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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SIXTH
SESSION

HOUSE FILE No. **2971**

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

A bill for an act

relating to taxation; making technical, administrative, and clarifying changes to individual income, corporate franchise, estate, sales and use, gross receipts, cigarette, tobacco, insurance, property, credits, payments, minerals, local government aid, job opportunity building zones, emergency debt certificates, and various taxes and tax-related provisions; amending Minnesota Statutes 2008, sections 60A.209, subdivision 1; 270C.34, subdivision 1; 270C.87; 272.029, subdivision 7; 275.71, subdivision 5; 279.37, subdivision 1; 289A.08, subdivision 7; 289A.12, subdivision 14; 289A.30, subdivision 2; 289A.60, subdivision 7; 290.067, subdivision 1; 290.0921, subdivision 3; 295.55, subdivisions 2, 3; 297A.62, by adding a subdivision; 297A.665; 297A.68, subdivision 39; 297A.70, subdivision 13; 297F.07, subdivision 4; 297I.30, subdivisions 1, 2, 7, 8; 297I.40, subdivisions 1, 5; 298.282, subdivision 1; 469.319, subdivision 5; 469.3193; Minnesota Statutes 2009 Supplement, sections 134.34, subdivision 4; 273.114, subdivision 2; 275.065, subdivision 3; 275.70, subdivision 5; 289A.18, subdivision 1; 290.01, subdivisions 19a, 19b, 19d; 290.06, subdivision 2c; 290.0671, subdivision 1; 290.091, subdivision 2; 297I.35, subdivision 2; 475.755; 477A.013, subdivision 8; Laws 2001, First Special Session chapter 5, article 3, section 50, as amended; Laws 2009, chapter 88, article 4, section 5; repealing Minnesota Statutes 2008, section 297I.30, subdivisions 4, 5, 6.

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

ARTICLE 1

INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES

Section 1. Minnesota Statutes 2008, section 289A.08, subdivision 7, is amended to read:

Subd. 7. Composite income tax returns for nonresident partners, shareholders, and beneficiaries. (a) The commissioner may allow a partnership with nonresident partners to file a composite return and to pay the tax on behalf of nonresident partners who have no other Minnesota source income. This composite return must include the names,

2.1 addresses, Social Security numbers, income allocation, and tax liability for the nonresident
2.2 partners electing to be covered by the composite return.

2.3 (b) The computation of a partner's tax liability must be determined by multiplying
2.4 the income allocated to that partner by the highest rate used to determine the tax liability
2.5 for individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard
2.6 deductions, or personal exemptions are not allowed.

2.7 (c) The partnership must submit a request to use this composite return filing method
2.8 for nonresident partners. The requesting partnership must file a composite return in the
2.9 form prescribed by the commissioner of revenue. The filing of a composite return is
2.10 considered a request to use the composite return filing method.

2.11 (d) The electing partner must not have any Minnesota source income other than
2.12 the income from the partnership and other electing partnerships. If it is determined that
2.13 the electing partner has other Minnesota source income, the inclusion of the income
2.14 and tax liability for that partner under this provision will not constitute a return to
2.15 satisfy the requirements of subdivision 1. The tax paid for the individual as part of the
2.16 composite return is allowed as a payment of the tax by the individual on the date on
2.17 which the composite return payment was made. If the electing nonresident partner has no
2.18 other Minnesota source income, filing of the composite return is a return for purposes of
2.19 subdivision 1.

2.20 (e) This subdivision does not negate the requirement that an individual pay estimated
2.21 tax if the individual's liability would exceed the requirements set forth in section 289A.25.
2.22 A composite estimate may, however, be filed in a manner similar to and containing the
2.23 information required under paragraph (a).

2.24 (f) If an electing partner's share of the partnership's gross income from Minnesota
2.25 sources is less than the filing requirements for a nonresident under this subdivision, the tax
2.26 liability is zero. However, a statement showing the partner's share of gross income must
2.27 be included as part of the composite return.

2.28 (g) The election provided in this subdivision is only available to a partner who has
2.29 no other Minnesota source income and who is either (1) a full-year nonresident individual
2.30 or (2) a trust or estate that does not claim a deduction under either section 651 or 661 of
2.31 the Internal Revenue Code.

2.32 (h) A corporation defined in section 290.9725 and its nonresident shareholders may
2.33 make an election under this paragraph. The provisions covering the partnership apply to
2.34 the corporation and the provisions applying to the partner apply to the shareholder.

2.35 (i) Estates and trusts distributing current income only and the nonresident individual
2.36 beneficiaries of the estates or trusts may make an election under this paragraph. The

3.1 provisions covering the partnership apply to the estate or trust. The provisions applying to
 3.2 the partner apply to the beneficiary.

3.3 (j) For the purposes of this subdivision, "income" means the partner's share of
 3.4 federal adjusted gross income from the partnership modified by the additions provided in
 3.5 section 290.01, subdivision 19a, clauses (6) to (10), and the subtractions provided in: (i)
 3.6 section 290.01, subdivision 19b, clause ~~(9)~~ (8), to the extent the amount is assignable or
 3.7 allocable to Minnesota under section 290.17; and (ii) section 290.01, subdivision 19b,
 3.8 clause ~~(14)~~ (13). The subtraction allowed under section 290.01, subdivision 19b, clause
 3.9 ~~(9)~~ (8), is only allowed on the composite tax computation to the extent the electing partner
 3.10 would have been allowed the subtraction.

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

3.12 Sec. 2. Minnesota Statutes 2008, section 289A.12, subdivision 14, is amended to read:

3.13 Subd. 14. **Regulated investment companies; reporting exempt-interest**
 3.14 **dividends.** (a) A regulated investment company paying \$10 or more in exempt-interest
 3.15 dividends to an individual who is a resident of Minnesota must make a return indicating
 3.16 the amount of the exempt-interest dividends, the name, address, and Social Security
 3.17 number of the recipient, and any other information that the commissioner specifies. The
 3.18 return must be provided to the shareholder ~~no later than 30 days after the close of the~~
 3.19 ~~taxable year~~ by February 15 of the year following the year of the payment. The return
 3.20 provided to the shareholder must include a clear statement, in the form prescribed by the
 3.21 commissioner, that the exempt-interest dividends must be included in the computation of
 3.22 Minnesota taxable income. ~~The regulated investment company is required in a manner~~
 3.23 ~~prescribed by the commissioner to file a copy of the return with the commissioner.~~ By
 3.24 June 1 of each year, the regulated investment company must file a copy of the return
 3.25 with the commissioner.

3.26 (b) This subdivision applies to regulated investment companies required to register
 3.27 under chapter 80A.

3.28 (c) For purposes of this subdivision, the following definitions apply.

3.29 (1) "Exempt-interest dividends" mean exempt-interest dividends as defined in
 3.30 section 852(b)(5) of the Internal Revenue Code, but does not include the portion of
 3.31 exempt-interest dividends that are not required to be added to federal taxable income
 3.32 under section 290.01, subdivision 19a, clause (1)(ii).

3.33 (2) "Regulated investment company" means regulated investment company as
 3.34 defined in section 851(a) of the Internal Revenue Code or a fund of the regulated
 3.35 investment company as defined in section 851(g) of the Internal Revenue Code.

4.1 **EFFECTIVE DATE.** This section is effective for returns due after December 31,
4.2 2010.

4.3 Sec. 3. Minnesota Statutes 2009 Supplement, section 289A.18, subdivision 1, is
4.4 amended to read:

4.5 Subdivision 1. **Individual income, fiduciary income, corporate franchise, and**
4.6 **entertainment taxes; partnership and S corporation returns; information returns;**
4.7 **mining company returns.** The returns required to be made under sections 289A.08 and
4.8 289A.12 must be filed at the following times:

4.9 (1) returns made on the basis of the calendar year must be filed on April 15
4.10 following the close of the calendar year, except that returns of corporations must be filed
4.11 on ~~March 15 following the close of the calendar year~~ the due date for filing the federal
4.12 income tax return;

4.13 (2) returns made on the basis of the fiscal year must be filed on the 15th day of the
4.14 fourth month following the close of the fiscal year, except that returns of corporations
4.15 must be filed on the ~~15th day of the third month following the close of the fiscal year~~ due
4.16 date for filing the federal income tax return;

4.17 (3) returns for a fractional part of a year must be filed on the ~~15th day of the fourth~~
4.18 ~~month following the end of the month in which falls the last day of the period for which~~
4.19 ~~the return is made, except that the returns of corporations must be filed on the 15th day of~~
4.20 ~~the third month following the end of the tax year; or, in the case of a corporation which~~
4.21 ~~is a member of a unitary group, the return of the corporation must be filed on the 15th~~
4.22 ~~day of the third month following the end of the tax year of the unitary group in which~~
4.23 ~~falls the last day of the period for which the return is made~~ due date for filing the federal
4.24 income tax return;

4.25 (4) in the case of a final return of a decedent for a fractional part of a year, the return
4.26 must be filed on the 15th day of the fourth month following the close of the 12-month
4.27 period that began with the first day of that fractional part of a year;

4.28 (5) in the case of the return of a cooperative association, returns must be filed on or
4.29 before the 15th day of the ninth month following the close of the taxable year;

4.30 (6) if a corporation has been divested from a unitary group and files a return for
4.31 a fractional part of a year in which it was a member of a unitary business that files a
4.32 combined report under section 290.17, subdivision 4, the divested corporation's return
4.33 must be filed on the 15th day of the third month following the close of the common
4.34 accounting period that includes the fractional year;

5.1 (7) returns of entertainment entities must be filed on April 15 following the close of
5.2 the calendar year;

5.3 (8) returns required to be filed under section 289A.08, subdivision 4, must be filed
5.4 on the 15th day of the fifth month following the close of the taxable year;

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

5.7 (10) returns required to be filed with the commissioner under section 289A.12,
5.8 subdivision 2, 4 to 10, or 16 must be filed within 30 days after being demanded by the
5.9 commissioner.

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

5.12 Sec. 4. Minnesota Statutes 2008, section 289A.30, subdivision 2, is amended to read:

5.13 Subd. 2. **Estate tax.** Where good cause exists, the commissioner may extend the
5.14 time for payment of estate tax for a period of not more than six months. If an extension to
5.15 pay the federal estate tax has been granted under section 6161 of the Internal Revenue
5.16 Code, the time for payment of the estate tax without penalty is extended for that period. A
5.17 taxpayer who owes at least \$5,000 in taxes and who, under section 6161 or 6166 of the
5.18 Internal Revenue Code has been granted an extension for payment of the tax shown on the
5.19 return, may elect to pay the tax due to the commissioner in equal amounts at the same
5.20 time as required for federal purposes. A taxpayer electing to pay the tax in installments
5.21 shall defer a percentage of tax that does not exceed the percentage of federal tax deferred
5.22 and must notify the commissioner in writing no later than nine months after the death of
5.23 the person whose estate is subject to taxation. If the taxpayer fails to pay an installment on
5.24 time, unless it is shown that the failure is due to reasonable cause, the election is revoked
5.25 and the entire amount of unpaid tax plus accrued interest is due and payable 90 days after
5.26 the date on which the installment was payable.

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

5.28 Sec. 5. Minnesota Statutes 2008, section 289A.60, subdivision 7, is amended to read:

5.29 Subd. 7. **Penalty for frivolous return.** If a taxpayer files what purports to be
5.30 a tax return or a claim for refund but which does not contain information on which
5.31 the substantial correctness of the purported return or claim for refund may be judged
5.32 or contains information that on its face shows that the purported return or claim for
5.33 refund is substantially incorrect and the conduct is due to a position that is frivolous or

6.1 a desire that appears on the purported return or claim for refund to delay or impede the
6.2 administration of Minnesota tax laws, then the ~~individual~~ taxpayer shall pay a penalty of
6.3 the greater of \$1,000 or 25 percent of the amount of tax required to be shown on the
6.4 return. In a proceeding involving the issue of whether or not a ~~person~~ taxpayer is liable for
6.5 this penalty, the burden of proof is on the commissioner.

6.6 **EFFECTIVE DATE.** This section is effective for returns filed after the day
6.7 following final enactment.

6.8 Sec. 6. Minnesota Statutes 2009 Supplement, section 290.01, subdivision 19a, is
6.9 amended to read:

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

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

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

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

6.20 (B) the portion of the exempt-interest dividends derived from interest income
6.21 on obligations of the state of Minnesota or its political or governmental subdivisions,
6.22 municipalities, governmental agencies or instrumentalities, but only if the portion of the
6.23 exempt-interest dividends from such Minnesota sources paid to all shareholders represents
6.24 95 percent or more of the exempt-interest dividends, including any dividends exempt
6.25 under subitem (A), that are paid by the regulated investment company as defined in section
6.26 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as
6.27 defined in section 851(g) of the Internal Revenue Code, making the payment; and

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

6.31 (2) the amount of income, sales and use, motor vehicle sales, or excise taxes paid
6.32 or accrued within the taxable year under this chapter and the amount of taxes based on
6.33 net income paid, sales and use, motor vehicle sales, or excise taxes paid to any other
6.34 state or to any province or territory of Canada, to the extent allowed as a deduction
6.35 under section 63(d) of the Internal Revenue Code, but the addition may not be more

7.1 than the amount by which the itemized deductions as allowed under section 63(d) of
7.2 the Internal Revenue Code exceeds the amount of the standard deduction as defined in
7.3 section 63(c) of the Internal Revenue Code, disregarding the amounts allowed under
7.4 sections 63(c)(1)(C) and 63(c)(1)(E) of the Internal Revenue Code. For the purpose of
7.5 this paragraph, the disallowance of itemized deductions under section 68 of the Internal
7.6 Revenue Code of 1986, income, sales and use, motor vehicle sales, or excise taxes are
7.7 the last itemized deductions disallowed;

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

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

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

7.18 (6) the amount of a partner's pro rata share of net income which does not flow
7.19 through to the partner because the partnership elected to pay the tax on the income under
7.20 section 6242(a)(2) of the Internal Revenue Code;

7.21 (7) 80 percent of the depreciation deduction allowed under section 168(k) of the
7.22 Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that
7.23 in the taxable year generates a deduction for depreciation under section 168(k) and the
7.24 activity generates a loss for the taxable year that the taxpayer is not allowed to claim for
7.25 the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is
7.26 limited to excess of the depreciation claimed by the activity under section 168(k) over the
7.27 amount of the loss from the activity that is not allowed in the taxable year. In succeeding
7.28 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
7.29 under section 168(k) is allowed;

7.30 (8) 80 percent of the amount by which the deduction allowed by section 179 of the
7.31 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
7.32 Revenue Code of 1986, as amended through December 31, 2003;

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

7.35 (10) the exclusion allowed under section 139A of the Internal Revenue Code for
7.36 federal subsidies for prescription drug plans;

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

8.2 (12) the amount deducted for qualified tuition and related expenses under section
8.3 222 of the Internal Revenue Code, to the extent deducted from gross income;

8.4 (13) the amount deducted for certain expenses of elementary and secondary school
8.5 teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted
8.6 from gross income;

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

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

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

8.13 (17) the amount of unemployment compensation exempt from tax under section
8.14 85(c) of the Internal Revenue Code.

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

8.16 Sec. 7. Minnesota Statutes 2009 Supplement, section 290.01, subdivision 19b, is
8.17 amended to read:

8.18 Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates,
8.19 and trusts, there shall be subtracted from federal taxable income:

8.20 (1) net interest income on obligations of any authority, commission, or
8.21 instrumentality of the United States to the extent includable in taxable income for federal
8.22 income tax purposes but exempt from state income tax under the laws of the United States;

8.23 (2) if included in federal taxable income, the amount of any overpayment of income
8.24 tax to Minnesota or to any other state, for any previous taxable year, whether the amount
8.25 is received as a refund or as a credit to another taxable year's income tax liability;

8.26 (3) the amount paid to others, less the amount used to claim the credit allowed under
8.27 section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten
8.28 to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and
8.29 transportation of each qualifying child in attending an elementary or secondary school
8.30 situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a
8.31 resident of this state may legally fulfill the state's compulsory attendance laws, which
8.32 is not operated for profit, and which adheres to the provisions of the Civil Rights Act
8.33 of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or
8.34 tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause,
8.35 "textbooks" includes books and other instructional materials and equipment purchased

9.1 or leased for use in elementary and secondary schools in teaching only those subjects
9.2 legally and commonly taught in public elementary and secondary schools in this state.
9.3 Equipment expenses qualifying for deduction includes expenses as defined and limited in
9.4 section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional
9.5 books and materials used in the teaching of religious tenets, doctrines, or worship, the
9.6 purpose of which is to instill such tenets, doctrines, or worship, nor does it include books
9.7 or materials for, or transportation to, extracurricular activities including sporting events,
9.8 musical or dramatic events, speech activities, driver's education, or similar programs. No
9.9 deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or
9.10 the qualifying child's vehicle to provide such transportation for a qualifying child. For
9.11 purposes of the subtraction provided by this clause, "qualifying child" has the meaning
9.12 given in section 32(c)(3) of the Internal Revenue Code;

9.13 (4) income as provided under section 290.0802;

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

9.16 (6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E)
9.17 of the Internal Revenue Code in determining federal taxable income by an individual
9.18 who does not itemize deductions for federal income tax purposes for the taxable year, an
9.19 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable
9.20 as a deduction for the taxable year under section 170(a) of the Internal Revenue Code and
9.21 under the provisions of Public Law 109-1;

9.22 ~~(7) for taxable years beginning before January 1, 2008, the amount of the federal~~
9.23 ~~small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code~~
9.24 ~~which is included in gross income under section 87 of the Internal Revenue Code;~~

9.25 ~~(8)~~ (7) for individuals who are allowed a federal foreign tax credit for taxes that do
9.26 not qualify for a credit under section 290.06, subdivision 22, an amount equal to the
9.27 carryover of subnational foreign taxes for the taxable year, but not to exceed the total
9.28 subnational foreign taxes reported in claiming the foreign tax credit. For purposes of
9.29 this clause, "federal foreign tax credit" means the credit allowed under section 27 of the
9.30 Internal Revenue Code, and "carryover of subnational foreign taxes" equals the carryover
9.31 allowed under section 904(c) of the Internal Revenue Code minus national level foreign
9.32 taxes to the extent they exceed the federal foreign tax credit;

9.33 ~~(9)~~ (8) in each of the five tax years immediately following the tax year in which an
9.34 addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case
9.35 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth
9.36 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means

10.1 the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or
10.2 subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the
10.3 positive value of any net operating loss under section 172 of the Internal Revenue Code
10.4 generated for the tax year of the addition. The resulting delayed depreciation cannot be
10.5 less than zero;

10.6 ~~(10)~~ (9) job opportunity building zone income as provided under section 469.316;

10.7 ~~(11)~~ (10) to the extent included in federal taxable income, the amount of
10.8 compensation paid to members of the Minnesota National Guard or other reserve
10.9 components of the United States military for active service performed in Minnesota,
10.10 excluding compensation for services performed under the Active Guard Reserve (AGR)
10.11 program. For purposes of this clause, "active service" means (i) state active service as
10.12 defined in section 190.05, subdivision 5a, clause (1); (ii) federally funded state active
10.13 service as defined in section 190.05, subdivision 5b; or (iii) federal active service as
10.14 defined in section 190.05, subdivision 5c, but "active service" excludes service performed
10.15 in accordance with section 190.08, subdivision 3;

10.16 ~~(12)~~ (11) to the extent included in federal taxable income, the amount of
10.17 compensation paid to Minnesota residents who are members of the armed forces of the
10.18 United States or United Nations for active duty performed outside Minnesota under United
10.19 States Code, title 10, section 101(d); United States Code, title 32, section 101(12); or the
10.20 authority of the United Nations;

10.21 ~~(13)~~ (12) an amount, not to exceed \$10,000, equal to qualified expenses related to a
10.22 qualified donor's donation, while living, of one or more of the qualified donor's organs
10.23 to another person for human organ transplantation. For purposes of this clause, "organ"
10.24 means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;
10.25 "human organ transplantation" means the medical procedure by which transfer of a human
10.26 organ is made from the body of one person to the body of another person; "qualified
10.27 expenses" means unreimbursed expenses for both the individual and the qualified donor
10.28 for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses
10.29 may be subtracted under this clause only once; and "qualified donor" means the individual
10.30 or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An
10.31 individual may claim the subtraction in this clause for each instance of organ donation for
10.32 transplantation during the taxable year in which the qualified expenses occur;

10.33 ~~(14)~~ (13) in each of the five tax years immediately following the tax year in which an
10.34 addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a
10.35 shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the
10.36 addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the

11.1 case of a shareholder of a corporation that is an S corporation, minus the positive value of
 11.2 any net operating loss under section 172 of the Internal Revenue Code generated for the
 11.3 tax year of the addition. If the net operating loss exceeds the addition for the tax year, a
 11.4 subtraction is not allowed under this clause;

11.5 ~~(15)~~ (14) to the extent included in federal taxable income, compensation paid to a
 11.6 service member as defined in United States Code, title 10, section 101(a)(5), for military
 11.7 service as defined in the Servicemembers Civil Relief Act, Public Law 108-189, section
 11.8 101(2);

11.9 ~~(16)~~ (15) international economic development zone income as provided under
 11.10 section 469.325;

11.11 ~~(17)~~ (16) to the extent included in federal taxable income, the amount of national
 11.12 service educational awards received from the National Service Trust under United States
 11.13 Code, title 42, sections 12601 to 12604, for service in an approved Americorps National
 11.14 Service program; and

11.15 ~~(18)~~ (17) to the extent included in federal taxable income, discharge of indebtedness
 11.16 income resulting from reacquisition of business indebtedness included in federal taxable
 11.17 income under section 108(i) of the Internal Revenue Code. This subtraction applies only
 11.18 to the extent that the income was included in net income in a prior year as a result of the
 11.19 addition under section 290.01, subdivision 19a, clause (16).

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

11.21 Sec. 8. Minnesota Statutes 2009 Supplement, section 290.01, subdivision 19d, is
 11.22 amended to read:

11.23 Subd. 19d. **Corporations; modifications decreasing federal taxable income.** For
 11.24 corporations, there shall be subtracted from federal taxable income after the increases
 11.25 provided in subdivision 19c:

11.26 (1) the amount of foreign dividend gross-up added to gross income for federal
 11.27 income tax purposes under section 78 of the Internal Revenue Code;

11.28 (2) the amount of salary expense not allowed for federal income tax purposes due to
 11.29 claiming the work opportunity credit under section 51 of the Internal Revenue Code;

11.30 (3) any dividend (not including any distribution in liquidation) paid within the
 11.31 taxable year by a national or state bank to the United States, or to any instrumentality of
 11.32 the United States exempt from federal income taxes, on the preferred stock of the bank
 11.33 owned by the United States or the instrumentality;

12.1 (4) amounts disallowed for intangible drilling costs due to differences between
12.2 this chapter and the Internal Revenue Code in taxable years beginning before January
12.3 1, 1987, as follows:

12.4 (i) to the extent the disallowed costs are represented by physical property, an amount
12.5 equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09,
12.6 subdivision 7, subject to the modifications contained in subdivision 19e; and

12.7 (ii) to the extent the disallowed costs are not represented by physical property, an
12.8 amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section
12.9 290.09, subdivision 8;

12.10 (5) the deduction for capital losses pursuant to sections 1211 and 1212 of the
12.11 Internal Revenue Code, except that:

12.12 (i) for capital losses incurred in taxable years beginning after December 31, 1986,
12.13 capital loss carrybacks shall not be allowed;

12.14 (ii) for capital losses incurred in taxable years beginning after December 31, 1986,
12.15 a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be
12.16 allowed;

12.17 (iii) for capital losses incurred in taxable years beginning before January 1, 1987, a
12.18 capital loss carryback to each of the three taxable years preceding the loss year, subject to
12.19 the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

12.20 (iv) for capital losses incurred in taxable years beginning before January 1, 1987,
12.21 a capital loss carryover to each of the five taxable years succeeding the loss year to the
12.22 extent such loss was not used in a prior taxable year and subject to the provisions of
12.23 Minnesota Statutes 1986, section 290.16, shall be allowed;

12.24 (6) an amount for interest and expenses relating to income not taxable for federal
12.25 income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and
12.26 expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or
12.27 291 of the Internal Revenue Code in computing federal taxable income;

12.28 (7) in the case of mines, oil and gas wells, other natural deposits, and timber for
12.29 which percentage depletion was disallowed pursuant to subdivision 19c, clause (9), a
12.30 reasonable allowance for depletion based on actual cost. In the case of leases the deduction
12.31 must be apportioned between the lessor and lessee in accordance with rules prescribed
12.32 by the commissioner. In the case of property held in trust, the allowable deduction must
12.33 be apportioned between the income beneficiaries and the trustee in accordance with the
12.34 pertinent provisions of the trust, or if there is no provision in the instrument, on the basis
12.35 of the trust's income allocable to each;

13.1 (8) for certified pollution control facilities placed in service in a taxable year
13.2 beginning before December 31, 1986, and for which amortization deductions were elected
13.3 under section 169 of the Internal Revenue Code of 1954, as amended through December
13.4 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes
13.5 1986, section 290.09, subdivision 7;

13.6 (9) amounts included in federal taxable income that are due to refunds of income,
13.7 excise, or franchise taxes based on net income or related minimum taxes paid by the
13.8 corporation to Minnesota, another state, a political subdivision of another state, the
13.9 District of Columbia, or a foreign country or possession of the United States to the extent
13.10 that the taxes were added to federal taxable income under section 290.01, subdivision 19c,
13.11 clause (1), in a prior taxable year;

13.12 (10) 80 percent of royalties, fees, or other like income accrued or received from a
13.13 foreign operating corporation or a foreign corporation which is part of the same unitary
13.14 business as the receiving corporation, unless the income resulting from such payments or
13.15 accruals is income from sources within the United States as defined in subtitle A, chapter
13.16 1, subchapter N, part 1, of the Internal Revenue Code;

13.17 (11) income or gains from the business of mining as defined in section 290.05,
13.18 subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

13.19 (12) the amount of disability access expenditures in the taxable year which are not
13.20 allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

13.21 (13) the amount of qualified research expenses not allowed for federal income tax
13.22 purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that
13.23 the amount exceeds the amount of the credit allowed under section 290.068;

13.24 (14) the amount of salary expenses not allowed for federal income tax purposes due
13.25 to claiming the Indian employment credit under section 45A(a) of the Internal Revenue
13.26 Code;

13.27 ~~(15) for taxable years beginning before January 1, 2008, the amount of the federal~~
13.28 ~~small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code~~
13.29 ~~which is included in gross income under section 87 of the Internal Revenue Code;~~

13.30 ~~(16)~~ (15) for a corporation whose foreign sales corporation, as defined in section
13.31 922 of the Internal Revenue Code, constituted a foreign operating corporation during any
13.32 taxable year ending before January 1, 1995, and a return was filed by August 15, 1996,
13.33 claiming the deduction under section 290.21, subdivision 4, for income received from
13.34 the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of
13.35 income excluded under section 114 of the Internal Revenue Code, provided the income is
13.36 not income of a foreign operating company;

14.1 ~~(17)~~ (16) any decrease in subpart F income, as defined in section 952(a) of the
 14.2 Internal Revenue Code, for the taxable year when subpart F income is calculated without
 14.3 regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

14.4 ~~(18)~~ (17) in each of the five tax years immediately following the tax year in which
 14.5 an addition is required under subdivision 19c, clause (15), an amount equal to one-fifth
 14.6 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means
 14.7 the amount of the addition made by the taxpayer under subdivision 19c, clause (15). The
 14.8 resulting delayed depreciation cannot be less than zero;

14.9 ~~(19)~~ (18) in each of the five tax years immediately following the tax year in which an
 14.10 addition is required under subdivision 19c, clause (16), an amount equal to one-fifth of
 14.11 the amount of the addition; and

14.12 ~~(20)~~ (19) to the extent included in federal taxable income, discharge of indebtedness
 14.13 income resulting from reacquisition of business indebtedness included in federal taxable
 14.14 income under section 108(i) of the Internal Revenue Code. This subtraction applies only
 14.15 to the extent that the income was included in net income in a prior year as a result of the
 14.16 addition under section 290.01, subdivision 19c, clause (25).

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

14.18 Sec. 9. Minnesota Statutes 2009 Supplement, section 290.06, subdivision 2c, is
 14.19 amended to read:

14.20 Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income
 14.21 taxes imposed by this chapter upon married individuals filing joint returns and surviving
 14.22 spouses as defined in section 2(a) of the Internal Revenue Code must be computed by
 14.23 applying to their taxable net income the following schedule of rates:

- 14.24 (1) On the first \$25,680, 5.35 percent;
- 14.25 (2) On all over \$25,680, but not over \$102,030, 7.05 percent;
- 14.26 (3) On all over \$102,030, 7.85 percent.

14.27 Married individuals filing separate returns, estates, and trusts must compute their
 14.28 income tax by applying the above rates to their taxable income, except that the income
 14.29 brackets will be one-half of the above amounts.

14.30 (b) The income taxes imposed by this chapter upon unmarried individuals must be
 14.31 computed by applying to taxable net income the following schedule of rates:

- 14.32 (1) On the first \$17,570, 5.35 percent;
- 14.33 (2) On all over \$17,570, but not over \$57,710, 7.05 percent;
- 14.34 (3) On all over \$57,710, 7.85 percent.

15.1 (c) The income taxes imposed by this chapter upon unmarried individuals qualifying
 15.2 as a head of household as defined in section 2(b) of the Internal Revenue Code must be
 15.3 computed by applying to taxable net income the following schedule of rates:

15.4 (1) On the first \$21,630, 5.35 percent;

15.5 (2) On all over \$21,630, but not over \$86,910, 7.05 percent;

15.6 (3) On all over \$86,910, 7.85 percent.

15.7 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the
 15.8 tax of any individual taxpayer whose taxable net income for the taxable year is less than
 15.9 an amount determined by the commissioner must be computed in accordance with tables
 15.10 prepared and issued by the commissioner of revenue based on income brackets of not
 15.11 more than \$100. The amount of tax for each bracket shall be computed at the rates set
 15.12 forth in this subdivision, provided that the commissioner may disregard a fractional part of
 15.13 a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

15.14 (e) An individual who is not a Minnesota resident for the entire year must compute
 15.15 the individual's Minnesota income tax as provided in this subdivision. After the
 15.16 application of the nonrefundable credits provided in this chapter, the tax liability must
 15.17 then be multiplied by a fraction in which:

15.18 (1) the numerator is the individual's Minnesota source federal adjusted gross income
 15.19 as defined in section 62 of the Internal Revenue Code and increased by the additions
 15.20 required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12),
 15.21 (13), (16), and (17), and reduced by the Minnesota assignable portion of the subtraction
 15.22 for United States government interest under section 290.01, subdivision 19b, clause
 15.23 (1), and the subtractions under section 290.01, subdivision 19b, clauses ~~(9), (10), (14),~~
 15.24 ~~(15), (16), and (18)~~ (8), (9), (13), (14), (15), and (17), after applying the allocation and
 15.25 assignability provisions of section 290.081, clause (a), or 290.17; and

15.26 (2) the denominator is the individual's federal adjusted gross income as defined in
 15.27 section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in
 15.28 section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12), (13), (16), and
 15.29 (17), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1),
 15.30 ~~(9), (10), (14), (15), (16), and (18)~~ (8), (9), (13), (14), (15), and (17).

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

15.32 Sec. 10. Minnesota Statutes 2008, section 290.067, subdivision 1, is amended to read:

15.33 Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the
 15.34 tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the
 15.35 dependent care credit for which the taxpayer is eligible pursuant to the provisions of

16.1 section 21 of the Internal Revenue Code subject to the limitations provided in subdivision
16.2 2 except that in determining whether the child qualified as a dependent, income received
16.3 as a Minnesota family investment program grant or allowance to or on behalf of the child
16.4 must not be taken into account in determining whether the child received more than half
16.5 of the child's support from the taxpayer, and the provisions of section 32(b)(1)(D) of
16.6 the Internal Revenue Code do not apply.

16.7 (b) If a child who has not attained the age of six years at the close of the taxable year
16.8 is cared for at a licensed family day care home operated by the child's parent, the taxpayer
16.9 is deemed to have paid employment-related expenses. If the child is 16 months old or
16.10 younger at the close of the taxable year, the amount of expenses deemed to have been paid
16.11 equals the maximum limit for one qualified individual under section 21(c) and (d) of the
16.12 Internal Revenue Code. If the child is older than 16 months of age but has not attained the
16.13 age of six years at the close of the taxable year, the amount of expenses deemed to have
16.14 been paid equals the amount the licensee would charge for the care of a child of the same
16.15 age for the same number of hours of care.

16.16 (c) If a married couple:

16.17 (1) has a child who has not attained the age of one year at the close of the taxable
16.18 year;

16.19 (2) files a joint tax return for the taxable year; and

16.20 (3) does not participate in a dependent care assistance program as defined in section
16.21 129 of the Internal Revenue Code, in lieu of the actual employment related expenses paid
16.22 for that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of
16.23 (i) the combined earned income of the couple or (ii) the amount of the maximum limit for
16.24 one qualified individual under section 21(c) and (d) of the Internal Revenue Code will
16.25 be deemed to be the employment related expense paid for that child. The earned income
16.26 limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed
16.27 amount. These deemed amounts apply regardless of whether any employment-related
16.28 expenses have been paid.

16.29 (d) If the taxpayer is not required and does not file a federal individual income tax
16.30 return for the tax year, no credit is allowed for any amount paid to any person unless:

16.31 (1) the name, address, and taxpayer identification number of the person are included
16.32 on the return claiming the credit; or

16.33 (2) if the person is an organization described in section 501(c)(3) of the Internal
16.34 Revenue Code and exempt from tax under section 501(a) of the Internal Revenue Code,
16.35 the name and address of the person are included on the return claiming the credit.

17.1 In the case of a failure to provide the information required under the preceding sentence,
17.2 the preceding sentence does not apply if it is shown that the taxpayer exercised due
17.3 diligence in attempting to provide the information required.

17.4 In the case of a nonresident, part-year resident, or a person who has earned income
17.5 not subject to tax under this chapter including earned income excluded pursuant to section
17.6 290.01, subdivision 19b, clause ~~(10)~~ (9) or ~~(16)~~ (15), the credit determined under section
17.7 21 of the Internal Revenue Code must be allocated based on the ratio by which the earned
17.8 income of the claimant and the claimant's spouse from Minnesota sources bears to the
17.9 total earned income of the claimant and the claimant's spouse.

17.10 For residents of Minnesota, the subtractions for military pay under section 290.01,
17.11 subdivision 19b, clauses ~~(11)~~ (10) and ~~(12)~~ (11), are not considered "earned income not
17.12 subject to tax under this chapter."

17.13 For residents of Minnesota, the exclusion of combat pay under section 112 of the
17.14 Internal Revenue Code is not considered "earned income not subject to tax under this
17.15 chapter."

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

17.17 Sec. 11. Minnesota Statutes 2009 Supplement, section 290.0671, subdivision 1,
17.18 is amended to read:

17.19 Subdivision 1. **Credit allowed.** (a) An individual is allowed a credit against the tax
17.20 imposed by this chapter equal to a percentage of earned income. To receive a credit, a
17.21 taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code.

17.22 (b) For individuals with no qualifying children, the credit equals 1.9125 percent of
17.23 the first \$4,620 of earned income. The credit is reduced by 1.9125 percent of earned
17.24 income or adjusted gross income, whichever is greater, in excess of \$5,770, but in no
17.25 case is the credit less than zero.

17.26 (c) For individuals with one qualifying child, the credit equals 8.5 percent of the first
17.27 \$6,920 of earned income and 8.5 percent of earned income over \$12,080 but less than
17.28 \$13,450. The credit is reduced by 5.73 percent of earned income or adjusted gross income,
17.29 whichever is greater, in excess of \$15,080, but in no case is the credit less than zero.

17.30 (d) For individuals with two or more qualifying children, the credit equals ten
17.31 percent of the first \$9,720 of earned income and 20 percent of earned income over
17.32 \$14,860 but less than \$16,800. The credit is reduced by 10.3 percent of earned income
17.33 or adjusted gross income, whichever is greater, in excess of \$17,890, but in no case is
17.34 the credit less than zero.

18.1 (e) For a nonresident or part-year resident, the credit must be allocated based on the
18.2 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

18.3 (f) For a person who was a resident for the entire tax year and has earned income
18.4 not subject to tax under this chapter, including income excluded under section 290.01,
18.5 subdivision 19b, clause ~~(10)~~ (9) or ~~(16)~~ (15), the credit must be allocated based on the
18.6 ratio of federal adjusted gross income reduced by the earned income not subject to tax
18.7 under this chapter over federal adjusted gross income. For purposes of this paragraph, the
18.8 subtractions for military pay under section 290.01, subdivision 19b, clauses ~~(11)~~ (10) and
18.9 ~~(12)~~ (11), are not considered "earned income not subject to tax under this chapter."

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

18.13 (g) For tax years beginning after December 31, 2007, and before December 31,
18.14 2010, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in
18.15 paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by
18.16 \$3,000 for married taxpayers filing joint returns. For tax years beginning after December
18.17 31, 2008, the commissioner shall annually adjust the \$3,000 by the percentage determined
18.18 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in
18.19 section 1(f)(3)(B), the word "2007" shall be substituted for the word "1992." For 2009,
18.20 the commissioner shall then determine the percent change from the 12 months ending on
18.21 August 31, 2007, to the 12 months ending on August 31, 2008, and in each subsequent
18.22 year, from the 12 months ending on August 31, 2007, to the 12 months ending on August
18.23 31 of the year preceding the taxable year. The earned income thresholds as adjusted
18.24 for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount
18.25 is rounded up to the nearest \$10. The determination of the commissioner under this
18.26 subdivision is not a rule under the Administrative Procedure Act.

18.27 (h) The commissioner shall construct tables showing the amount of the credit at
18.28 various income levels and make them available to taxpayers. The tables shall follow
18.29 the schedule contained in this subdivision, except that the commissioner may graduate
18.30 the transition between income brackets.

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

18.32 Sec. 12. Minnesota Statutes 2009 Supplement, section 290.091, subdivision 2, is
18.33 amended to read:

18.34 Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following
18.35 terms have the meanings given:

19.1 (a) "Alternative minimum taxable income" means the sum of the following for
19.2 the taxable year:

19.3 (1) the taxpayer's federal alternative minimum taxable income as defined in section
19.4 55(b)(2) of the Internal Revenue Code;

19.5 (2) the taxpayer's itemized deductions allowed in computing federal alternative
19.6 minimum taxable income, but excluding:

19.7 (i) the charitable contribution deduction under section 170 of the Internal Revenue
19.8 Code;

19.9 (ii) the medical expense deduction;

19.10 (iii) the casualty, theft, and disaster loss deduction; and

19.11 (iv) the impairment-related work expenses of a disabled person;

19.12 (3) for depletion allowances computed under section 613A(c) of the Internal
19.13 Revenue Code, with respect to each property (as defined in section 614 of the Internal
19.14 Revenue Code), to the extent not included in federal alternative minimum taxable income,
19.15 the excess of the deduction for depletion allowable under section 611 of the Internal
19.16 Revenue Code for the taxable year over the adjusted basis of the property at the end of the
19.17 taxable year (determined without regard to the depletion deduction for the taxable year);

19.18 (4) to the extent not included in federal alternative minimum taxable income, the
19.19 amount of the tax preference for intangible drilling cost under section 57(a)(2) of the
19.20 Internal Revenue Code determined without regard to subparagraph (E);

19.21 (5) to the extent not included in federal alternative minimum taxable income, the
19.22 amount of interest income as provided by section 290.01, subdivision 19a, clause (1); and

19.23 (6) the amount of addition required by section 290.01, subdivision 19a, clauses (7)
19.24 to (9), (12), (13), (16), and (17);

19.25 less the sum of the amounts determined under the following:

19.26 (1) interest income as defined in section 290.01, subdivision 19b, clause (1);

19.27 (2) an overpayment of state income tax as provided by section 290.01, subdivision
19.28 19b, clause (2), to the extent included in federal alternative minimum taxable income;

19.29 (3) the amount of investment interest paid or accrued within the taxable year on
19.30 indebtedness to the extent that the amount does not exceed net investment income, as
19.31 defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include
19.32 amounts deducted in computing federal adjusted gross income; and

19.33 (4) amounts subtracted from federal taxable income as provided by section 290.01,
19.34 subdivision 19b, clauses (6), ~~(9)~~ (8) to ~~(16)~~ (15), and ~~(18)~~ (17).

19.35 In the case of an estate or trust, alternative minimum taxable income must be
19.36 computed as provided in section 59(c) of the Internal Revenue Code.

20.1 (b) "Investment interest" means investment interest as defined in section 163(d)(3)
20.2 of the Internal Revenue Code.

20.3 (c) "Net minimum tax" means the minimum tax imposed by this section.

20.4 (d) "Regular tax" means the tax that would be imposed under this chapter (without
20.5 regard to this section and section 290.032), reduced by the sum of the nonrefundable
20.6 credits allowed under this chapter.

20.7 (e) "Tentative minimum tax" equals 6.4 percent of alternative minimum taxable
20.8 income after subtracting the exemption amount determined under subdivision 3.

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

20.10 Sec. 13. Minnesota Statutes 2008, section 290.0921, subdivision 3, is amended to read:

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

20.18 (1) For purposes of the depreciation adjustments under section 56(a)(1) and
20.19 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in
20.20 service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal
20.21 income tax purposes, including any modification made in a taxable year under section
20.22 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7,
20.23 paragraph (c).

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

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

20.32 (3) The subtraction for depreciation allowed under section 290.01, subdivision
20.33 19d, clause ~~(18)~~ (17), is allowed as a depreciation deduction in determining alternative
20.34 minimum taxable income.

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

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

21.5 (6) The special rule for dividends from section 936 companies under section
21.6 56(g)(4)(C)(iii) does not apply.

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

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

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

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

21.16 (11) For purposes of calculating the tax preference for accelerated depreciation or
21.17 amortization on certain property placed in service before January 1, 1987, under section
21.18 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the
21.19 deduction allowed under section 290.01, subdivision 19e.

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

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

21.28 (13) For purposes of determining the amount of adjusted current earnings under
21.29 section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section
21.30 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend
21.31 gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the
21.32 amount of refunds of income, excise, or franchise taxes subtracted as provided in section
21.33 290.01, subdivision 19d, clause (9), or (iii) the amount of royalties, fees or other like
21.34 income subtracted as provided in section 290.01, subdivision 19d, clause (10).

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

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

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

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

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

22.8 **ARTICLE 2**

22.9 **SALES AND USE TAXES**

22.10 Section 1. Minnesota Statutes 2008, section 297A.62, is amended by adding a
22.11 subdivision to read:

22.12 Subd. 4. **Combined rates.** In this chapter, wherever there is a reference to the
22.13 rate under subdivision 1, or to a combined rate under subdivisions 1 and 1a, the rate
22.14 to be applied is the combined rate under subdivisions 1 and 1a until the additional tax
22.15 imposed by subdivision 1a expires. This subdivision does not apply to either subdivision
22.16 3 or to section 297A.65.

22.17 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
22.18 made after June 30, 2009.

22.19 Sec. 2. Minnesota Statutes 2008, section 297A.665, is amended to read:

22.20 **297A.665 PRESUMPTION OF TAX; BURDEN OF PROOF.**

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

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

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

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

22.27 However, a seller is relieved of liability if:

22.28 (1) the seller obtains a fully completed exemption certificate or all the relevant
22.29 information required by section 297A.72, subdivision 2, at the time of the sale or within
22.30 90 days after the date of the sale; or

22.31 (2) if the seller has not obtained a fully completed exemption certificate or all the
22.32 relevant information required by section 297A.72, subdivision 2, within the time provided

23.1 in clause (1), within 120 days after a request for substantiation by the commissioner,
 23.2 the seller either:

23.3 (i) obtains in good faith a fully completed exemption certificate or all the relevant
 23.4 information required by section 297A.72, subdivision 2, from the purchaser; or

23.5 (ii) proves by other means that the transaction was not subject to tax.

23.6 (c) Notwithstanding paragraph (b), relief from liability does not apply to a seller who:

23.7 (1) fraudulently fails to collect the tax; or

23.8 (2) solicits purchasers to participate in the unlawful claim of an exemption.

23.9 (d) A certified service provider, as defined in section 297A.995, subdivision 2, is
 23.10 relieved of liability under this section to the extent a seller who is its client is relieved of
 23.11 liability.

23.12 (e) A purchaser of tangible personal property or any items listed in section 297A.63
 23.13 that are shipped or brought to Minnesota by the purchaser has the burden of proving
 23.14 that the property was not purchased from a retailer for storage, use, or consumption in
 23.15 Minnesota.

23.16 (f) If a seller claiming that certain sales are exempt and does not provide the
 23.17 certificate, information, or proof required by paragraph (b), clause (2), within 120 days
 23.18 after the date of the commissioner's request for substantiation, then the exemptions
 23.19 claimed by the seller that required substantiation are disallowed.

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

23.21 Sec. 3. Minnesota Statutes 2008, section 297A.68, subdivision 39, is amended to read:

23.22 Subd. 39. **Preexisting bids or contracts.** (a) The sale of tangible personal property
 23.23 or services is exempt from tax or a tax rate increase for a period of six months from
 23.24 the effective date of the law change that results in the imposition of the tax or the tax
 23.25 rate increase under this chapter if:

23.26 (1) the act imposing the tax or increasing the tax rate does not have transitional
 23.27 effective date language for existing construction contracts and construction bids; and

23.28 (2) the requirements of paragraph (b) are met.

23.29 (b) A sale is tax exempt under paragraph (a) if it meets the requirements of either
 23.30 clause (1) or (2):

23.31 (1) For a construction contract:

23.32 (i) the goods or services sold must be used for the performance of a bona fide written
 23.33 lump sum or fixed price construction contract;

23.34 (ii) the contract must be entered into before the date the goods or services become
 23.35 subject to the sales tax or the tax rate was increased;

- 24.1 (iii) the contract must not provide for allocation of future taxes; and
- 24.2 (iv) for each qualifying contract the contractor must ~~give the seller~~ keep
- 24.3 documentation of the contract on which an exemption is to be claimed.
- 24.4 (2) For a construction bid:
- 24.5 (i) the goods or services sold must be used pursuant to an obligation of a bid or bids;
- 24.6 (ii) the bid or bids must be submitted and accepted before the date the goods or
- 24.7 services became subject to the sales tax or the tax rate was increased;
- 24.8 (iii) the bid or bids must not be able to be withdrawn, modified, or changed without
- 24.9 forfeiting a bond; and
- 24.10 (iv) for each qualifying bid, the contractor must ~~give the seller~~ keep documentation
- 24.11 of the bid on which an exemption is to be claimed.

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

24.13 Sec. 4. Minnesota Statutes 2008, section 297A.70, subdivision 13, is amended to read:

24.14 Subd. 13. **Fund-raising sales by or for nonprofit groups.** (a) The following

24.15 sales by the specified organizations for fund-raising purposes are exempt, subject to the

24.16 limitations listed in paragraph (b):

24.17 (1) all sales made by ~~an~~ a nonprofit organization that exists solely for the purpose of

24.18 providing educational or social activities for young people primarily age 18 and under;

24.19 (2) all sales made by an organization that is a senior citizen group or association of

24.20 groups if (i) in general it limits membership to persons age 55 or older; (ii) it is organized

24.21 and operated exclusively for pleasure, recreation, and other nonprofit purposes; and (iii)

24.22 no part of its net earnings inures to the benefit of any private shareholders;

24.23 (3) the sale or use of tickets or admissions to a golf tournament held in Minnesota if

24.24 the beneficiary of the tournament's net proceeds qualifies as a tax-exempt organization

24.25 under section 501(c)(3) of the Internal Revenue Code; and

24.26 (4) sales of candy sold for fund-raising purposes by a nonprofit organization that

24.27 provides educational and social activities primarily for young people age 18 and under.

24.28 (b) The exemptions listed in paragraph (a) are limited in the following manner:

24.29 (1) the exemption under paragraph (a), clauses (1) and (2), applies only if the gross

24.30 annual receipts of the organization from fund-raising do not exceed \$10,000; and

24.31 (2) the exemption under paragraph (a), clause (1), does not apply if the sales are

24.32 derived from admission charges or from activities for which the money must be deposited

24.33 with the school district treasurer under section 123B.49, subdivision 2, or be recorded in

24.34 the same manner as other revenues or expenditures of the school district under section

24.35 123B.49, subdivision 4.

25.1 (c) Sales of tangible personal property are exempt if the entire proceeds, less the
 25.2 necessary expenses for obtaining the property, will be contributed to a registered combined
 25.3 charitable organization described in section 43A.50, to be used exclusively for charitable,
 25.4 religious, or educational purposes, and the registered combined charitable organization
 25.5 has given its written permission for the sale. Sales that occur over a period of more than
 25.6 24 days per year are not exempt under this paragraph.

25.7 (d) For purposes of this subdivision, a club, association, or other organization of
 25.8 elementary or secondary school students organized for the purpose of carrying on sports,
 25.9 educational, or other extracurricular activities is a separate organization from the school
 25.10 district or school for purposes of applying the \$10,000 limit.

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

25.12 Sec. 5. Laws 2009, chapter 88, article 4, section 5, the effective date, is amended to
 25.13 read:

25.14 **EFFECTIVE DATE.** This section is effective July 1, 2009, and applies to
 25.15 ~~registrations~~ leases or rentals made or renewed on or after that date.

25.16 **EFFECTIVE DATE.** This section is effective retroactively for leases or rentals
 25.17 made or renewed after June 30, 2009.

25.18 **ARTICLE 3**

25.19 **SPECIAL TAXES**

25.20 Section 1. Minnesota Statutes 2008, section 60A.209, subdivision 1, is amended to
 25.21 read:

25.22 Subdivision 1. **Authorization; regulation.** A resident of this state may obtain
 25.23 insurance from an ineligible surplus lines insurer in this state through a surplus lines
 25.24 licensee. The licensee shall first attempt to place the insurance with a licensed insurer, or
 25.25 if that is not possible, with an eligible surplus lines insurer. If coverage is not obtainable
 25.26 from a licensed insurer or an eligible surplus lines insurer, the licensee shall certify to the
 25.27 commissioner, on a form prescribed by the commissioner, that these attempts were made.
 25.28 Upon obtaining coverage from an ineligible surplus lines insurer, the licensee shall:

25.29 (a) Have printed, typed, or stamped in red ink upon the face of the policy in
 25.30 not less than 10-point type the following notice: "THIS INSURANCE IS ISSUED
 25.31 PURSUANT TO THE MINNESOTA SURPLUS LINES INSURANCE ACT. THIS
 25.32 INSURANCE IS PLACED WITH AN INSURER THAT IS NOT LICENSED BY THE

26.1 STATE NOR RECOGNIZED BY THE COMMISSIONER OF COMMERCE AS AN
 26.2 ELIGIBLE SURPLUS LINES INSURER. IN CASE OF ANY DISPUTE RELATIVE
 26.3 TO THE TERMS OR CONDITIONS OF THE POLICY OR THE PRACTICES OF
 26.4 THE INSURER, THE COMMISSIONER OF COMMERCE WILL NOT BE ABLE TO
 26.5 ASSIST IN THE DISPUTE. IN CASE OF INSOLVENCY, PAYMENT OF CLAIMS IS
 26.6 NOT GUARANTEED." The notice may not be covered or concealed in any manner; and

26.7 (b) Collect from the insured appropriate premium taxes, as provided under chapter
 26.8 297I, and report the transaction to the commissioner of revenue on a form prescribed by
 26.9 the commissioner. If the insured fails to pay the taxes when due, the insured shall be
 26.10 subject to a civil fine of not more than \$3,000, plus accrued interest from the inception of
 26.11 the insurance.

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

26.13 Sec. 2. Minnesota Statutes 2008, section 295.55, subdivision 2, is amended to read:

26.14 Subd. 2. **Estimated tax; hospitals; surgical centers.** (a) Each hospital or surgical
 26.15 center must make estimated payments of the taxes for the calendar year in monthly
 26.16 installments to the commissioner within 15 days after the end of the month.

26.17 (b) Estimated tax payments are not required of hospitals or surgical centers if: (1)
 26.18 the tax for the current calendar year is ~~less than~~ \$500 or less; or (2) the tax for the previous
 26.19 calendar year is ~~less than \$500, if the taxpayer had a tax liability and was doing business~~
 26.20 ~~the entire year~~ or less.

26.21 (c) Underpayment of estimated installments bear interest at the rate specified in
 26.22 section 270C.40, from the due date of the payment until paid or until the due date of the
 26.23 annual return whichever comes first. An underpayment of an estimated installment is the
 26.24 difference between the amount paid and the lesser of (1) 90 percent of one-twelfth of the
 26.25 tax for the calendar year or (2) one-twelfth of the total tax for the previous calendar year
 26.26 ~~if the taxpayer had a tax liability and was doing business the entire year.~~

26.27 **EFFECTIVE DATE.** This section is effective for gross revenues received after
 26.28 December 31, 2010.

26.29 Sec. 3. Minnesota Statutes 2008, section 295.55, subdivision 3, is amended to read:

26.30 Subd. 3. **Estimated tax; other taxpayers.** (a) Each taxpayer, other than a hospital
 26.31 or surgical center, must make estimated payments of the taxes for the calendar year in
 26.32 quarterly installments to the commissioner by April 15, July 15, October 15, and January
 26.33 15 of the following calendar year.

27.1 (b) Estimated tax payments are not required if: (1) the tax for the current calendar
 27.2 year is ~~less than~~ \$500 or less; or (2) the tax for the previous calendar year is ~~less than~~
 27.3 \$500, ~~if the taxpayer had a tax liability and was doing business the entire year~~ or less.

27.4 (c) Underpayment of estimated installments bear interest at the rate specified in
 27.5 section 270C.40, from the due date of the payment until paid or until the due date of the
 27.6 annual return whichever comes first. An underpayment of an estimated installment is the
 27.7 difference between the amount paid and the lesser of (1) 90 percent of one-quarter of the
 27.8 tax for the calendar year or (2) one-quarter of the total tax for the previous calendar year
 27.9 ~~if the taxpayer had a tax liability and was doing business the entire year~~.

27.10 **EFFECTIVE DATE.** This section is effective for gross revenues received after
 27.11 December 31, 2010.

27.12 Sec. 4. Minnesota Statutes 2008, section 297F.07, subdivision 4, is amended to read:

27.13 Subd. 4. **Sales to nonqualified buyers.** A retailer who sells or otherwise disposes of
 27.14 unstamped or untaxed stock other than to a qualified purchaser shall collect from the buyer
 27.15 or transferee the tax imposed by section 297F.05, and remit the tax to the Department of
 27.16 Revenue at the same time and manner as required by section 297F.09. If the retailer fails
 27.17 to collect the tax from the buyer or transferee, or fails to remit the tax, the retailer is
 27.18 personally responsible for the tax and the commissioner may seize any product destined to
 27.19 be delivered to the retailer. The product so seized shall be considered contraband and be
 27.20 subject to the procedures outlined in section 297F.21, subdivision 3. ~~The proceeds of the~~
 27.21 ~~sale of the stock may be applied to any tax liability owed by the retailer after deducting all~~
 27.22 ~~costs and expenses.~~

27.23 This section does not relieve the buyer or possessor of unstamped or untaxed stock
 27.24 from personal liability for the tax.

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

27.26 Sec. 5. Minnesota Statutes 2008, section 297I.30, subdivision 1, is amended to read:

27.27 Subdivision 1. **General rule.** On or before March 1, every ~~insurer~~ taxpayer subject
 27.28 to taxation under section 297I.05, subdivisions 1 to ~~6~~ 5, 9, 10, and 12, paragraphs (a),
 27.29 clauses (1) to ~~(5)~~ (4), ~~and~~ (b), (c), and (d), ~~and subdivision 14~~, shall file an annual return
 27.30 for the preceding calendar year ~~setting forth such information as the commissioner may~~
 27.31 ~~reasonably require on forms~~ in the form prescribed by the commissioner.

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

28.1 Sec. 6. Minnesota Statutes 2008, section 297I.30, subdivision 2, is amended to read:

28.2 Subd. 2. **Surplus lines licensees and purchasing groups.** On or before February 15
 28.3 and August 15 of each year, every surplus lines licensee subject to taxation under section
 28.4 297I.05, subdivision 7, and every purchasing group or member of a purchasing group
 28.5 subject to tax under section 297I.05, subdivision 12, paragraph (a), clause ~~(6)~~ (5), shall file
 28.6 a return with the commissioner for the preceding six-month period ending December 31,
 28.7 or June 30, ~~setting forth any information the commissioner reasonably prescribes on forms~~
 28.8 in the form prescribed by the commissioner.

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

28.10 Sec. 7. Minnesota Statutes 2008, section 297I.30, subdivision 7, is amended to read:

28.11 Subd. 7. **Surcharge.** ~~(a)(1)~~ By April 30 of each year, every company required to pay
 28.12 the surcharge under section 297I.10, subdivision 1, shall file a return for the five-month
 28.13 period ending March 31 ~~setting forth any information the commissioner reasonably~~
 28.14 ~~requires on forms~~ in the form prescribed by the commissioner.

28.15 ~~(2)~~ (b) By June 30 of each year, every company required to pay the surcharge under
 28.16 section 297I.10, subdivision 1, shall file a return for the two-month period ending May 31
 28.17 ~~setting forth any information the commissioner reasonably requires on forms~~ in the form
 28.18 prescribed by the commissioner.

28.19 ~~(3)~~ (c) By November 30 of each year, every company required to pay the surcharge
 28.20 under section 297I.10, subdivision 1, shall file a return for the five-month period ending
 28.21 October 31 ~~setting forth any information the commissioner reasonably requires on forms~~
 28.22 in the form prescribed by the commissioner.

28.23 ~~(b) By February 15 and August 15 of each year, every company required to pay~~
 28.24 ~~a surcharge under section 297I.10, subdivision 2, must file a return for the preceding~~
 28.25 ~~six-month period ending December 31 and June 30.~~

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

28.27 Sec. 8. Minnesota Statutes 2008, section 297I.30, subdivision 8, is amended to read:

28.28 Subd. 8. **Fire insurance surcharge.** On or before May 15, August 15, November
 28.29 15, and February 15 of each year, every insurer required to pay the surcharge under
 28.30 section 297I.06, subdivisions 1 and 2, shall file a return with the commissioner for the
 28.31 preceding three-month period ending March 31, June 30, September 30, and December
 28.32 31, ~~setting forth any information the commissioner reasonably requires on forms~~ in the
 28.33 form prescribed by the commissioner.

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

29.2 Sec. 9. Minnesota Statutes 2009 Supplement, section 297I.35, subdivision 2, is
29.3 amended to read:

29.4 Subd. 2. **Electronic payments.** If the aggregate amount of tax and surcharges
29.5 due under this chapter during a ~~calendar~~ fiscal year ending June 30 is equal to or
29.6 exceeds \$10,000, or if the taxpayer is required to make payment of any other tax to the
29.7 commissioner by electronic means, then all tax and surcharge payments in the subsequent
29.8 calendar year must be paid by electronic means.

29.9 **EFFECTIVE DATE.** This section is effective for payments due in calendar year
29.10 2010 and thereafter, based upon liabilities incurred in the fiscal year ending June 30,
29.11 2009, and in fiscal years thereafter.

29.12 Sec. 10. Minnesota Statutes 2008, section 297I.40, subdivision 1, is amended to read:

29.13 Subdivision 1. **Requirement to pay.** On or before March 15, June 15, September
29.14 15, and December 15 of the current year, every taxpayer subject to tax under section
29.15 297I.05, subdivisions 1 to ~~6~~ 5, and 12, paragraphs (a), clauses (1) to ~~(5), (b), and (c)~~ (4),
29.16 and subdivision 14, must pay to the commissioner an installment equal to one-fourth of
29.17 the insurer's total estimated tax for the current year.

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

29.19 Sec. 11. Minnesota Statutes 2008, section 297I.40, subdivision 5, is amended to read:

29.20 Subd. 5. **Definition of tax.** The term "tax" as used in this section means the tax
29.21 imposed by section 297I.05, subdivisions 1 to ~~6~~ 5, 11, and 12, paragraphs (a), clauses (1)
29.22 to ~~(5)~~ (4), (b), and (d), and 14, less any offset in section 297I.20.

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

29.24 Sec. 12. Minnesota Statutes 2008, section 298.282, subdivision 1, is amended to read:

29.25 Subdivision 1. **Distribution of taconite municipal aid account.** The amount
29.26 deposited with the county as provided in section 298.28, subdivision 3, must be distributed
29.27 as provided by this section among: (1) the municipalities comprising a ~~tax relief~~ taconite
29.28 assistance area under section ~~273.134~~, paragraph ~~(b)~~ 273.1341; (2) a township that
29.29 contains a state park consisting primarily of an underground iron ore mine; and (3) a city
29.30 located within five miles of that state park, each being referred to in this section as a
29.31 qualifying municipality.

30.1 **EFFECTIVE DATE.** This section is effective for distributions made after the
 30.2 day following final enactment.

30.3 Sec. 13. **REPEALER.**

30.4 Minnesota Statutes 2008, section 297I.30, subdivisions 4, 5, and 6, are repealed.

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

30.6 **ARTICLE 4**

30.7 **PROPERTY TAXES AND AIDS**

30.8 Section 1. Minnesota Statutes 2009 Supplement, section 134.34, subdivision 4, is
 30.9 amended to read:

30.10 Subd. 4. **Limitation.** (a) For calendar year 2010 and later, a regional library
 30.11 basic system support grant shall not be made to a regional public library system for a
 30.12 participating city or county which decreases the dollar amount provided for support for
 30.13 operating purposes of public library service below the amount provided by it for the
 30.14 second, or third preceding year, whichever is less. For purposes of this subdivision and
 30.15 subdivision 1, any funds provided under section 473.757, subdivision 2, for extending
 30.16 library hours of operation shall not be considered amounts provided by a city or county for
 30.17 support for operating purposes of public library service. This subdivision shall not apply
 30.18 to participating cities or counties where the adjusted net tax capacity of that city or county
 30.19 has decreased, if the dollar amount of the reduction in support is not greater than the dollar
 30.20 amount by which support would be decreased if the reduction in support were made in
 30.21 direct proportion to the decrease in adjusted net tax capacity.

30.22 (b) For calendar year 2009 and later, in any calendar year in which a city's or
 30.23 county's aid under sections 477A.011 to 477A.014 or ~~credits~~ credit reimbursement under
 30.24 section 273.1384 is reduced after the city or county has certified its levy payable in that
 30.25 year, it may reduce its local support by the lesser of:

30.26 (1) ten percent; or

30.27 (2) a percent equal to the ratio of the aid and credit reimbursement reductions to the
 30.28 city's or county's revenue base, based on aids certified for the current calendar year. For
 30.29 calendar year 2009 only, the reduction under this paragraph shall be based on 2008 aid and
 30.30 credit reimbursement reductions under the December 2008 unallotment, as well as any
 30.31 aid and credit reimbursement reductions in calendar year 2009. For pay 2009 only, the
 30.32 commissioner of revenue will calculate the reductions under this paragraph and certify
 30.33 them to the commissioner of education within 15 days of May 17, 2009.

31.1 (c) For taxes payable in 2010 and later, in any payable year in which the total
 31.2 amounts certified for city or county aids under sections 477A.011 to 477A.014 are less
 31.3 than the total amounts paid under those sections in the previous calendar year, a city or
 31.4 county may reduce its local support by the lesser of:

31.5 (1) ten percent; or

31.6 (2) a percent equal to the ratio of:

31.7 (i) the difference between (A) the sum of the aid it was paid under sections 477A.011
 31.8 to 477A.014 and the ~~credits~~ credit reimbursement it received under section ~~273.1398~~
 31.9 273.1384 in the previous calendar year and (B) the sum of the aid it is certified to be paid
 31.10 in the current calendar year under sections 477A.011 to 477A.014 and the ~~credits~~ credit
 31.11 reimbursement estimated to be paid under section ~~273.1398~~ 273.1384; to

31.12 (ii) its revenue base for the previous year, based on aids actually paid in the previous
 31.13 calendar year. The commissioner of revenue shall calculate the percent aid cut for each
 31.14 county and city under this paragraph and certify the percentage cuts to the commissioner
 31.15 of education by August 1 of the year prior to the year in which the reduced aids and ~~credits~~
 31.16 credit reimbursements are to be paid. The percentage of reduction related to reductions to
 31.17 ~~credits~~ credit reimbursements under section 273.1384 shall be based on the best estimation
 31.18 available as of July 30.

31.19 (d) Notwithstanding paragraph (a), (b), or (c), no city or county shall reduce its
 31.20 support for public libraries below the minimum level specified in subdivision 1.

31.21 (e) For purposes of this subdivision, "revenue base" means the sum of:

31.22 (1) its levy for taxes payable in the current calendar year, including the levy on
 31.23 the fiscal disparities distribution under section 276A.06, subdivision 3, paragraph (a),
 31.24 or 473F.08, subdivision 3, paragraph (a);

31.25 (2) its aid under sections 477A.011 to 477A.014 in the current calendar year; and

31.26 (3) its taconite aid in the current calendar year under sections 298.28 and 298.282.

31.27 **EFFECTIVE DATE.** This section is effective retroactively for support in calendar
 31.28 year 2009 and thereafter and for library grants paid in fiscal year 2010 and thereafter.

31.29 Sec. 2. Minnesota Statutes 2008, section 270C.87, is amended to read:

31.30 **270C.87 REVISION OF MINNESOTA ASSESSORS' MANUAL.**

31.31 In accordance with the provisions of section ~~270C.06~~ 270C.85, the commissioner
 31.32 shall periodically revise the Minnesota assessors' manual.

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

32.1 Sec. 3. Minnesota Statutes 2008, section 272.029, subdivision 7, is amended to read:

32.2 Subd. 7. **Exemption.** The tax imposed under this section does not apply to
 32.3 electricity produced by wind energy conversion systems located in a job opportunity
 32.4 building zone, ~~designated under section 469.314~~, for the duration of the zone. The
 32.5 exemption applies beginning for the first calendar year after designation of the zone
 32.6 and applies to each calendar year that begins during the designation of the zone. The
 32.7 exemption only applies if the owner of the system is a qualified business under section
 32.8 469.310, subdivision 11, who has entered into a business subsidy agreement that covers
 32.9 the land on which the system is situated.

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

32.11 Sec. 4. Minnesota Statutes 2009 Supplement, section 273.114, subdivision 2, is
 32.12 amended to read:

32.13 Subd. 2. **Requirements.** Class 2a or 2b property that had been assessed under
 32.14 Minnesota Statutes 2006, section 273.111, or that is part of an agricultural homestead
 32.15 under Minnesota Statutes, section 273.13, subdivision 23, paragraph (a), is entitled to
 32.16 valuation and tax deferment under this section if:

32.17 (1) the land consists of at least ten acres;

32.18 (2) a conservation management plan for the land must be prepared by an approved
 32.19 plan writer and implemented during the period in which the land is subject to valuation
 32.20 and deferment under this section;

32.21 (3) the land must be enrolled for a minimum of ten years; ~~and~~

32.22 (4) there are no delinquent property taxes on the land; and

32.23 ~~Real estate may~~ (5) the property is not be also enrolled for valuation and deferment
 32.24 under ~~this section and~~ section 273.111; or 273.112, ~~or 273.117~~; or chapter 290C;
 32.25 ~~concurrently~~ or 473H.

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

32.27 Sec. 5. Minnesota Statutes 2009 Supplement, section 275.065, subdivision 3, is
 32.28 amended to read:

32.29 Subd. 3. **Notice of proposed property taxes.** (a) The county auditor shall prepare
 32.30 and the county treasurer shall deliver after November 10 and on or before November 24
 32.31 each year, by first class mail to each taxpayer at the address listed on the county's current
 32.32 year's assessment roll, a notice of proposed property taxes. Upon written request by

33.1 the taxpayer, the treasurer may send the notice in electronic form or by electronic mail
 33.2 instead of on paper or by ordinary mail.

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

33.4 (c) The notice must inform taxpayers that it contains the amount of property taxes
 33.5 each taxing authority proposes to collect for taxes payable the following year. In the
 33.6 case of a town, or in the case of the state general tax, the final tax amount will be its
 33.7 proposed tax. The notice must clearly state for each city that has a population over 500,
 33.8 county, school district, regional library authority established under section 134.201, and
 33.9 metropolitan taxing districts as defined in paragraph (i), the time and place of ~~the a meeting~~
 33.10 for each taxing authorities' regularly scheduled meetings authority in which the budget
 33.11 and levy will be discussed and public input allowed, prior to the final budget and levy
 33.12 ~~determined, which must occur after November 24 determination.~~ The taxing authorities
 33.13 must provide the county auditor with the information to be included in the notice on or
 33.14 before the time it certifies its proposed levy under subdivision 1. The public must be
 33.15 allowed to speak at ~~the meetings and the meetings shall~~ that meeting, which must occur
 33.16 after November 24 and must not be held before 6:00 p.m. It must provide a telephone
 33.17 number for the taxing authority that taxpayers may call if they have questions related to
 33.18 the notice and an address where comments will be received by mail.

33.19 (d) The notice must state for each parcel:

33.20 (1) the market value of the property as determined under section 273.11, and used
 33.21 for computing property taxes payable in the following year and for taxes payable in the
 33.22 current year as each appears in the records of the county assessor on November 1 of the
 33.23 current year; and, in the case of residential property, whether the property is classified as
 33.24 homestead or nonhomestead. The notice must clearly inform taxpayers of the years to
 33.25 which the market values apply and that the values are final values;

33.26 (2) the items listed below, shown separately by county, city or town, and state general
 33.27 tax, net of the residential and agricultural homestead credit under section 273.1384, voter
 33.28 approved school levy, other local school levy, and the sum of the special taxing districts,
 33.29 and as a total of all taxing authorities:

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

33.31 (ii) the proposed tax amount.

33.32 If the county levy under clause (2) includes an amount for a lake improvement
 33.33 district as defined under sections 103B.501 to 103B.581, the amount attributable for that
 33.34 purpose must be separately stated from the remaining county levy amount.

33.35 In the case of a town or the state general tax, the final tax shall also be its proposed
 33.36 tax unless the town changes its levy at a special town meeting under section 365.52. If a

34.1 school district has certified under section 126C.17, subdivision 9, that a referendum will
34.2 be held in the school district at the November general election, the county auditor must
34.3 note next to the school district's proposed amount that a referendum is pending and that, if
34.4 approved by the voters, the tax amount may be higher than shown on the notice. In the
34.5 case of the city of Minneapolis, the levy for Minneapolis Park and Recreation shall be
34.6 listed separately from the remaining amount of the city's levy. In the case of the city of
34.7 St. Paul, the levy for the St. Paul Library Agency must be listed separately from the
34.8 remaining amount of the city's levy. In the case of Ramsey County, any amount levied
34.9 under section 134.07 may be listed separately from the remaining amount of the county's
34.10 levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax
34.11 under chapter 276A or 473F applies, the proposed tax levy on the captured value or the
34.12 proposed tax levy on the tax capacity subject to the areawide tax must each be stated
34.13 separately and not included in the sum of the special taxing districts; and

34.14 (3) the increase or decrease between the total taxes payable in the current year and
34.15 the total proposed taxes, expressed as a percentage.

34.16 For purposes of this section, the amount of the tax on homesteads qualifying under
34.17 the senior citizens' property tax deferral program under chapter 290B is the total amount
34.18 of property tax before subtraction of the deferred property tax amount.

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

34.21 (1) special assessments;

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

34.24 (3) a levy limit increase approved by the voters by the first Tuesday after the first
34.25 Monday in November of the levy year as provided under section 275.73;

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

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

34.30 (6) the contamination tax imposed on properties which received market value
34.31 reductions for contamination.

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

34.35 (g) If the notice the taxpayer receives under this section lists the property as
34.36 nonhomestead, and satisfactory documentation is provided to the county assessor by the

35.1 applicable deadline, and the property qualifies for the homestead classification in that
35.2 assessment year, the assessor shall reclassify the property to homestead for taxes payable
35.3 in the following year.

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

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

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

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

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

35.16 (1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325,
35.17 473.446, 473.521, 473.547, or 473.834;

35.18 (2) Metropolitan Airports Commission under section 473.667, 473.671, or 473.672;
35.19 and

35.20 (3) Metropolitan Mosquito Control Commission under section 473.711.

35.21 For purposes of this section, any levies made by the regional rail authorities in the
35.22 county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter
35.23 398A shall be included with the appropriate county's levy.

35.24 (j) The governing body of a county, city, or school district may, with the consent
35.25 of the county board, include supplemental information with the statement of proposed
35.26 property taxes about the impact of state aid increases or decreases on property tax
35.27 increases or decreases and on the level of services provided in the affected jurisdiction.
35.28 This supplemental information may include information for the following year, the current
35.29 year, and for as many consecutive preceding years as deemed appropriate by the governing
35.30 body of the county, city, or school district. It may include only information regarding:

35.31 (1) the impact of inflation as measured by the implicit price deflator for state and
35.32 local government purchases;

35.33 (2) population growth and decline;

35.34 (3) state or federal government action; and

36.1 (4) other financial factors that affect the level of property taxation and local services
36.2 that the governing body of the county, city, or school district may deem appropriate to
36.3 include.

36.4 The information may be presented using tables, written narrative, and graphic
36.5 representations and may contain instruction toward further sources of information or
36.6 opportunity for comment.

36.7 **EFFECTIVE DATE.** This section is effective retroactively for taxes payable in
36.8 2010 and thereafter.

36.9 Sec. 6. Minnesota Statutes 2009 Supplement, section 275.70, subdivision 5, is
36.10 amended to read:

36.11 Subd. 5. **Special levies.** "Special levies" means those portions of ad valorem taxes
36.12 levied by a local governmental unit for the following purposes or in the following manner:

36.13 (1) to pay the costs of the principal and interest on bonded indebtedness or to
36.14 reimburse for the amount of liquor store revenues used to pay the principal and interest
36.15 due on municipal liquor store bonds in the year preceding the year for which the levy
36.16 limit is calculated;

36.17 (2) to pay the costs of principal and interest on certificates of indebtedness issued for
36.18 any corporate purpose except for the following:

36.19 (i) tax anticipation or aid anticipation certificates of indebtedness;

36.20 (ii) certificates of indebtedness issued under sections 298.28 and 298.282;

36.21 (iii) certificates of indebtedness used to fund current expenses or to pay the costs of
36.22 extraordinary expenditures that result from a public emergency; or

36.23 (iv) certificates of indebtedness used to fund an insufficiency in tax receipts or an
36.24 insufficiency in other revenue sources, provided that nothing in this subdivision limits the
36.25 special levy authorized under section 475.755;

36.26 (3) to provide for the bonded indebtedness portion of payments made to another
36.27 political subdivision of the state of Minnesota;

36.28 (4) to fund payments made to the Minnesota State Armory Building Commission
36.29 under section 193.145, subdivision 2, to retire the principal and interest on armory
36.30 construction bonds;

36.31 (5) property taxes approved by voters which are levied against the referendum
36.32 market value as provided under section 275.61;

36.33 (6) to fund matching requirements needed to qualify for federal or state grants or
36.34 programs to the extent that either (i) the matching requirement exceeds the matching

37.1 requirement in calendar year 2001, or (ii) it is a new matching requirement that did not
37.2 exist prior to 2002;

37.3 (7) to pay the expenses reasonably and necessarily incurred in preparing for or
37.4 repairing the effects of natural disaster including the occurrence or threat of widespread
37.5 or severe damage, injury, or loss of life or property resulting from natural causes, in
37.6 accordance with standards formulated by the Emergency Services Division of the state
37.7 Department of Public Safety, as allowed by the commissioner of revenue under section
37.8 275.74, subdivision 2;

37.9 (8) pay amounts required to correct an error in the levy certified to the county
37.10 auditor by a city or county in a levy year, but only to the extent that when added to the
37.11 preceding year's levy it is not in excess of an applicable statutory, special law or charter
37.12 limitation, or the limitation imposed on the governmental subdivision by sections 275.70
37.13 to 275.74 in the preceding levy year;

37.14 (9) to pay an abatement under section 469.1815;

37.15 (10) to pay any costs attributable to increases in the employer contribution rates
37.16 under chapter 353, or locally administered pension plans, that are effective after June
37.17 30, 2001;

37.18 (11) to pay the operating or maintenance costs of a county jail as authorized in
37.19 section 641.01 or 641.262, or of a correctional facility as defined in section 241.021,
37.20 subdivision 1, paragraph (f), to the extent that the county can demonstrate to the
37.21 commissioner of revenue that the amount has been included in the county budget as
37.22 a direct result of a rule, minimum requirement, minimum standard, or directive of the
37.23 Department of Corrections, or to pay the operating or maintenance costs of a regional jail
37.24 as authorized in section 641.262. For purposes of this clause, a district court order is
37.25 not a rule, minimum requirement, minimum standard, or directive of the Department of
37.26 Corrections. If the county utilizes this special levy, except to pay operating or maintenance
37.27 costs of a new regional jail facility under sections 641.262 to 641.264 which will not
37.28 replace an existing jail facility, any amount levied by the county in the previous levy year
37.29 for the purposes specified under this clause and included in the county's previous year's
37.30 levy limitation computed under section 275.71, shall be deducted from the levy limit
37.31 base under section 275.71, subdivision 2, when determining the county's current year
37.32 levy limitation. The county shall provide the necessary information to the commissioner
37.33 of revenue for making this determination;

37.34 (12) to pay for operation of a lake improvement district, as authorized under section
37.35 103B.555. If the county utilizes this special levy, any amount levied by the county in the
37.36 previous levy year for the purposes specified under this clause and included in the county's

38.1 previous year's levy limitation computed under section 275.71 shall be deducted from
38.2 the levy limit base under section 275.71, subdivision 2, when determining the county's
38.3 current year levy limitation. The county shall provide the necessary information to the
38.4 commissioner of revenue for making this determination;

38.5 (13) to repay a state or federal loan used to fund the direct or indirect required
38.6 spending by the local government due to a state or federal transportation project or other
38.7 state or federal capital project. This authority may only be used if the project is not a
38.8 local government initiative;

38.9 (14) to pay for court administration costs as required under section 273.1398,
38.10 subdivision 4b, less the (i) county's share of transferred fines and fees collected by the
38.11 district courts in the county for calendar year 2001 and (ii) the aid amount certified to be
38.12 paid to the county in 2004 under section 273.1398, subdivision 4c; however, for taxes
38.13 levied to pay for these costs in the year in which the court financing is transferred to the
38.14 state, the amount under this clause is limited to the amount of aid the county is certified to
38.15 receive under section 273.1398, subdivision 4a;

38.16 (15) to fund a police or firefighters relief association as required under section 69.77
38.17 to the extent that the required amount exceeds the amount levied for this purpose in 2001;

38.18 (16) for purposes of a storm sewer improvement district under section 444.20;

38.19 (17) to pay for the maintenance and support of a city or county society for the
38.20 prevention of cruelty to animals under section 343.11, but not to exceed in any year
38.21 \$4,800 or the sum of \$1 per capita based on the county's or city's population as of the most
38.22 recent federal census, whichever is greater. If the city or county uses this special levy, any
38.23 amount levied by the city or county in the previous levy year for the purposes specified
38.24 in this clause and included in the city's or county's previous year's levy limit computed
38.25 under section 275.71, must be deducted from the levy limit base under section 275.71,
38.26 subdivision 2, in determining the city's or county's current year levy limit;

38.27 (18) for counties, to pay for the increase in their share of health and human service
38.28 costs caused by reductions in federal health and human services grants effective after
38.29 September 30, 2007;

38.30 (19) for a city, for the costs reasonably and necessarily incurred for securing,
38.31 maintaining, or demolishing foreclosed or abandoned residential properties, as allowed by
38.32 the commissioner of revenue under section 275.74, subdivision 2. A city must have either
38.33 (i) a foreclosure rate of at least 1.4 percent in 2007, or (ii) a foreclosure rate in 2007 in
38.34 the city or in a zip code area of the city that is at least 50 percent higher than the average
38.35 foreclosure rate in the metropolitan area, as defined in section 473.121, subdivision 2,
38.36 to use this special levy. For purposes of this paragraph, "foreclosure rate" means the

39.1 number of foreclosures, as indicated by sheriff sales records, divided by the number of
39.2 households in the city in 2007;

39.3 (20) for a city, for the unreimbursed costs of redeployed traffic-control agents and
39.4 lost traffic citation revenue due to the collapse of the Interstate 35W bridge, as certified
39.5 to the Federal Highway Administration;

39.6 (21) to pay costs attributable to wages and benefits for sheriff, police, and fire
39.7 personnel. If a local governmental unit did not use this special levy in the previous year its
39.8 levy limit base under section 275.71 shall be reduced by the amount equal to the amount it
39.9 levied for the purposes specified in this clause in the previous year;

39.10 (22) an amount equal to any reductions in the certified aids or ~~credits~~ credit
39.11 reimbursements payable under sections 477A.011 to 477A.014, and section 273.1384,
39.12 due to unallotment under section 16A.152. The amount of the levy allowed under this
39.13 clause for each year is equal limited to the amount unallotted ~~in~~ from the aids and credit
39.14 reimbursements certified for payment in the year following the calendar year in which the
39.15 tax levy is levied certified unless the unallotment amount is not known by September 1 of
39.16 the levy certification year, and the local government has not adjusted its levy under section
39.17 275.065, subdivision 6, or 275.07, subdivision 6, in which case ~~the~~ that unallotment
39.18 amount may be levied in the following year;

39.19 (23) to pay for the difference between one-half of the costs of confining sex offenders
39.20 undergoing the civil commitment process and any state payments for this purpose pursuant
39.21 to section 253B.185, subdivision 5;

39.22 (24) for a county to pay the costs of the first year of maintaining and operating a new
39.23 facility or new expansion, either of which contains courts, corrections, dispatch, criminal
39.24 investigation labs, or other public safety facilities and for which all or a portion of the
39.25 funding for the site acquisition, building design, site preparation, construction, and related
39.26 equipment was issued or authorized prior to the imposition of levy limits in 2008. The
39.27 levy limit base shall then be increased by an amount equal to the new facility's first full
39.28 year's operating costs as described in this clause; and

39.29 (25) for the estimated amount of reduction to credits under section 273.1384 for
39.30 credits payable in the year in which the levy is payable.

39.31 **EFFECTIVE DATE.** This section is effective retroactively for taxes payable in
39.32 2010 and thereafter.

39.33 Sec. 7. Minnesota Statutes 2008, section 275.71, subdivision 5, is amended to read:

39.34 Subd. 5. **Property tax levy limit.** (a) For taxes levied in 2008 through 2010, the
39.35 property tax levy limit for a local governmental unit is equal to its adjusted levy limit

40.1 base determined under subdivision 4 plus any additional levy authorized under section
 40.2 275.73, which is levied against net tax capacity, reduced by the sum of (i) the total amount
 40.3 of aids and reimbursements that the local governmental unit is certified to receive under
 40.4 sections 477A.011 to 477A.014, (ii) taconite aids under sections 298.28 and 298.282
 40.5 including any aid which was required to be placed in a special fund for expenditure in
 40.6 the next succeeding year, (iii) estimated payments to the local governmental unit under
 40.7 section 272.029, adjusted for any error in estimation in the preceding year, and (iv) aids
 40.8 under section 477A.16.

40.9 (b) If an aid, payment, or other amount used in paragraph (a) to reduce a local
 40.10 government unit's levy limit is reduced by an unallotment under section 16A.152, the
 40.11 amount of the aid, payment, or other amount prior to the unallotment is used in the
 40.12 computations in paragraph (a). In order for a local government unit to levy outside of its
 40.13 limit to offset the reduction in revenues attributable to an unallotment, it must do so under,
 40.14 and to the extent authorized by, a special levy authorization.

40.15 **EFFECTIVE DATE.** This section is effective retroactively for taxes payable in
 40.16 2010 and thereafter.

40.17 Sec. 8. Minnesota Statutes 2008, section 279.37, subdivision 1, is amended to read:

40.18 Subdivision 1. **Composition into one item.** Delinquent taxes upon any parcel of real
 40.19 estate may be composed into one item or amount by confession of judgment at any time
 40.20 prior to the forfeiture of the parcel of land to the state for taxes, for the aggregate amount
 40.21 of all the taxes, costs, penalties, and interest accrued against the parcel, as provided in this
 40.22 section. Taxes upon property which, for the previous year's assessment, was classified
 40.23 as mineral property, employment property, or commercial or industrial property are only
 40.24 eligible to be composed into any confession of judgment under this section as provided in
 40.25 subdivision 1a. Delinquent taxes for property that has been reclassified from 4bb to 4b
 40.26 under section 273.1319 may not be composed into a confession of judgment under this
 40.27 subdivision. Delinquent taxes on unimproved land are eligible to be composed into a
 40.28 confession of judgment only if the land is classified under section 273.13 as homestead,
 40.29 agricultural, ~~or timberland~~ rural vacant land, or managed forest land, in the previous year
 40.30 or is eligible for installment payment under subdivision 1a. The entire parcel is eligible
 40.31 for the ten-year installment plan as provided in subdivision 2 if 25 percent or more of the
 40.32 market value of the parcel is eligible for confession of judgment under this subdivision.

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

41.1 Sec. 9. Minnesota Statutes 2009 Supplement, section 475.755, is amended to read:

41.2 **475.755 EMERGENCY DEBT CERTIFICATES.**

41.3 (a) If at any time during a fiscal year the receipts of a local government are
 41.4 reasonably expected to be reduced below the amount provided in the local government's
 41.5 budget when the final property tax levy to be collected during the fiscal year was certified
 41.6 and the receipts are insufficient to meet the expenses incurred or to be incurred during the
 41.7 fiscal year, the governing body of the local government may authorize and sell certificates
 41.8 of indebtedness to mature within two years or less from the end of the fiscal year in which
 41.9 the certificates are issued. The maximum principal amount of the certificates that it may
 41.10 issue in a fiscal year is limited to the expected reduction in receipts plus the cost of
 41.11 issuance. The certificates may be issued in the manner and on the terms the governing
 41.12 body determines by resolution.

41.13 (b) The governing body of the local government shall levy taxes for the payment of
 41.14 principal and interest on the certificates in accordance with section 475.61.

41.15 (c) The certificates are not to be included in the net debt of the issuing local
 41.16 government.

41.17 (d) To the extent that a local government issues certificates under this section to fund
 41.18 an unallotment or other reduction in its state aid, the local government ~~may~~ must not use ~~a~~
 41.19 the special levy authority for the aid reduction reductions under section 275.70, subdivision
 41.20 5, clause (22), or a similar or successor provision. ~~This provision does not affect the status~~
 41.21 of the, but must instead use the special levy authority for the repayment of indebtedness
 41.22 under section 275.70, subdivision 5, clause (2), in order to levy under section 475.61 to
 41.23 pay fund repayment of the certificates as with a levy that is not subject to levy limits.

41.24 (e) For purposes of this section, the following terms have the meanings given:

41.25 (1) "Local government" means a statutory or home rule charter city, a town, or
 41.26 a county.

41.27 (2) "Receipts" includes the following amounts scheduled to be received by the
 41.28 local government for the fiscal year from:

41.29 (i) taxes;

41.30 (ii) aid payments previously certified by the state to be paid to the local government;

41.31 (iii) state reimbursement payments for property tax credits; and

41.32 (iv) any other source.

41.33 **EFFECTIVE DATE.** This section is effective retroactively for taxes payable in
 41.34 2010 and thereafter.

42.1 Sec. 10. Minnesota Statutes 2009 Supplement, section 477A.013, subdivision 8,
42.2 is amended to read:

42.3 Subd. 8. **City formula aid.** ~~(a) In calendar year 2009, the formula aid for a city~~
42.4 ~~is equal to the sum of (1) its city jobs base, (2) its small city aid base, and (3) the need~~
42.5 ~~increase percentage multiplied by its unmet need.~~

42.6 ~~(b) In calendar year 2010 and subsequent years,~~ The formula aid for a city is equal
42.7 to the sum of (1) its city jobs base, (2) its small city aid base, and (3) the need increase
42.8 percentage multiplied by the average of its unmet need for the most recently available
42.9 two years.

42.10 No city may have a formula aid amount less than zero. The need increase percentage
42.11 must be the same for all cities.

42.12 The applicable need increase percentage must be calculated by the Department of
42.13 Revenue so that the total of the aid under subdivision 9 equals the total amount available
42.14 for aid under section 477A.03. ~~For aids payable in 2009 only, all data used in calculating~~
42.15 ~~aid to cities under sections 477A.011 to 477A.013 will be based on the data available for~~
42.16 ~~calculating aid to cities for aids payable in 2008. For aids payable in 2010 and thereafter,~~
42.17 Data used in calculating aids to cities under sections 477A.011 to 477A.013 shall be the
42.18 most recently available data as of January 1 in the year in which the aid is calculated except
42.19 ~~as provided in section 477A.011, subdivisions 3 and 35~~ that the data used to compute "net
42.20 levy" in subdivision 9 is the data most recently available at the time of the aid computation.

42.21 **EFFECTIVE DATE.** This section is effective for aid payable in 2010 and thereafter.

42.22 Sec. 11. Laws 2001, First Special Session chapter 5, article 3, section 50, as amended
42.23 by Laws 2009, chapter 86, article 1, section 87, is amended to read:

42.24 **EFFECTIVE DATE.** Clause (22) of this section is effective for taxes levied in 2002,
42.25 payable in 2003, ~~through taxes levied in 2011, payable in 2012~~ and thereafter. Clause (23)
42.26 of this section is effective for taxes levied in 2001, payable in 2002, and thereafter.

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

42.28 ARTICLE 5

42.29 MISCELLANEOUS

42.30 Section 1. Minnesota Statutes 2008, section 270C.34, subdivision 1, is amended to read:

42.31 Subdivision 1. **Authority.** (a) The commissioner may abate, reduce, or refund any
42.32 penalty or interest that is imposed by a law administered by the commissioner, or imposed

43.1 by section 270.0725, subdivision 1 or 2, as a result of the late payment of tax or late
 43.2 filing of a return, if the failure to timely pay the tax or failure to timely file the return is
 43.3 due to reasonable cause, or if the taxpayer is located in a presidentially declared disaster
 43.4 or in a presidentially declared state of emergency area or in an area declared to be in a
 43.5 state of emergency by the governor under section 12.31.

43.6 (b) The commissioner shall abate any part of a penalty or additional tax charge
 43.7 under section 289A.25, subdivision 2, or 289A.26, subdivision 4, attributable to erroneous
 43.8 advice given to the taxpayer in writing by an employee of the department acting in
 43.9 an official capacity, if the advice:

43.10 (1) was reasonably relied on and was in response to a specific written request of the
 43.11 taxpayer; and

43.12 (2) was not the result of failure by the taxpayer to provide adequate or accurate
 43.13 information.

43.14 ~~(c) The commissioner may abate a penalty imposed under section 270.0725,~~
 43.15 ~~subdivision 1 or 2, if the failure to timely file is due to reasonable cause, or if the airline~~
 43.16 ~~company is located in a presidentially declared disaster area.~~

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

43.18 Sec. 2. Minnesota Statutes 2008, section 469.319, subdivision 5, is amended to read:

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

43.26 (1) a natural disaster;

43.27 (2) unforeseen industry trends; or

43.28 (3) loss of a major supplier or customer.

43.29 (b)(1) The commissioner shall waive repayment required under subdivision 1a if
 43.30 the commissioner has waived repayment by the operating business under subdivision 1,
 43.31 unless the person that received benefits without having to operate a business in the zone
 43.32 was a contributing factor in the qualified business becoming subject to repayment under
 43.33 subdivision 1;

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

44.1 (i) the person that received benefits without having to operate a business in the zone
44.2 and the business that operated in the zone are not related parties as defined in section
44.3 267(b) of the Internal Revenue Code of 1986, as amended through December 31, 2007; and

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

44.6 (c) Requests for waiver must be made no later than 60 days after the notice date of
44.7 an order issued under subdivision 4, paragraph (d), or, in the case of property taxes, within
44.8 60 days of the date of a tax statement issued under subdivision 4, paragraph (c).

44.9 **EFFECTIVE DATE.** This section is effective for waivers requested in response
44.10 to notices issued after the day following final enactment.

44.11 Sec. 3. Minnesota Statutes 2008, section 469.3193, is amended to read:

44.12 **469.3193 CERTIFICATION OF CONTINUING ELIGIBILITY FOR JOBS**
44.13 **BENEFITS.**

44.14 (a) By ~~December 1~~ October 15 of each year, every qualified business must certify
44.15 to the commissioner of revenue, on a form prescribed by the commissioner of revenue,
44.16 whether it is in compliance with any agreement required as a condition for eligibility for
44.17 benefits listed under section 469.315. A business that fails to submit the certification, or
44.18 any business, including those still operating in the zone, that submits a certification that
44.19 the commissioner of revenue later determines materially misrepresents the business's
44.20 compliance with the agreement, is subject to the repayment provisions under section
44.21 469.319 from January 1 of the year in which the report is due or the date that the business
44.22 became subject to section 469.319, whichever is earlier. Any such business is permanently
44.23 barred from obtaining benefits under section 469.315. For purposes of this section, the bar
44.24 applies to an entity and also applies to any individuals or entities that have an ownership
44.25 interest of at least 20 percent of the entity.

44.26 (b) Before the sanctions under paragraph (a) apply to a business that fails to
44.27 submit the certification, the commissioner of revenue shall send notice to the business,
44.28 demanding that the certification be submitted within 30 days and advising the business
44.29 of the consequences for failing to do so. The commissioner of revenue shall notify
44.30 the commissioner of employment and economic development and the appropriate job
44.31 opportunity subzone administrator whenever notice is sent to a business under this
44.32 paragraph.

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

45.1 (d) The commissioner of revenue shall promptly notify the commissioner of
45.2 employment and economic development of all businesses that certify that they are not
45.3 in compliance with the terms of their business subsidy agreement and all businesses
45.4 that fail to file the certification.

45.5 **EFFECTIVE DATE.** This section is effective for certifications required to be
45.6 made in 2010 and thereafter.

APPENDIX
Article locations in 10-4092

ARTICLE 1	INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES	Page.Ln 1.22
ARTICLE 2	SALES AND USE TAXES	Page.Ln 22.8
ARTICLE 3	SPECIAL TAXES	Page.Ln 25.18
ARTICLE 4	PROPERTY TAXES AND AIDS	Page.Ln 30.6
ARTICLE 5	MISCELLANEOUS	Page.Ln 42.28

297I.30 DUE DATES FOR FILING RETURNS.

Subd. 4. **Persons, firms, or corporations licensed to procure insurance from unlicensed foreign companies.** On or before 30 days following the expiration date of a license issued under section 297I.05, subdivision 9, a person, firm, or corporation licensed to obtain insurance from a company not authorized to do business in Minnesota shall file a return with the commissioner for the preceding 12-month period setting forth any information the commissioner reasonably requires on forms prescribed by the commissioner.

Subd. 5. **Joint self-insurance plans.** On or before 60 days following the conclusion of their fiscal year, a plan subject to tax under section 297I.05, subdivision 12, paragraph (b) or (c), shall file a return with the commissioner for the preceding fiscal year setting forth any information the commissioner reasonably requires on forms prescribed by the commissioner.

Subd. 6. **Persons, firms, or corporations procuring insurance from an unlicensed foreign company.** Within 30 days after the date the insurance was procured, continued, or renewed, a taxpayer required to pay the tax under section 297I.05, subdivision 10, shall file a return setting forth any information the commissioner reasonably requires on forms prescribed by the commissioner.