 3,
 38.31 provided that any unit not so occupied shall be classified and assessed pursuant to the
 38.32 appropriate class. No more than three acres of land may, for assessment purposes,
 38.33 be included with each dwelling unit that qualifies for homestead treatment under this
 38.34 subdivision.

38.35 When dwelling units no longer qualify under this subdivision, the current owner
 38.36 must notify the assessor within 60 days. Failure to notify the assessor within 60 days shall

39.1 result in the loss of benefits under this subdivision for taxes payable in the year that the
39.2 failure is discovered. For these purposes, "benefits under this subdivision" means the
39.3 difference in the net tax capacity of the units which no longer qualify as computed under
39.4 this subdivision and as computed under the otherwise applicable law, times the local tax
39.5 rate applicable to the building for that taxes payable year. Upon discovery of a failure to
39.6 notify, the assessor shall inform the auditor of the difference in net tax capacity for the
39.7 building or buildings in which units no longer qualify, and the auditor shall calculate the
39.8 benefits under this subdivision. Such amount, plus a penalty equal to 100 percent of that
39.9 amount, shall then be demanded of the building's owner. The property owner may appeal
39.10 the county's determination by serving copies of a petition for review with county officials
39.11 as provided in section 278.01 and filing a proof of service as provided in section 278.01
39.12 with the Minnesota Tax Court within 60 days of the date of the notice from the county.
39.13 The appeal shall be governed by the Tax Court procedures provided in chapter 271, for
39.14 cases relating to the tax laws as defined in section 271.01, subdivision 5; disregarding
39.15 sections 273.125, subdivision 5, and 278.03, but including section 278.05, subdivision 2.
39.16 If the amount of the benefits under this subdivision and penalty are not paid within 60
39.17 days, and if no appeal has been filed, the county auditor shall certify the amount of the
39.18 benefit and penalty to the succeeding year's tax list to be collected as part of the property
39.19 taxes on the affected buildings.

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

39.21 Sec. 24. Minnesota Statutes 2006, section 273.124, subdivision 13, is amended to read:

39.22 Subd. 13. **Homestead application.** (a) A person who meets the homestead
39.23 requirements under subdivision 1 must file a homestead application with the county
39.24 assessor to initially obtain homestead classification.

39.25 (b) On or before January 2, 1993, each county assessor shall mail a homestead
39.26 application to the owner of each parcel of property within the county which was
39.27 classified as homestead for the 1992 assessment year. The format and contents of a
39.28 uniform homestead application shall be prescribed by the commissioner of revenue. The
39.29 commissioner shall consult with the chairs of the house and senate tax committees on the
39.30 contents of the homestead application form. The application must clearly inform the
39.31 taxpayer that this application must be signed by all owners who occupy the property or
39.32 by the qualifying relative and returned to the county assessor in order for the property
39.33 to continue receiving homestead treatment. The envelope containing the homestead
39.34 application shall clearly identify its contents and alert the taxpayer of its necessary
39.35 immediate response.

40.1 (c) Every property owner applying for homestead classification must furnish to the
40.2 county assessor the Social Security number of each occupant who is listed as an owner
40.3 of the property on the deed of record, the name and address of each owner who does not
40.4 occupy the property, and the name and Social Security number of each owner's spouse who
40.5 occupies the property. The application must be signed by each owner who occupies the
40.6 property and by each owner's spouse who occupies the property, or, in the case of property
40.7 that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

40.8 If a property owner occupies a homestead, the property owner's spouse may not
40.9 claim another property as a homestead unless the property owner and the property owner's
40.10 spouse file with the assessor an affidavit or other proof required by the assessor stating that
40.11 the property qualifies as a homestead under subdivision 1, paragraph (e).

40.12 Owners or spouses occupying residences owned by their spouses and previously
40.13 occupied with the other spouse, either of whom fail to include the other spouse's name
40.14 and Social Security number on the homestead application or provide the affidavits or
40.15 other proof requested, will be deemed to have elected to receive only partial homestead
40.16 treatment of their residence. The remainder of the residence will be classified as
40.17 nonhomestead residential. When an owner or spouse's name and Social Security number
40.18 appear on homestead applications for two separate residences and only one application is
40.19 signed, the owner or spouse will be deemed to have elected to homestead the residence for
40.20 which the application was signed.

40.21 The Social Security numbers, state or federal tax returns or tax return information,
40.22 or affidavits or other proofs of the property owners and spouses submitted under this or
40.23 another section to support a claim for a property tax homestead classification are private
40.24 data on individuals as defined by section 13.02, subdivision 12, but, notwithstanding
40.25 that section, the private data may be disclosed to the commissioner of revenue, or, for
40.26 purposes of proceeding under the Revenue Recapture Act to recover personal property
40.27 taxes owing, to the county treasurer.

40.28 (d) If residential real estate is occupied and used for purposes of a homestead by a
40.29 relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in
40.30 order for the property to receive homestead status, a homestead application must be filed
40.31 with the assessor. The Social Security number of each relative occupying the property and
40.32 the Social Security number of each owner who is related to an occupant of the property
40.33 shall be required on the homestead application filed under this subdivision. If a different
40.34 relative of the owner subsequently occupies the property, the owner of the property must
40.35 notify the assessor within 30 days of the change in occupancy. The Social Security number

41.1 of a relative occupying the property is private data on individuals as defined by section
41.2 13.02, subdivision 12, but may be disclosed to the commissioner of revenue.

41.3 (e) The homestead application shall also notify the property owners that the
41.4 application filed under this section will not be mailed annually and that if the property
41.5 is granted homestead status for the 1993 assessment, or any assessment year thereafter,
41.6 that same property shall remain classified as homestead until the property is sold or
41.7 transferred to another person, or the owners, the spouse of the owner, or the relatives no
41.8 longer use the property as their homestead. Upon the sale or transfer of the homestead
41.9 property, a certificate of value must be timely filed with the county auditor as provided
41.10 under section 272.115. Failure to notify the assessor within 30 days that the property has
41.11 been sold, transferred, or that the owner, the spouse of the owner, or the relative is no
41.12 longer occupying the property as a homestead, shall result in the penalty provided under
41.13 this subdivision and the property will lose its current homestead status.

41.14 (f) If the homestead application is not returned within 30 days, the county will send a
41.15 second application to the present owners of record. The notice of proposed property taxes
41.16 prepared under section 275.065, subdivision 3, shall reflect the property's classification.
41.17 Beginning with assessment year 1993 for all properties, if a homestead application has
41.18 not been filed with the county by December 15, the assessor shall classify the property
41.19 as nonhomestead for the current assessment year for taxes payable in the following year,
41.20 provided that the owner may be entitled to receive the homestead classification by proper
41.21 application under section 375.192.

41.22 (g) At the request of the commissioner, each county must give the commissioner a
41.23 list that includes the name and Social Security number of each property owner and the
41.24 property owner's spouse occupying the property, or relative of a property owner, applying
41.25 for homestead classification under this subdivision. The commissioner shall use the
41.26 information provided on the lists as appropriate under the law, including for the detection
41.27 of improper claims by owners, or relatives of owners, under chapter 290A.

41.28 (h) If the commissioner finds that a property owner may be claiming a fraudulent
41.29 homestead, the commissioner shall notify the appropriate counties. Within 90 days of
41.30 the notification, the county assessor shall investigate to determine if the homestead
41.31 classification was properly claimed. If the property owner does not qualify, the county
41.32 assessor shall notify the county auditor who will determine the amount of homestead
41.33 benefits that had been improperly allowed. For the purpose of this section, "homestead
41.34 benefits" means the tax reduction resulting from the classification as a homestead under
41.35 section 273.13, the taconite homestead credit under section 273.135, the residential

42.1 homestead and agricultural homestead credits under section 273.1384, and the
42.2 supplemental homestead credit under section 273.1391.

42.3 The county auditor shall send a notice to the person who owned the affected property
42.4 at the time the homestead application related to the improper homestead was filed,
42.5 demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent
42.6 of the homestead benefits. The person notified may appeal the county's determination
42.7 by serving copies of a petition for review with county officials as provided in section
42.8 278.01 and filing proof of service as provided in section 278.01 with the Minnesota Tax
42.9 Court within 60 days of the date of the notice from the county. Procedurally, the appeal
42.10 is governed by the provisions in chapter 271 which apply to the appeal of a property tax
42.11 assessment or levy, but without requiring any prepayment of the amount in controversy. If
42.12 the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal
42.13 has been filed, the county auditor shall certify the amount of taxes and penalty to the county
42.14 treasurer. The county treasurer will add interest to the unpaid homestead benefits and
42.15 penalty amounts at the rate provided in section 279.03 for real property taxes becoming
42.16 delinquent in the calendar year during which the amount remains unpaid. Interest may be
42.17 assessed for the period beginning 60 days after demand for payment was made.

42.18 If the person notified is the current owner of the property, the treasurer may add the
42.19 total amount of homestead benefits, penalty, interest, and costs to the ad valorem taxes
42.20 otherwise payable on the property by including the amounts on the property tax statements
42.21 under section 276.04, subdivision 3. The amounts added under this paragraph to the ad
42.22 valorem taxes shall include interest accrued through December 31 of the year preceding
42.23 the taxes payable year for which the amounts are first added. These amounts, when added
42.24 to the property tax statement, become subject to all the laws for the enforcement of real or
42.25 personal property taxes for that year, and for any subsequent year.

42.26 If the person notified is not the current owner of the property, the treasurer may
42.27 collect the amounts due under the Revenue Recapture Act in chapter 270A, or use any of
42.28 the powers granted in sections 277.20 and 277.21 without exclusion, to enforce payment
42.29 of the homestead benefits, penalty, interest, and costs, as if those amounts were delinquent
42.30 tax obligations of the person who owned the property at the time the application related
42.31 to the improperly allowed homestead was filed. The treasurer may relieve a prior owner
42.32 of personal liability for the homestead benefits, penalty, interest, and costs, and instead
42.33 extend those amounts on the tax lists against the property as provided in this paragraph
42.34 to the extent that the current owner agrees in writing. On all demands, billings, property
42.35 tax statements, and related correspondence, the county must list and state separately the

43.1 amounts of homestead benefits, penalty, interest and costs being demanded, billed or
43.2 assessed.

43.3 (i) Any amount of homestead benefits recovered by the county from the property
43.4 owner shall be distributed to the county, city or town, and school district where the
43.5 property is located in the same proportion that each taxing district's levy was to the total
43.6 of the three taxing districts' levy for the current year. Any amount recovered attributable
43.7 to taconite homestead credit shall be transmitted to the St. Louis County auditor to be
43.8 deposited in the taconite property tax relief account. Any amount recovered that is
43.9 attributable to supplemental homestead credit is to be transmitted to the commissioner of
43.10 revenue for deposit in the general fund of the state treasury. The total amount of penalty
43.11 collected must be deposited in the county general fund.

43.12 (j) If a property owner has applied for more than one homestead and the county
43.13 assessors cannot determine which property should be classified as homestead, the county
43.14 assessors will refer the information to the commissioner. The commissioner shall make
43.15 the determination and notify the counties within 60 days.

43.16 (k) In addition to lists of homestead properties, the commissioner may ask the
43.17 counties to furnish lists of all properties and the record owners. The Social Security
43.18 numbers and federal identification numbers that are maintained by a county or city
43.19 assessor for property tax administration purposes, and that may appear on the lists retain
43.20 their classification as private or nonpublic data; but may be viewed, accessed, and used by
43.21 the county auditor or treasurer of the same county for the limited purpose of assisting the
43.22 commissioner in the preparation of microdata samples under section 270C.12.

43.23 (l) On or before April 30 each year beginning in 2007, each county must provide the
43.24 commissioner with the following data for each parcel of homestead property by electronic
43.25 means as defined in section 289A.02, subdivision 8:

43.26 (i) the property identification number assigned to the parcel for purposes of taxes
43.27 payable in the current year;

43.28 (ii) the name and Social Security number of each property owner and property
43.29 owner's spouse, as shown on the tax rolls for the current and the prior assessment year;

43.30 (iii) the classification of the property under section 273.13 for taxes payable in the
43.31 current year and in the prior year;

43.32 (iv) an indication of whether the property was classified as a homestead for taxes
43.33 payable in the current year or for taxes payable in the prior year because of occupancy by
43.34 a relative of the owner or by a spouse of a relative;

43.35 (v) the property taxes payable as defined in section 290A.03, subdivision 13, for the
43.36 current year and the prior year;

44.1 (vi) the market value of improvements to the property first assessed for tax purposes
44.2 for taxes payable in the current year;

44.3 (vii) the assessor's estimated market value assigned to the property for taxes payable
44.4 in the current year and the prior year;

44.5 (viii) the taxable market value assigned to the property for taxes payable in the
44.6 current year and the prior year;

44.7 (ix) whether there are delinquent property taxes owing on the homestead;

44.8 (x) the unique taxing district in which the property is located; and

44.9 (xi) such other information as the commissioner decides is necessary.

44.10 The commissioner shall use the information provided on the lists as appropriate
44.11 under the law, including for the detection of improper claims by owners, or relatives
44.12 of owners, under chapter 290A.

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

44.14 Sec. 25. Minnesota Statutes 2006, section 273.124, subdivision 21, is amended to read:

44.15 Subd. 21. **Trust property; homestead.** Real property held by a trustee under a trust
44.16 is eligible for classification as homestead property if:

44.17 (1) the grantor or surviving spouse of the grantor of the trust occupies and uses the
44.18 property as a homestead;

44.19 (2) a relative or surviving relative of the grantor who meets the requirements of
44.20 subdivision 1, paragraph (c), in the case of residential real estate; or subdivision 1,
44.21 paragraph (d), in the case of agricultural property, occupies and uses the property as
44.22 a homestead;

44.23 (3) a family farm corporation, joint farm venture, limited liability company, or
44.24 partnership operating a family farm in which the grantor or the grantor's surviving spouse
44.25 is a shareholder, member, or partner rents the property ~~held by a trustee under a trust, and~~
44.26 ~~the grantor, the spouse of the grantor, or the son or daughter of the grantor, who is also a~~
44.27 shareholder, member, or partner of the corporation, joint farm venture, limited liability
44.28 company, or partnership occupies and uses the property as a homestead, or is actively
44.29 farming the property on behalf of the corporation, joint farm venture, limited liability
44.30 company, or partnership; or

44.31 (4) a person who has received homestead classification for property taxes payable in
44.32 2000 on the basis of an unqualified legal right under the terms of the trust agreement to
44.33 occupy the property as that person's homestead and who continues to use the property as
44.34 a homestead or a person who received the homestead classification for taxes payable in
44.35 2005 under clause (3) who does not qualify under clause (3) for taxes payable in 2006

45.1 or thereafter but who continues to qualify under clause (3) as it existed for taxes payable
45.2 in 2005.

45.3 For purposes of this subdivision, "grantor" is defined as the person creating or
45.4 establishing a testamentary, inter Vivos, revocable or irrevocable trust by written
45.5 instrument or through the exercise of a power of appointment.

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

45.7 Sec. 26. Minnesota Statutes 2006, section 273.128, subdivision 1, is amended to read:

45.8 Subdivision 1. **Requirement.** Low-income rental property classified as class 4d
45.9 under section 273.13, subdivision 25, is entitled to valuation under this section if at least 75
45.10 percent of the units in the rental housing property meet any of the following qualifications:

45.11 (1) the units are subject to a housing assistance payments contract under Section 8 of
45.12 the United States Housing Act of 1937, as amended through December 31, 2007;

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

45.16 (3) the units are financed by the Rural Housing Service of the United States
45.17 Department of Agriculture and receive payments under the rental assistance program
45.18 pursuant to section 521(a) of the Housing Act of 1949, as amended; or

45.19 (4) the units are subject to rent and income restrictions under the terms of financial
45.20 assistance provided to the rental housing property by the federal government or the state
45.21 of Minnesota as evidenced by a document recorded against the property.

45.22 The restrictions must require assisted units to be occupied by residents whose
45.23 household income at the time of initial occupancy does not exceed 60 percent of the
45.24 greater of area or state median income, adjusted for family size, as determined by the
45.25 United States Department of Housing and Urban Development. The restriction must also
45.26 require the rents for assisted units to not exceed 30 percent of 60 percent of the greater of
45.27 area or state median income, adjusted for family size, as determined by the United States
45.28 Department of Housing and Urban Development.

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

45.30 Sec. 27. Minnesota Statutes 2006, section 273.13, subdivision 22, is amended to read:

45.31 Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b)
45.32 and (c), real estate which is residential and used for homestead purposes is class 1a. In the
45.33 case of a duplex or triplex in which one of the units is used for homestead purposes, the

46.1 entire property is deemed to be used for homestead purposes. The market value of class 1a
46.2 property must be determined based upon the value of the house, garage, and land.

46.3 The first \$500,000 of market value of class 1a property has a net class rate of
46.4 one percent of its market value; and the market value of class 1a property that exceeds
46.5 \$500,000 has a class rate of 1.25 percent of its market value.

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

46.8 (1) any person who is blind as defined in section 256D.35, or by the blind person
46.9 and the blind person's spouse; or

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

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

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

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

46.21 (3) any person who is permanently and totally disabled or by the disabled person
46.22 and the disabled person's spouse.

46.23 Property is classified and assessed under clause (3) only if the government agency or
46.24 income-providing source certifies, upon the request of the homestead occupant, that the
46.25 homestead occupant satisfies the disability requirements of this paragraph.

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

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

46.35 (c) Class 1c property is commercial use real property that abuts a lakeshore line and
46.36 is devoted to temporary and seasonal residential occupancy for recreational purposes but

47.1 not devoted to commercial purposes for more than 250 days in the year preceding the
47.2 year of assessment, and that includes a portion used as a homestead by the owner, which
47.3 includes a dwelling occupied as a homestead by a shareholder of a corporation that owns
47.4 the resort, a partner in a partnership that owns the resort, or a member of a limited liability
47.5 company that owns the resort even if the title to the homestead is held by the corporation,
47.6 partnership, or limited liability company. For purposes of this clause, property is devoted
47.7 to a commercial purpose on a specific day if any portion of the property, excluding the
47.8 portion used exclusively as a homestead, is used for residential occupancy and a fee is
47.9 charged for residential occupancy. The portion of the property used as a homestead is class
47.10 1a property under paragraph (a). The remainder of the property is classified as follows:
47.11 the first \$500,000 of market value is tier I, the next \$1,700,000 of market value is tier II,
47.12 and any remaining market value is tier III. The class rates for class 1c are: tier I, 0.55
47.13 percent; tier II, 1.0 percent; and tier III, 1.25 percent. If a class 1c resort property has any
47.14 market value in tier III, the entire property must meet the requirements of subdivision 25,
47.15 paragraph (d), clause (1), to qualify for class 1c treatment under this paragraph.

47.16 (d) Class 1d property includes structures that meet all of the following criteria:

47.17 (1) the structure is located on property that is classified as agricultural property under
47.18 section 273.13, subdivision 23;

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

47.23 (3) the structure meets all applicable health and safety requirements for the
47.24 appropriate season; and

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

47.27 The market value of class 1d property has the same class rates as class 1a property
47.28 under paragraph (a).

47.29 **EFFECTIVE DATE.** This section is effective for taxes payable in 2009 and
47.30 thereafter.

47.31 Sec. 28. Minnesota Statutes 2006, section 273.13, subdivision 23, is amended to read:

47.32 Subd. 23. **Class 2.** (a) Class 2a property is agricultural land including any
47.33 improvements that is homesteaded. The market value of the house and garage and
47.34 immediately surrounding one acre of land has the same class rates as class 1a property
47.35 under subdivision 22. The value of the remaining land including improvements up to

48.1 the first tier valuation limit of agricultural homestead property has a net class rate of
48.2 0.55 percent of market value. The remaining property over the first tier has a class rate
48.3 of one percent of market value. For purposes of this subdivision, the "first tier valuation
48.4 limit of agricultural homestead property" and "first tier" means the limit certified under
48.5 section 273.11, subdivision 23.

48.6 (b) Class 2b property is (1) unplatted real estate, rural in character and used
48.7 exclusively for growing trees for timber, lumber, and wood and wood products; (2) ~~real~~
48.8 ~~estate that is not improved with a structure and is used exclusively for growing trees~~
48.9 ~~for timber, lumber, and wood and wood products, if the owner has participated or is~~
48.10 ~~participating in a cost-sharing program for afforestation, reforestation, or timber stand~~
48.11 ~~improvement on that particular property, administered or coordinated by the commissioner~~
48.12 ~~of natural resources;~~ (3) that consists of at least ten acres, including land used for growing
48.13 trees for timber, lumber, and wood and wood products, but not including land used for
48.14 agricultural purposes, provided that the presence of a minor, ancillary, and nonresidential
48.15 structure does not disqualify property from classification under this clause, (2) real estate
48.16 that is nonhomestead agricultural land; or ~~(4)~~ (3) a landing area or public access area
48.17 of a privately owned public use airport. Class 2b property has a net class rate of one
48.18 percent of market value.

48.19 (c) Agricultural land as used in this section means contiguous acreage of ten acres or
48.20 more, used during the preceding year for agricultural purposes. "Agricultural purposes" as
48.21 used in this section means the raising or cultivation of agricultural products. "Agricultural
48.22 purposes" also includes enrollment in the Reinvest in Minnesota program under sections
48.23 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public
48.24 Law 99-198 if the property was classified as agricultural (i) under this subdivision for
48.25 the assessment year 2002 or (ii) in the year prior to its enrollment. Contiguous acreage
48.26 on the same parcel, or contiguous acreage on an immediately adjacent parcel under the
48.27 same ownership, may also qualify as agricultural land, but only if it is pasture, timber,
48.28 waste, unusable wild land, or land included in state or federal farm programs. Agricultural
48.29 classification for property shall be determined excluding the house, garage, and
48.30 immediately surrounding one acre of land, and shall not be based upon the market value of
48.31 any residential structures on the parcel or contiguous parcels under the same ownership.

48.32 (d) Real estate, excluding the house, garage, and immediately surrounding one acre
48.33 of land, of less than ten acres which is exclusively and intensively used for raising or
48.34 cultivating agricultural products, shall be considered as agricultural land.

48.35 Land shall be classified as agricultural even if all or a portion of the agricultural use
48.36 of that property is the leasing to, or use by another person for agricultural purposes.

49.1 Classification under this subdivision is not determinative for qualifying under
49.2 section 273.111.

49.3 The property classification under this section supersedes, for property tax purposes
49.4 only, any locally administered agricultural policies or land use restrictions that define
49.5 minimum or maximum farm acreage.

49.6 (e) The term "agricultural products" as used in this subdivision includes production
49.7 for sale of:

49.8 (1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing
49.9 animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains,
49.10 bees, and apiary products by the owner;

49.11 (2) fish bred for sale and consumption if the fish breeding occurs on land zoned
49.12 for agricultural use;

49.13 (3) the commercial boarding of horses if the boarding is done in conjunction with
49.14 raising or cultivating agricultural products as defined in clause (1);

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

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

49.19 (6) insects primarily bred to be used as food for animals;

49.20 (7) trees, grown for sale as a crop, and not sold for timber, lumber, wood, or wood
49.21 products; and

49.22 (8) maple syrup taken from trees grown by a person licensed by the Minnesota
49.23 Department of Agriculture under chapter 28A as a food processor.

49.24 (f) If a parcel used for agricultural purposes is also used for commercial or industrial
49.25 purposes, including but not limited to:

49.26 (1) wholesale and retail sales;

49.27 (2) processing of raw agricultural products or other goods;

49.28 (3) warehousing or storage of processed goods; and

49.29 (4) office facilities for the support of the activities enumerated in clauses (1), (2),
49.30 and (3),

49.31 the assessor shall classify the part of the parcel used for agricultural purposes as class
49.32 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its
49.33 use. The grading, sorting, and packaging of raw agricultural products for first sale is
49.34 considered an agricultural purpose. A greenhouse or other building where horticultural
49.35 or nursery products are grown that is also used for the conduct of retail sales must be
49.36 classified as agricultural if it is primarily used for the growing of horticultural or nursery

50.1 products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of
 50.2 those products. Use of a greenhouse or building only for the display of already grown
 50.3 horticultural or nursery products does not qualify as an agricultural purpose.

50.4 The assessor shall determine and list separately on the records the market value of
 50.5 the homestead dwelling and the one acre of land on which that dwelling is located. If any
 50.6 farm buildings or structures are located on this homesteaded acre of land, their market
 50.7 value shall not be included in this separate determination.

50.8 (g) To qualify for classification under paragraph (b), clause ~~(4)~~ (3), a privately
 50.9 owned public use airport must be licensed as a public airport under section 360.018. For
 50.10 purposes of paragraph (b), clause ~~(4)~~ (3), "landing area" means that part of a privately
 50.11 owned public use airport properly cleared, regularly maintained, and made available to the
 50.12 public for use by aircraft and includes runways, taxiways, aprons, and sites upon which
 50.13 are situated landing or navigational aids. A landing area also includes land underlying
 50.14 both the primary surface and the approach surfaces that comply with all of the following:

50.15 (i) the land is properly cleared and regularly maintained for the primary purposes of
 50.16 the landing, taking off, and taxiing of aircraft; but that portion of the land that contains
 50.17 facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;

50.18 (ii) the land is part of the airport property; and

50.19 (iii) the land is not used for commercial or residential purposes.

50.20 The land contained in a landing area under paragraph (b), clause ~~(4)~~ (3), must be described
 50.21 and certified by the commissioner of transportation. The certification is effective until
 50.22 it is modified, or until the airport or landing area no longer meets the requirements of
 50.23 paragraph (b), clause ~~(4)~~ (3). For purposes of paragraph (b), clause ~~(4)~~ (3), "public access
 50.24 area" means property used as an aircraft parking ramp, apron, or storage hangar, or an
 50.25 arrival and departure building in connection with the airport.

50.26 **EFFECTIVE DATE.** This section is effective for taxes payable in 2009 and
 50.27 thereafter.

50.28 Sec. 29. Minnesota Statutes 2006, section 273.13, subdivision 25, is amended to read:

50.29 Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more
 50.30 units and used or held for use by the owner or by the tenants or lessees of the owner
 50.31 as a residence for rental periods of 30 days or more, excluding property qualifying for
 50.32 class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other
 50.33 than hospitals exempt under section 272.02, and contiguous property used for hospital

51.1 purposes, without regard to whether the property has been platted or subdivided. The
51.2 market value of class 4a property has a class rate of 1.25 percent.

51.3 (b) Class 4b includes:

51.4 (1) residential real estate containing less than four units that does not qualify as class
51.5 4bb, other than seasonal residential recreational property;

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

51.7 (3) a dwelling, garage, and surrounding one acre of property on a nonhomestead
51.8 farm classified under subdivision 23, paragraph (b) containing two or three units; and

51.9 (4) unimproved property that is classified residential as determined under subdivision
51.10 33.

51.11 The market value of class 4b property has a class rate of 1.25 percent.

51.12 (c) Class 4bb includes:

51.13 (1) nonhomestead residential real estate containing one unit, other than seasonal
51.14 residential recreational property; and

51.15 (2) a single family dwelling, garage, and surrounding one acre of property on a
51.16 nonhomestead farm classified under subdivision 23, paragraph (b).

51.17 Class 4bb property has the same class rates as class 1a property under subdivision 22.

51.18 Property that has been classified as seasonal residential recreational property at
51.19 any time during which it has been owned by the current owner or spouse of the current
51.20 owner does not qualify for class 4bb.

51.21 (d) Class 4c property includes:

51.22 (1) except as provided in subdivision 22, paragraph (c), real property devoted to
51.23 temporary and seasonal residential occupancy for recreation purposes, including real
51.24 property devoted to temporary and seasonal residential occupancy for recreation purposes
51.25 and not devoted to commercial purposes for more than 250 days in the year preceding
51.26 the year of assessment. For purposes of this clause, property is devoted to a commercial
51.27 purpose on a specific day if any portion of the property is used for residential occupancy,
51.28 and a fee is charged for residential occupancy. In order for a property to be classified as
51.29 class 4c, seasonal residential recreational for commercial purposes, at least 40 percent of
51.30 the annual gross lodging receipts related to the property must be from business conducted
51.31 during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging
51.32 guests during the year must be for periods of at least two consecutive nights; or (ii) at least
51.33 20 percent of the annual gross receipts must be from charges for rental of fish houses,
51.34 boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for
51.35 marina services, launch services, and guide services, or the sale of bait and fishing tackle.
51.36 For purposes of this determination, a paid booking of five or more nights shall be counted

52.1 as two bookings. Class 4c also includes commercial use real property used exclusively
52.2 for recreational purposes in conjunction with class 4c property devoted to temporary
52.3 and seasonal residential occupancy for recreational purposes, up to a total of two acres,
52.4 provided the property is not devoted to commercial recreational use for more than 250
52.5 days in the year preceding the year of assessment and is located within two miles of the
52.6 class 4c property with which it is used. Owners of real property devoted to temporary and
52.7 seasonal residential occupancy for recreation purposes and all or a portion of which was
52.8 devoted to commercial purposes for not more than 250 days in the year preceding the year
52.9 of assessment desiring classification as class 1c or 4c, must submit a declaration to the
52.10 assessor designating the cabins or units occupied for 250 days or less in the year preceding
52.11 the year of assessment by January 15 of the assessment year. Those cabins or units and a
52.12 proportionate share of the land on which they are located will be designated class 1c or 4c
52.13 as otherwise provided. The remainder of the cabins or units and a proportionate share of
52.14 the land on which they are located will be designated as class 3a. The owner of property
52.15 desiring designation as class 1c or 4c property must provide guest registers or other
52.16 records demonstrating that the units for which class 1c or 4c designation is sought were
52.17 not occupied for more than 250 days in the year preceding the assessment if so requested.
52.18 The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other
52.19 nonresidential facility operated on a commercial basis not directly related to temporary and
52.20 seasonal residential occupancy for recreation purposes shall not qualify for class 1c or 4c;
52.21 (2) qualified property used as a golf course if:
52.22 (i) it is open to the public on a daily fee basis. It may charge membership fees or
52.23 dues, but a membership fee may not be required in order to use the property for golfing,
52.24 and its green fees for golfing must be comparable to green fees typically charged by
52.25 municipal courses; and
52.26 (ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).
52.27 A structure used as a clubhouse, restaurant, or place of refreshment in conjunction
52.28 with the golf course is classified as class 3a property;
52.29 (3) real property up to a maximum of one acre of land owned by a nonprofit
52.30 community service oriented organization; provided that the property is not used for a
52.31 revenue-producing activity for more than six days in the calendar year preceding the year
52.32 of assessment and the property is not used for residential purposes on either a temporary
52.33 or permanent basis. For purposes of this clause, a "nonprofit community service oriented
52.34 organization" means any corporation, society, association, foundation, or institution
52.35 organized and operated exclusively for charitable, religious, fraternal, civic, or educational
52.36 purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3),

53.1 (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31,
53.2 1990. For purposes of this clause, "revenue-producing activities" shall include but not be
53.3 limited to property or that portion of the property that is used as an on-sale intoxicating
53.4 liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant
53.5 open to the public, bowling alley, a retail store, gambling conducted by organizations
53.6 licensed under chapter 349, an insurance business, or office or other space leased or
53.7 rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of
53.8 the property which is used for revenue-producing activities for more than six days in the
53.9 calendar year preceding the year of assessment shall be assessed as class 3a. The use of
53.10 the property for social events open exclusively to members and their guests for periods of
53.11 less than 24 hours, when an admission is not charged nor any revenues are received by the
53.12 organization shall not be considered a revenue-producing activity;

53.13 (4) postsecondary student housing of not more than one acre of land that is owned by
53.14 a nonprofit corporation organized under chapter 317A and is used exclusively by a student
53.15 cooperative, sorority, or fraternity for on-campus housing or housing located within two
53.16 miles of the border of a college campus;

53.17 (5) manufactured home parks as defined in section 327.14, subdivision 3;

53.18 (6) real property that is actively and exclusively devoted to indoor fitness, health,
53.19 social, recreational, and related uses, is owned and operated by a not-for-profit corporation,
53.20 and is located within the metropolitan area as defined in section 473.121, subdivision 2;

53.21 (7) a leased or privately owned noncommercial aircraft storage hangar not exempt
53.22 under section 272.01, subdivision 2, and the land on which it is located, provided that:

53.23 (i) the land is on an airport owned or operated by a city, town, county, Metropolitan
53.24 Airports Commission, or group thereof; and

53.25 (ii) the land lease, or any ordinance or signed agreement restricting the use of the
53.26 leased premise, prohibits commercial activity performed at the hangar.

53.27 If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must
53.28 be filed by the new owner with the assessor of the county where the property is located
53.29 within 60 days of the sale;

53.30 (8) a privately owned noncommercial aircraft storage hangar not exempt under
53.31 section 272.01, subdivision 2, and the land on which it is located, provided that:

53.32 (i) the land abuts a public airport; and

53.33 (ii) the owner of the aircraft storage hangar provides the assessor with a signed
53.34 agreement restricting the use of the premises, prohibiting commercial use or activity
53.35 performed at the hangar; and

54.1 (9) residential real estate, a portion of which is used by the owner for homestead
54.2 purposes, and that is also a place of lodging, if all of the following criteria are met:

54.3 (i) rooms are provided for rent to transient guests that generally stay for periods
54.4 of 14 or fewer days;

54.5 (ii) meals are provided to persons who rent rooms, the cost of which is incorporated
54.6 in the basic room rate;

54.7 (iii) meals are not provided to the general public except for special events on fewer
54.8 than seven days in the calendar year preceding the year of the assessment; and

54.9 (iv) the owner is the operator of the property.

54.10 The market value subject to the 4c classification under this clause is limited to five rental
54.11 units. Any rental units on the property in excess of five, must be valued and assessed as
54.12 class 3a. The portion of the property used for purposes of a homestead by the owner must
54.13 be classified as class 1a property under subdivision 22.

54.14 Class 4c property has a class rate of 1.5 percent of market value, except that (i) each
54.15 parcel of seasonal residential recreational property not used for commercial purposes has
54.16 the same class rates as class 4bb property, (ii) manufactured home parks assessed under
54.17 clause (5) have the same class rate as class 4b property, (iii) commercial-use seasonal
54.18 residential recreational property has a class rate of one percent for the first \$500,000 of
54.19 market value, and 1.25 percent for the remaining market value, (iv) the market value of
54.20 property described in clause (4) has a class rate of one percent, (v) the market value of
54.21 property described in clauses (2) and (6) has a class rate of 1.25 percent, and (vi) that
54.22 portion of the market value of property in clause (9) qualifying for class 4c property
54.23 has a class rate of 1.25 percent.

54.24 (e) Class 4d property is qualifying low-income rental housing certified to the assessor
54.25 by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion
54.26 of the units in the building qualify as low-income rental housing units as certified under
54.27 section 273.128, subdivision 3, only the proportion of qualifying units to the total number
54.28 of units in the building qualify for class 4d. The remaining portion of the building shall be
54.29 classified by the assessor based upon its use. Class 4d also includes the same proportion of
54.30 land as the qualifying low-income rental housing units are to the total units in the building.
54.31 For all properties qualifying as class 4d, the market value determined by the assessor must
54.32 be based on the normal approach to value using normal unrestricted rents.

54.33 Class 4d property has a class rate of 0.75 percent.

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

55.1 Sec. 30. Minnesota Statutes 2006, section 273.13, subdivision 33, is amended to read:

55.2 Subd. 33. **Classification of unimproved property.** (a) All real property that is not
55.3 improved with a structure must be classified according to its current use.

55.4 (b) Except as provided in subdivision 23, paragraph (b), clause (1), real property that
55.5 is not improved with a structure and for which there is no identifiable current use must be
55.6 classified according to its highest and best use permitted under the local zoning ordinance.
55.7 If the ordinance permits more than one use, the land must be classified according to the
55.8 highest and best use permitted under the ordinance. If no such ordinance exists, the
55.9 assessor shall consider the most likely potential use of the unimproved land based upon
55.10 the use made of surrounding land or land in proximity to the unimproved land.

55.11 **EFFECTIVE DATE.** This section is effective for taxes payable in 2009 and
55.12 thereafter.

55.13 Sec. 31. Minnesota Statutes 2006, section 274.01, subdivision 3, is amended to read:

55.14 Subd. 3. **Local board duties transferred to county.** The town board of any town
55.15 or the governing body of any home rule charter or statutory city may transfer its powers
55.16 and duties under subdivision 1 to the county board, and no longer perform the function
55.17 of a local board. Before the town board or the governing body of a city transfers the
55.18 powers and duties to the county board, the town board or city's governing body shall give
55.19 public notice of the meeting at which the proposal for transfer is to be considered. The
55.20 public notice shall follow the procedure contained in section 13D.04, subdivision 2. A
55.21 transfer of duties as permitted under this subdivision must be communicated to the county
55.22 assessor, in writing, before December 1 of any year to be effective for the following
55.23 year's assessment. This transfer of duties to the county may either be permanent or for a
55.24 specified number of years, provided that the transfer cannot be for less than three years.
55.25 Its length must be stated in writing. A town or city may renew its option to transfer. ~~The~~
55.26 ~~option to transfer duties under this subdivision is only available to a town or city whose~~
55.27 ~~assessment is done by the county.~~

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

55.29 Sec. 32. Minnesota Statutes 2006, section 274.014, subdivision 3, is amended to read:

55.30 Subd. 3. **Proof of compliance; transfer of duties.** (a) Any city or town that
55.31 conducts local boards of appeal and equalization meetings must provide proof to the
55.32 county assessor by December 1, 2006, and each year thereafter, that it is in compliance
55.33 with the requirements of subdivision 2. Beginning in 2006, this notice must also verify

56.1 that there was a quorum of voting members at each meeting of the board of appeal
56.2 and equalization in the current year. A city or town that does not comply with these
56.3 requirements is deemed to have transferred its board of appeal and equalization powers
56.4 to the county beginning with the following year's assessment and continuing unless the
56.5 powers are reinstated under paragraph (c).

56.6 (b) The county shall notify the taxpayers when the board of appeal and equalization
56.7 for a city or town has been transferred to the county under this subdivision and, prior to
56.8 the meeting time of the county board of equalization, the county shall make available to
56.9 those taxpayers a procedure for a review of the assessments, including, but not limited to,
56.10 open book meetings. This alternate review process shall take place in April and May.

56.11 (c) A local board whose powers are transferred to the county under this subdivision
56.12 may be reinstated by resolution of the governing body of the city or town and upon proof
56.13 of compliance with the requirements of subdivision 2. The resolution and proofs must be
56.14 provided to the county assessor by December 1 in order to be effective for the following
56.15 year's assessment.

56.16 (d) A local board whose powers are transferred to the county under this subdivision
56.17 may continue to employ a local assessor and is not deemed to have transferred its powers
56.18 to make assessments.

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

56.20 Sec. 33. Minnesota Statutes 2006, section 276.04, subdivision 2, is amended to read:

56.21 Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the
56.22 printing of the tax statements. The commissioner of revenue shall prescribe the form
56.23 of the property tax statement and its contents. The statement must contain a tabulated
56.24 statement of the dollar amount due to each taxing authority and the amount of the state
56.25 tax from the parcel of real property for which a particular tax statement is prepared. The
56.26 dollar amounts attributable to the county, the state tax, the voter approved school tax, the
56.27 other local school tax, the township or municipality, and the total of the metropolitan
56.28 special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must
56.29 be separately stated. The amounts due all other special taxing districts, if any, may be
56.30 aggregated except that any levies made by the regional rail authorities in the county of
56.31 Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A
56.32 shall be listed on a separate line directly under the appropriate county's levy. If the county
56.33 levy under this paragraph includes an amount for a lake improvement district as defined
56.34 under sections 103B.501 to 103B.581, the amount attributable for that purpose must be
56.35 separately stated from the remaining county levy amount. In the case of Ramsey County,

57.1 if the county levy under this paragraph includes an amount for public library service
 57.2 under section 134.07, the amount attributable for that purpose may be separated from the
 57.3 remaining county levy amount. The amount of the tax on homesteads qualifying under the
 57.4 senior citizens' property tax deferral program under chapter 290B is the total amount of
 57.5 property tax before subtraction of the deferred property tax amount. The amount of the
 57.6 tax on contamination value imposed under sections 270.91 to 270.98, if any, must also
 57.7 be separately stated. The dollar amounts, including the dollar amount of any special
 57.8 assessments, may be rounded to the nearest even whole dollar. For purposes of this section
 57.9 whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar.
 57.10 The amount of market value excluded under section 273.11, subdivision 16, if any, must
 57.11 also be listed on the tax statement.

57.12 (b) The property tax statements for manufactured homes and sectional structures
 57.13 taxed as personal property shall contain the same information that is required on the
 57.14 tax statements for real property.

57.15 (c) Real and personal property tax statements must contain the following information
 57.16 in the order given in this paragraph. The information must contain the current year tax
 57.17 information in the right column with the corresponding information for the previous year
 57.18 in a column on the left:

57.19 (1) the property's estimated market value under section 273.11, subdivision 1;

57.20 (2) the property's taxable market value after reductions under section 273.11,
 57.21 subdivisions 1a and 16;

57.22 (3) the property's gross tax, calculated by adding the property's total property tax to
 57.23 the sum of the aids enumerated in clause (4);

57.24 (4) a total of the following aids:

57.25 (i) education aids payable under chapters 122A, 123A, 123B, 124D, 125A, 126C,
 57.26 and 127A;

57.27 (ii) local government aids for cities, towns, and counties under sections 477A.011 to
 57.28 477A.04; and

57.29 (iii) disparity reduction aid under section 273.1398;

57.30 (5) for homestead residential and agricultural properties, the credits under section
 57.31 273.1384;

57.32 (6) any credits received under sections 273.119; ~~273.123~~ 273.1234 or 273.1235;
 57.33 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the
 57.34 amount of credit received under section 273.135 must be separately stated and identified
 57.35 as "taconite tax relief"; and

57.36 (7) the net tax payable in the manner required in paragraph (a).

58.1 (d) If the county uses envelopes for mailing property tax statements and if the county
58.2 agrees, a taxing district may include a notice with the property tax statement notifying
58.3 taxpayers when the taxing district will begin its budget deliberations for the current
58.4 year, and encouraging taxpayers to attend the hearings. If the county allows notices to
58.5 be included in the envelope containing the property tax statement, and if more than
58.6 one taxing district relative to a given property decides to include a notice with the tax
58.7 statement, the county treasurer or auditor must coordinate the process and may combine
58.8 the information on a single announcement.

58.9 The commissioner of revenue shall certify to the county auditor the actual or
58.10 estimated aids enumerated in paragraph (c), clause (4), that local governments will receive
58.11 in the following year. The commissioner must certify this amount by January 1 of each
58.12 year.

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

58.14 Sec. 34. Minnesota Statutes 2006, section 290B.04, subdivision 1, is amended to read:

58.15 Subdivision 1. **Initial application.** (a) A taxpayer meeting the program
58.16 qualifications under section 290B.03 may apply to the commissioner of revenue for the
58.17 deferral of taxes. Applications are due on or before July 1 for deferral of any of the
58.18 following year's property taxes. A taxpayer may apply in the year in which the taxpayer
58.19 becomes 65 years old, provided that no deferral of property taxes will be made until the
58.20 calendar year after the taxpayer becomes 65 years old. The application, which shall be
58.21 prescribed by the commissioner of revenue, shall include the following items and any
58.22 other information which the commissioner deems necessary:

58.23 (1) the name, address, and Social Security number of the owner or owners;

58.24 (2) a copy of the property tax statement for the current payable year for the
58.25 homesteaded property;

58.26 (3) the initial year of ownership and occupancy as a homestead;

58.27 (4) the owner's household income for the previous calendar year; and

58.28 (5) information on any mortgage loans or other amounts secured by mortgages or
58.29 other liens against the property, for which purpose the commissioner may require the
58.30 applicant to provide a copy of the mortgage note, the mortgage, or a statement of the
58.31 balance owing on the mortgage loan provided by the mortgage holder. The commissioner
58.32 may require the appropriate documents in connection with obtaining and confirming
58.33 information on unpaid amounts secured by other liens.

58.34 The application must state that program participation is voluntary. The application
58.35 must also state that the deferred amount depends directly on the applicant's household

59.1 income, and that program participation includes authorization for the annual deferred
59.2 amount, the cumulative deferral and interest that appear on each year's notice prepared by
59.3 the county under subdivision 6, is public data.

59.4 The application must state that program participants may claim the property tax
59.5 refund based on the full amount of property taxes eligible for the refund, including any
59.6 deferred amounts. The application must also state that property tax refunds will be used to
59.7 offset any deferral and interest under this program, and that any other amounts subject to
59.8 revenue recapture under section 270A.03, subdivision 7, will also be used to offset any
59.9 deferral and interest under this program.

59.10 (b) As part of the initial application process, the commissioner may require the
59.11 applicant to obtain at the applicant's own cost and submit:

59.12 (1) if the property is registered property under chapter 508 or 508A, a copy of the
59.13 original certificate of title in the possession of the county registrar of titles (sometimes
59.14 referred to as "condition of register"); or

59.15 (2) if the property is abstract property, a report prepared by a licensed abstracter
59.16 showing the last deed and any unsatisfied mortgages, liens, judgments, and state and
59.17 federal tax lien notices which were recorded on or after the date of that last deed with
59.18 respect to the property or to the applicant.

59.19 The certificate or report under clauses (1) and (2) need not include references to
59.20 any documents filed or recorded more than 40 years prior to the date of the certification
59.21 or report. The certification or report must be as of a date not more than 30 days prior
59.22 to submission of the application.

59.23 The commissioner may also require the county recorder or county registrar of the
59.24 county where the property is located to provide copies of recorded documents related to
59.25 the applicant or the property, for which the recorder or registrar shall not charge a fee. The
59.26 commissioner may use any information available to determine or verify eligibility under
59.27 this section. The household income from the application is private data on individuals as
59.28 defined in section 13.02, subdivision 12.

59.29 **EFFECTIVE DATE.** This section is effective for data collected or maintained by
59.30 the commissioner of revenue beginning the day following final enactment.

59.31 Sec. 35. Minnesota Statutes 2006, section 469.040, subdivision 4, is amended to read:

59.32 Subd. 4. **Facilities funded from multiple sources.** In the metropolitan area, as
59.33 defined in section 473.121, subdivision 2, the tax treatment provided in subdivision 3
59.34 applies to that portion of any multifamily rental housing facility represented by the ratio of
59.35 (1) the number of units in the facility that are subject to the requirements of Section 5 of

60.1 the United States Housing Act of 1937, as the result of the implementation of a federal
60.2 court order or consent decree to (2) the total number of units within the facility.

60.3 The housing and redevelopment authority for the city in which the facility is located,
60.4 any public entity exercising the powers of such housing and redevelopment authority, or
60.5 the county housing and redevelopment authority for the county in which the facility is
60.6 located, shall annually certify to the assessor responsible for assessing the facility, at the
60.7 time and in the manner required by the assessor, the number of units in the facility that are
60.8 subject to the requirements of Section 5 of the United States Housing Act of 1937.

60.9 Nothing in this subdivision shall prevent that portion of the facility not subject to
60.10 this subdivision from meeting the requirements of section ~~273.126~~ 273.128, and for that
60.11 purpose the total number of units in the facility must be taken into account.

60.12 **EFFECTIVE DATE.** This section is effective retroactively for taxes payable in
60.13 2006 and thereafter.

60.14 Sec. 36. Minnesota Statutes 2006, section 469.174, subdivision 10b, is amended to
60.15 read:

60.16 Subd. 10b. **Qualified disaster area.** A "qualified disaster area" is an area that
60.17 meets the following requirements:

60.18 (1) parcels consisting of 70 percent of the area of the district were occupied by
60.19 buildings, streets, utilities, paved or gravel parking lots, or other similar structures
60.20 immediately before the disaster or emergency;

60.21 (2) the area of the district was subject to a disaster or emergency, as defined in
60.22 section ~~273.123, subdivision 1~~ 273.1231, subdivision 2, within the 18-month period
60.23 ending on the day the request for certification of the district is made; and

60.24 (3) 50 percent or more of the buildings in the area have suffered substantial damage
60.25 as a result of the disaster or emergency.

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

60.27 Sec. 37. Minnesota Statutes 2006, section 469.177, subdivision 1c, is amended to read:

60.28 Subd. 1c. **Original net tax capacity adjustments; presidential disaster area.** (a)
60.29 The provisions of this subdivision apply to a district located in a disaster area, as described
60.30 in section ~~273.123, subdivision 1, paragraph (b)~~ 273.1231, subdivision 3, paragraph (a),
60.31 clause (1), and are effective for taxes payable in the first calendar year beginning at least
60.32 four months after the date of the determination.

61.1 (b) For a district certified before the date of the disaster area determination as
 61.2 provided in section ~~273.123, subdivision 1, paragraph (b)~~ 273.1231, subdivision 3,
 61.3 paragraph (a), clause (1), upon the request of the municipality, the county auditor shall
 61.4 reduce the original net tax capacity of the district by the reduction in the net tax capacity
 61.5 of properties in the district that is attributable to the physical effects of the disaster, but not
 61.6 below zero. The assessor shall determine the amount of the reduction in market value that
 61.7 is attributable to the physical effects of the disaster to be used by the county auditor in
 61.8 computing the reduction in net tax capacity.

61.9 (c) For a district that does not qualify under paragraph (b) and for which the request
 61.10 for certification is made in the same calendar year as the disaster area determination,
 61.11 upon the request of the municipality, the assessor shall determine the reduction in market
 61.12 value of properties in the district that is attributable to the physical effects of the disaster.
 61.13 The county auditor shall use the reduced market value in certifying the original net tax
 61.14 capacity of the district.

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

61.16 Sec. 38. Minnesota Statutes 2006, section 477A.03, subdivision 2a, is amended to read:

61.17 Subd. 2a. **Cities.** ~~For aids payable in 2004, the total aids paid under section~~
 61.18 ~~477A.013, subdivision 9, are limited to \$429,000,000. For aids payable in 2005, the~~
 61.19 ~~total aids paid under section 477A.013, subdivision 9, are limited to \$437,052,000. For~~
 61.20 aids payable in ~~2006~~ 2009 and thereafter, the total aids paid under section 477A.013,
 61.21 subdivision 9, is limited to ~~\$485,052,000~~ \$484,177,200.

61.22 **EFFECTIVE DATE.** This section is effective for aid payable in 2009 and thereafter.

61.23 Sec. 39. **REPEALER.**

61.24 Minnesota Statutes 2006, section 477A.014, subdivision 5, and Minnesota Statutes
 61.25 2007 Supplement, section 477A.014, subdivision 4, are repealed.

61.26 **EFFECTIVE DATE.** This section is effective for aid payable in 2009 and thereafter.

61.27 **ARTICLE 5**
 61.28 **JOB OPPORTUNITY BUILDING ZONES**

61.29 Section 1. Minnesota Statutes 2006, section 469.319, is amended to read:

61.30 **469.319 REPAYMENT OF TAX BENEFITS BY BUSINESSES THAT NO**
 61.31 **LONGER OPERATE IN A ZONE.**

62.1 Subdivision 1. **Repayment obligation.** A business must repay the ~~amount of the~~
 62.2 total tax ~~reduction~~ benefits listed in section 469.315 ~~and any refund under section 469.318~~
 62.3 ~~in excess of tax liability~~, received during the two years immediately before it (1) ceased to
 62.4 ~~operate in the zone, if the business:~~

62.5 ~~(1) received tax reductions authorized by section 469.315; and~~

62.6 ~~(2)(i) did not meet the goals specified in an agreement entered into with the applicant~~
 62.7 ~~that states any obligation the qualified business must fulfill in order to be eligible for tax~~
 62.8 ~~benefits. The commissioner of employment and economic development may extend for~~
 62.9 ~~up to one year the period for meeting any goals provided in an agreement. The applicant~~
 62.10 ~~may extend the period for meeting other goals by documenting in writing the reason~~
 62.11 ~~for the extension and attaching a copy of the document to its next annual report to the~~
 62.12 ~~commissioner of employment and economic development; or~~

62.13 ~~(ii) ceased to operate its facility located within the job opportunity building zone~~
 62.14 ~~perform a substantial level of activities described in the business subsidy agreement, or~~
 62.15 (2) otherwise ceases ~~ceased~~ to be ~~or is not~~ a qualified business, other than those subject to
 62.16 the provisions of section 469.3191.

62.17 Subd. 1a. **Repayment obligation of businesses not operating in zone.** Persons
 62.18 that receive benefits without operating a business in a zone are subject to repayment
 62.19 under this section if the business for which those benefits relate is subject to repayment
 62.20 under this section. Such persons are deemed to have ceased performing in the zone on
 62.21 the same day that the qualified business for which the benefits relate becomes subject to
 62.22 repayment under subdivision 1.

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

62.25 (b) "Business" means any person ~~who~~ that received tax benefits enumerated in
 62.26 section 469.315.

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

62.28 (d) "Persons that receive benefits without operating a business in a zone" means
 62.29 persons that claim benefits under section 469.316, subdivision 2 or 4, as well as persons
 62.30 that own property leased by a qualified business and eligible for benefits under section
 62.31 272.02, subdivision 64, or 297A.68, subdivision 37, paragraph (b).

62.32 Subd. 3. **Disposition of repayment.** The repayment must be paid to the state to
 62.33 the extent it represents a state tax reduction and to the county to the extent it represents a
 62.34 property tax reduction. Any amount repaid to the state must be deposited in the general
 62.35 fund. Any amount repaid to the county for the property tax exemption must be distributed
 62.36 to the ~~local governments~~ taxing authorities with authority to levy taxes in the zone in the

63.1 same manner provided for distribution of payment of delinquent property taxes. Any
 63.2 repayment of local sales taxes must be repaid to the commissioner for distribution to the
 63.3 city or county imposing the local sales tax.

63.4 Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under
 63.5 chapter 290 or 297A or local taxes collected pursuant to section 297A.99, a business must
 63.6 file an amended return with the commissioner of revenue and pay any taxes required
 63.7 to be repaid within 30 days after ~~ceasing to do business in the zone~~ becoming subject
 63.8 to repayment under this section. The amount required to be repaid is determined by
 63.9 calculating the tax for the period or periods for which repayment is required without
 63.10 regard to the exemptions and credits allowed under section 469.315.

63.11 (b) For the repayment of taxes imposed under chapter 297B, a business must pay any
 63.12 taxes required to be repaid to the motor vehicle registrar, as agent for the commissioner
 63.13 of revenue, within 30 days after ~~ceasing to do business in the zone~~ becoming subject
 63.14 to repayment under this section.

63.15 (c) For the repayment of property taxes, the county auditor shall prepare a tax
 63.16 statement for the business, applying the applicable tax extension rates for each payable
 63.17 year and provide a copy to the business and to the taxpayer of record. The business must
 63.18 pay the taxes to the county treasurer within 30 days after receipt of the tax statement.
 63.19 The business or the taxpayer of record may appeal the valuation and determination of the
 63.20 property tax to the Tax Court within 30 days after receipt of the tax statement.

63.21 (d) The provisions of chapters 270C and 289A relating to the commissioner's
 63.22 authority to audit, assess, and collect the tax and to hear appeals are applicable to the
 63.23 repayment required under paragraphs (a) and (b). The commissioner may impose civil
 63.24 penalties as provided in chapter 289A, and the additional tax and penalties are subject to
 63.25 interest at the rate provided in section 270C.40, from 30 days after ~~ceasing to do business~~
 63.26 ~~in the job opportunity building zone~~ becoming subject to repayment under this section
 63.27 until the date the tax is paid.

63.28 (e) If a property tax is not repaid under paragraph (c), the county treasurer shall add
 63.29 the amount required to be repaid to the property taxes assessed against the property for
 63.30 payment in the year following the year in which the ~~treasurer discovers that the business~~
 63.31 ~~ceased to operate in the job opportunity building zone~~ auditor provided the statement
 63.32 under paragraph (c).

63.33 (f) For determining the tax required to be repaid, a ~~tax~~ reduction of a state or local
 63.34 sales or use tax is deemed to have been received on the date that the ~~tax would have~~
 63.35 ~~been due if the taxpayer had not been entitled to the exemption or on the date a refund~~
 63.36 ~~was issued for a refundable tax credit.~~ good or service was purchased or first put to a

64.1 taxable use. In the case of an income tax or franchise tax, including the credit payable
 64.2 under section 469.318, a reduction of tax is deemed to have been received for the two
 64.3 most recent tax years that have ended prior to the date that the business became subject to
 64.4 repayment under this section. In the case of a property tax, a reduction of tax is deemed to
 64.5 have been received for the taxes payable in the year that the business became subject to
 64.6 repayment under this section and for the taxes payable in the prior year.

64.7 (g) The commissioner may assess the repayment of taxes under paragraph (d)
 64.8 any time within two years after the business ceases to operate in the job opportunity
 64.9 ~~building zone~~ becomes subject to repayment under subdivision 1, or within any period of
 64.10 limitations for the assessment of tax under section 289A.38, whichever period is later. The
 64.11 county auditor may send the statement under paragraph (c) any time within three years
 64.12 after the business becomes subject to repayment under subdivision 1.

64.13 (h) A business is not entitled to any income tax or franchise tax benefits, including
 64.14 refundable credits, for any part of the year in which the business becomes subject to
 64.15 repayment under this section nor for any year thereafter. Property is not exempt from tax
 64.16 under section 272.02, subdivision 64, for any taxes payable in the year following the year
 64.17 in which the property became subject to repayment under this section nor for any year
 64.18 thereafter. A business is not eligible for any sales tax benefits beginning with goods
 64.19 or services purchased or first put to a taxable use on the day that the business becomes
 64.20 subject to repayment under this section.

64.21 Subd. 5. **Waiver authority.** (a) The commissioner may waive all or part of a
 64.22 repayment required under subdivision 1, if the commissioner, in consultation with
 64.23 the commissioner of employment and economic development and appropriate officials
 64.24 from the local government units in which the qualified business is located, determines
 64.25 that requiring repayment of the tax is not in the best interest of the state or the local
 64.26 government units and the business ceased operating as a result of circumstances beyond
 64.27 its control including, but not limited to:

- 64.28 (1) a natural disaster;
- 64.29 (2) unforeseen industry trends; or
- 64.30 (3) loss of a major supplier or customer.

64.31 (b)(1) The commissioner shall waive repayment required under subdivision 1a if
 64.32 the commissioner has waived repayment by the operating business under subdivision 1,
 64.33 unless the person that received benefits without having to operate a business in the zone
 64.34 was a contributing factor in the qualified business becoming subject to repayment under
 64.35 subdivision 1;

65.1 (2) the commissioner shall waive the repayment required under subdivision 1a, even
 65.2 if the repayment has not been waived for the operating business if:

65.3 (i) the person that received benefits without having to operate a business in the zone
 65.4 and the business that operated in the zone are not related parties as defined in section
 65.5 267(b) of the Internal Revenue Code of 1986, as amended through December 31, 2007; and

65.6 (ii) actions of the person were not a contributing factor in the qualified business
 65.7 becoming subject to repayment under subdivision 1.

65.8 Subd. 6. **Reconciliation.** Where this section is inconsistent with section 116J.994,
 65.9 subdivision 3, paragraph (e), or 6, or any other provisions of sections 116J.993 to
 65.10 116J.995, this section prevails.

65.11 **EFFECTIVE DATE.** The amendment to subdivision 4, paragraph (c), of this
 65.12 section is effective the day following final enactment. The amendment to subdivision 4,
 65.13 paragraph (f), is effective January 1, 2008, and applies to all businesses that become
 65.14 subject to this section in 2008 and thereafter. The rest of this section is effective
 65.15 retroactively from January 1, 2004, except that for violations that occur before the day
 65.16 following final enactment, this section does not apply if the business has repaid the
 65.17 benefits or the commissioner has granted a waiver.

65.18 Sec. 2. **[469.319] BREACH OF AGREEMENTS BY BUSINESSES THAT**
 65.19 **CONTINUE TO OPERATE IN ZONE.**

65.20 (a) A "business in violation of its business subsidy agreement but not subject to
 65.21 section 469.319" means a business that is operating in violation of the business subsidy
 65.22 agreement but maintains a level of operations in the zone that does not subject it to the
 65.23 repayment provisions of section 469.319, subdivision 1, clause (1).

65.24 (b) A business described in paragraph (a) that does not sign a new or amended
 65.25 business subsidy agreement, as authorized under paragraph (h), is subject to repayment
 65.26 of benefits under section 469.319 from the day that it ceases to perform in the zone a
 65.27 substantial level of activities described in the business subsidy agreement.

65.28 (c) A business described in paragraph (a) ceases being a qualified business after the
 65.29 last day that it has to meet the goals stated in the agreement.

65.30 (d) A business is not entitled to any income tax or franchise tax benefits, including
 65.31 refundable credits, for any part of the year in which the business is no longer a qualified
 65.32 business under paragraph (c), and thereafter. A business is not eligible for sales tax
 65.33 benefits beginning with goods or services purchased or put to a taxable use on the day that
 65.34 it is no longer a qualified business under paragraph (c). Property is not exempt from tax

66.1 under section 272.02, subdivision 64, for any taxes payable in the year following the year
66.2 in which the business is no longer a qualified business under paragraph (c), and thereafter.

66.3 (e) A business described in paragraph (a) that wants to resume eligibility for benefits
66.4 under section 469.315 must request that the commissioner of employment and economic
66.5 development determine the length of time that the business is ineligible for benefits. The
66.6 commissioner shall determine the length of ineligibility by applying the proportionate
66.7 level of performance under the agreement to the total duration of the zone as measured
66.8 from the date that the business subsidy agreement was executed. The length of time
66.9 must not be less than one full year for each tax benefit listed in section 469.315. The
66.10 commissioner of employment and economic development and the appropriate local
66.11 government officials shall consult with the commissioner of revenue to ensure that the
66.12 period of ineligibility includes at least one full year of benefits for each tax.

66.13 (f) The length of ineligibility determined under paragraph (e) must be applied by
66.14 reducing the zone duration for the property by the duration of the ineligibility.

66.15 (g) The zone duration of property that has been adjusted under paragraph (f) must
66.16 not be altered again to permit the business additional benefits under section 469.315.

66.17 (h) A business described in paragraph (a) becomes eligible for benefits available
66.18 under section 469.315 by entering into a new or amended business subsidy agreement
66.19 with the appropriate local government unit. The new or amended agreement must cover
66.20 a period beginning from the date of ineligibility under the original business subsidy
66.21 agreement, through the zone duration determined by the commissioner under paragraph
66.22 (f). No exemption of property taxes under section 272.02, subdivision 64, is available
66.23 under the new or amended agreement for property taxes due or paid before the date of
66.24 the final execution of the new or amended agreement, but unpaid taxes due after that
66.25 date need not be paid.

66.26 (i) A business that violates the terms of an agreement authorized under paragraph
66.27 (h) is permanently barred from seeking benefits under section 469.315 and is subject to
66.28 the repayment provisions under section 469.319 effective from the day that the business
66.29 ceases to operate as a qualified business in the zone under the second agreement.

66.30 **EFFECTIVE DATE.** This section is effective retroactively from January 1, 2004.
66.31 For violations that occur before the day following final enactment, this section does not
66.32 apply if the business has repaid the benefits or the commissioner has granted a waiver.

66.33 Sec. 3. **[469.3192] PROHIBITION AGAINST AMENDMENTS TO BUSINESS**
66.34 **SUBSIDY AGREEMENT.**

67.1 Except as authorized under section 469.3191, under no circumstance shall terms
67.2 of any agreement required as a condition for eligibility for benefits listed under section
67.3 469.315 be amended to change job creation, job retention, or wage goals included in
67.4 the agreement.

67.5 **EFFECTIVE DATE.** This section is effective the day following final enactment
67.6 and applies to all agreements executed before, on, or after the effective date.

67.7 Sec. 4. **[469.3193] CERTIFICATION OF CONTINUING ELIGIBILITY FOR**
67.8 **JOBZ BENEFITS.**

67.9 (a) By December 1 of each year, every qualified business must certify to the
67.10 commissioner, on a form prescribed by the commissioner, whether it is in compliance with
67.11 any agreement required as a condition for eligibility for benefits listed under section
67.12 469.315. A business that fails to submit the certification, or any business, including
67.13 those still operating in the zone, that submits a certification that the commissioner later
67.14 determines materially misrepresents the business's compliance with the agreement, is
67.15 subject to the repayment provisions under section 469.319 from January 1 of the year in
67.16 which the report is due or the date that the business became subject to section 469.319,
67.17 whichever is earlier. Any such business is permanently barred from obtaining benefits
67.18 under section 469.315. For purposes of this section, the bar applies to an entity and
67.19 also applies to any individuals or entities that have an ownership interest of at least 20
67.20 percent of the entity.

67.21 (b) Before the sanctions under paragraph (a) apply to a business that fails to submit
67.22 the certification, the commissioner shall send notice to the business, demanding that the
67.23 certification be submitted within 30 days and advising the business of the consequences
67.24 for failing to do so. The commissioner shall notify the commissioner of revenue and the
67.25 appropriate job opportunity subzone administrator whenever notice is sent to a business
67.26 under this paragraph.

67.27 (c) The certification required under this section is public.

67.28 (d) The commissioner shall promptly notify the commissioner of revenue of all
67.29 businesses that certify that they are not in compliance with the terms of their business
67.30 subsidy agreement and all businesses that fail to file the certification.

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

ARTICLE 6
MISCELLANEOUS

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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, is amended to read:

Subd. 2. **Agency participation.** (a) A referring agency may, at its option, refer debts to the commissioner for collection. ~~The ultimate 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.~~

69.1 Decisions with regard to continuing collection and the uncollectibility of referred debts
 69.2 shall be made by the commissioner who shall then notify the commissioner of finance and
 69.3 the referring agency. A decision by the commissioner that a referred debt is uncollectible
 69.4 does not prevent the referring agency from taking additional collection action.

69.5 (b) When a debt owed to a state agency becomes 121 days past due, the state agency
 69.6 must refer the debt to the commissioner for collection. This requirement does not apply
 69.7 if there is a dispute over the amount or validity of the debt, if the debt is the subject of
 69.8 legal action or administrative proceedings, or the agency determines that the debtor is
 69.9 adhering to acceptable payment arrangements. The commissioner, in consultation with the
 69.10 commissioner of finance, may provide that certain types of debt need not be referred to the
 69.11 commissioner for collection under this paragraph. Methods and procedures for referral
 69.12 must follow internal guidelines prepared by the commissioner of finance.

69.13 (c) If the referring agency is a court, the court must furnish a debtor's Social Security
 69.14 number to the commissioner when the court refers the debt.

69.15 **EFFECTIVE DATE.** This section is effective for debts referred after December
 69.16 31, 2008.

69.17 Sec. 4. Minnesota Statutes 2006, section 270A.08, subdivision 1, is amended to read:

69.18 Subdivision 1. **Notice to debtor.** Not later than five days after the claimant agency
 69.19 has sent notification to the department pursuant to section 270A.07, subdivision 1, the
 69.20 claimant agency shall send a written notification to the debtor asserting the right of the
 69.21 claimant agency to the refund or any part thereof. If the notice is returned to the claimant
 69.22 agency as undeliverable, or the claimant agency has reason to believe the debtor did
 69.23 not receive the notice, the claimant agency shall obtain the ~~current~~ last known address
 69.24 of the debtor from the commissioner and resend the corrected notice. If a debt has been
 69.25 referred to the commissioner for collection under chapter 16D, notice is sufficient if the
 69.26 commissioner sends the notice by regular mail to the debtor's last known address as shown
 69.27 in the records of the commissioner.

69.28 **EFFECTIVE DATE.** This section is effective for debts referred after December
 69.29 31, 2008.

69.30 Sec. 5. Minnesota Statutes 2006, section 270C.33, subdivision 5, is amended to read:

69.31 Subd. 5. **Prohibition against collection during appeal period of an order.** No
 69.32 collection action can be taken on an order of assessment, or any other order imposing a
 69.33 liability, including the filing of liens under section 270C.63, and no late payment penalties

70.1 may be imposed when a return has been filed for the tax type and period upon which the
70.2 order is based, during the appeal period of an order. The appeal period of an order ends:
70.3 (1) 60 days after the order has been mailed to the taxpayer by the commissioner; (2) if an
70.4 administrative appeal is filed under section 270C.35, 60 days after determination of the
70.5 administrative appeal; (3) if an appeal to Tax Court is filed under chapter 271, when the
70.6 decision of the Tax Court is made; or (4) if an appeal to Tax Court is filed and the appeal is
70.7 based upon a constitutional challenge to the tax, 60 days after final determination of the
70.8 appeal. This subdivision does not apply to a jeopardy assessment under section 270C.36,
70.9 or a jeopardy collection under section 270C.36.

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