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# State of Minnesota HOUSE OF REPRESENTATIVES

**EIGHTY-SEVENTH  
SESSION**

**HOUSE FILE No. 42**

January 10, 2011

Authored by Davids, Erickson, Urdahl, LeMieur, Dettmer and others  
The bill was read for the first time and referred to the Committee on Taxes

March 21, 2011

Committee Recommendation and Adoption of Report:  
To Pass as Amended and re-referred to the Committee on Ways and Means

## A bill for an act

relating to the financing and operation of state and local government; making changes to individual income, corporate franchise, property, aids, credits, payments, refunds, sales and use, tax increment financing, aggregate material, minerals, local, and other taxes and tax-related provisions; making changes to the green acres and rural preserve programs; authorizing border city development zone powers and local taxes; modifying regional railroad authority provisions; repealing sustainable forest resource management incentive; authorizing grants to local governments for cooperation, consolidation, and service innovation; providing a science and technology program; reducing certain income rates; allowing capital equipment exemption at time of purchase; directing commissioner of revenue to negotiate a reciprocity agreement with state of Wisconsin and permitting its termination only by law; requiring studies; requiring reports; repealing metropolitan revenue distribution program; appropriating money; amending Minnesota Statutes 2010, sections 97A.061, subdivisions 1, 3; 270A.03, subdivision 7; 270B.12, by adding a subdivision; 270C.13, subdivision 1; 272.02, by adding a subdivision; 273.111, subdivision 9, by adding a subdivision; 273.114, subdivisions 2, 5, 6; 273.121, subdivision 1; 273.13, subdivisions 21b, 25, 34; 273.1384, subdivisions 1, 3, 4; 273.1393; 273.1398, subdivision 3; 275.025, subdivisions 1, 3, 4; 275.066; 275.08, subdivisions 1a, 1d; 276.04, subdivision 2; 279.01, subdivision 1; 289A.20, subdivision 4; 289A.50, subdivision 1; 290.01, subdivisions 6, 19b; 290.06, subdivision 2c; 290.068, subdivision 1; 290.081; 290.091, subdivision 2; 290A.03, subdivisions 11, 13; 297A.61, subdivision 3; 297A.62, by adding a subdivision; 297A.63, by adding a subdivision; 297A.668, subdivision 7, by adding a subdivision; 297A.68, subdivision 5; 297A.70, subdivision 3; 297A.75; 297A.99, subdivision 1; 298.01, subdivision 3; 298.015, subdivision 1; 298.018, subdivision 1; 298.28, subdivision 3; 298.75, by adding a subdivision; 398A.04, subdivision 8; 398A.07, subdivision 2; 469.1763, subdivision 2; 473.757, subdivisions 2, 11; 477A.011, by adding a subdivision; 477A.0124, by adding a subdivision; 477A.013, subdivisions 8, 9, by adding a subdivision; 477A.03; 477A.11, subdivision 1; 477A.12, subdivision 1; 477A.14, subdivision 1; 477A.17; Laws 1996, chapter 471, article 2, section 29, subdivision 1, as amended; Laws 1998, chapter 389, article 8, section 43, subdivisions 3, as amended, 4, as amended, 5, as amended; Laws 2008, chapter 366, article 7, section 19, subdivision 3; Laws 2010, chapter 389, article 7, section 22; proposing coding for new law in Minnesota Statutes, chapters 3; 116W; 275; 373; repealing Minnesota Statutes 2010, sections 10A.322, subdivision 4; 13.4967, subdivision 2; 273.114, subdivision 1; 273.1384, subdivision 6; 279.01, subdivision 4; 289A.60,

2.1 subdivision 31; 290.06, subdivision 23; 290C.01; 290C.02; 290C.03; 290C.04;  
2.2 290C.05; 290C.055; 290C.06; 290C.07; 290C.08; 290C.09; 290C.10; 290C.11;  
2.3 290C.12; 290C.13; 473F.001; 473F.01; 473F.02, subdivisions 1, 2, 3, 4, 5, 6,  
2.4 7, 8, 10, 12, 13, 14, 15, 21, 22, 23, 24; 473F.03; 473F.05; 473F.06; 473F.07;  
2.5 473F.08, subdivisions 1, 2, 3, 3a, 3b, 4, 5, 5a, 6, 7a, 8a, 10; 473F.09; 473F.10;  
2.6 473F.11; 473F.13, subdivision 1; 477A.145.

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

## 2.8 ARTICLE 1

### 2.9 INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES

2.10 Section 1. Minnesota Statutes 2010, section 270B.12, is amended by adding a  
2.11 subdivision to read:

2.12 Subd. 14. **Wisconsin secretary of revenue; income tax reciprocity benchmark**  
2.13 **study.** The commissioner may disclose return information to the secretary of revenue  
2.14 of the state of Wisconsin for the purpose of conducting a joint individual income tax  
2.15 reciprocity study.

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

2.17 Sec. 2. Minnesota Statutes 2010, section 290.01, subdivision 19b, is amended to read:

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

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

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

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

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

(4) income as provided under section 290.0802;

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

(6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E) of the Internal Revenue Code in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over \$500 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code, under the provisions of Public Law 109-1 and Public Law 111-126;

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

(8) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code

generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero;

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

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

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

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

(13) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the



tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause;

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

(15) international economic development zone income as provided under section 469.325;

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

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

(18) to the extent not deducted in computing federal taxable income, charitable contributions of food inventory as determined under the provisions of section 170(e)(3)(C) of the Internal Revenue Code, determined without regard to the termination date under section 170(e)(3)(C)(iv).

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2010.

Sec. 3. Minnesota Statutes 2010, section 290.06, subdivision 2c, is amended to read:

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

(1) On the first \$25,680, ~~5.35~~ 4.75 percent;

(2) On all over \$25,680, but not over \$102,030, ~~7.05~~ 6.75 percent;

(3) On all over \$102,030, 7.85 percent.

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

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

6.1 (1) On the first \$17,570, ~~5.35~~ 4.75 percent;

6.2 (2) On all over \$17,570, but not over \$57,710, ~~7.05~~ 6.75 percent;

6.3 (3) On all over \$57,710, 7.85 percent.

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

6.7 (1) On the first \$21,630, ~~5.35~~ 4.75 percent;

6.8 (2) On all over \$21,630, but not over \$86,910, ~~7.05~~ 6.75 percent;

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

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

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

6.21 (1) the numerator is the individual's Minnesota source federal adjusted gross income  
6.22 as defined in section 62 of the Internal Revenue Code and increased by the additions  
6.23 required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12),  
6.24 (13), (16), and (17), and reduced by the Minnesota assignable portion of the subtraction  
6.25 for United States government interest under section 290.01, subdivision 19b, clause  
6.26 (1), and the subtractions under section 290.01, subdivision 19b, clauses (8), (9), (13),  
6.27 (14), (15), and (17), after applying the allocation and assignability provisions of section  
6.28 290.081, clause (a), or 290.17; and

6.29 (2) the denominator is the individual's federal adjusted gross income as defined in  
6.30 section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in  
6.31 section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12), (13), (16), and  
6.32 (17), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1),  
6.33 (8), (9), (13), (14), (15), and (17).

6.34 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
6.35 December 31, 2011, except that the 4.75 percent rates in paragraphs (a), clause (1), (b),  
6.36 clause (1), and (c), clause (1), are 5.25 percent for taxable years beginning after December

7.1 31, 2011, and before January 1, 2013, and 5.15 percent for taxable years beginning after  
7.2 December 31, 2012, and before January 1, 2014, and the 6.75 percent rates in paragraphs  
7.3 (a), clause (2), (b), clause (2), and (c), clause (2), are 6.85 percent for taxable years  
7.4 beginning after December 31, 2011, and before January 1, 2014.

7.5 Sec. 4. Minnesota Statutes 2010, section 290.068, subdivision 1, is amended to read:

7.6 Subdivision 1. **Credit allowed.** A corporation, partners in a partnership, or  
7.7 shareholders in a corporation treated as an "S" corporation under section 290.9725 are  
7.8 allowed a credit against the tax computed under this chapter for the taxable year equal to:

7.9 (a) ~~ten~~ 12.5 percent of the first \$2,000,000 of the excess (if any) of

7.10 (1) the qualified research expenses for the taxable year, over

7.11 (2) the base amount; and

7.12 (b) ~~2.5~~ five percent on all of such excess expenses over \$2,000,000.

7.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
7.14 December 31, 2010, except that for taxable years beginning after December 31, 2010, and  
7.15 before January 1, 2012, the five percent rate in clause (b) is reduced to four percent.

7.16 Sec. 5. Minnesota Statutes 2010, section 290.081, is amended to read:

7.17 **290.081 INCOME OF NONRESIDENTS, RECIPROCITY.**

7.18 Subdivision 1. Reciprocity with other states. (a) The compensation received for  
7.19 the performance of personal or professional services within this state by an individual  
7.20 whose residence, place of abode, and place customarily returned to at least once a month  
7.21 is in another state, shall be excluded from gross income to the extent such compensation is  
7.22 subject to an income tax imposed by the state of residence; provided that such state allows  
7.23 a similar exclusion of compensation received by residents of Minnesota for services  
7.24 performed therein.

7.25 (b) When it is deemed to be in the best interests of the people of this state, the  
7.26 commissioner may determine that the provisions of paragraph (a) shall not apply, as they  
7.27 relate to all states except Wisconsin. The provisions of paragraph (a) apply with respect  
7.28 to Wisconsin only for taxable years in which a reciprocity agreement with Wisconsin is  
7.29 in effect as provided by this section. As long as the provisions of paragraph (a) apply  
7.30 between Minnesota and Wisconsin, the provisions of paragraph (a) shall apply to any  
7.31 individual who is domiciled in Wisconsin.

7.32 (c) For the purposes of paragraph (a), whenever the Wisconsin tax on Minnesota  
7.33 residents which would have been paid Wisconsin without paragraph (a) exceeds the

Minnesota tax on Wisconsin residents which would have been paid Minnesota without paragraph (a), or vice versa, then the state with the net revenue loss resulting from paragraph (a) must be compensated by the other state as provided in the agreement under paragraph (d). This provision shall be effective for all years beginning after December 31, 1972. The data used for computing the loss to either state shall be determined on or before September 30 of the year following the close of the previous calendar year.

(d) Interest is payable on all amounts calculated under paragraph (c) relating to taxable years beginning after December 31, 2000 and before January 1, 2010. Interest accrues from July 1 of the taxable year.

~~(e) The commissioner of revenue is authorized to enter into agreements~~ reciprocity agreement with the state of Wisconsin ~~specifying~~ must specify the compensation required under paragraph (b), ~~the one or more~~ reciprocity payment due date, dates for the revenue loss relating to each taxable year, with one or more estimated payment due dates in the same fiscal year in which the revenue loss occurred, and a final payment in the following fiscal year, conditions constituting delinquency, interest rates, and a method for computing interest due. Interest is payable from July 1 of the taxable year on final payments made in the following fiscal year. Calculation of compensation under the agreement must specify if the revenue loss is determined before or after the allowance of each state's credit for taxes paid to the other state.

~~(f)~~ (f) If an agreement cannot be reached as to the amount of the loss, the commissioner of revenue and the taxing official of the state of Wisconsin shall each appoint a member of a board of arbitration and these members shall appoint the third member of the board. The board shall select one of its members as chair. Such board may administer oaths, take testimony, subpoena witnesses, and require their attendance, require the production of books, papers and documents, and hold hearings at such places as are deemed necessary. The board shall then make a determination as to the amount to be paid the other state which determination shall be final and conclusive.

~~(g)~~ (g) The commissioner may furnish copies of returns, reports, or other information to the taxing official of the state of Wisconsin, a member of the board of arbitration, or a consultant under joint contract with the states of Minnesota and Wisconsin for the purpose of making a determination as to the amount to be paid the other state under the provisions of this section. Prior to the release of any information under the provisions of this section, the person to whom the information is to be released shall sign an agreement which provides that the person will protect the confidentiality of the returns and information revealed thereby to the extent that it is protected under the laws of the state of Minnesota.

9.1 (h) Any reciprocity agreement entered into under this section continues in effect  
9.2 until terminated by Minnesota or Wisconsin law. The commissioner may agree to modify  
9.3 the timing or method of calculating the state payments to be made under the agreement,  
9.4 consistent with the requirements of paragraphs (c) and (e), but may not terminate the  
9.5 agreement.

9.6 Subd. 2. **New reciprocity agreement with Wisconsin.** (a) The commissioner of  
9.7 revenue is directed to initiate negotiations with the secretary of revenue of Wisconsin,  
9.8 with the objective of entering into an income tax reciprocity agreement effective for tax  
9.9 years beginning after December 31, 2011. The agreement must satisfy the conditions of  
9.10 subdivision 1, with one or more estimated payment due dates and a final payment due  
9.11 date specified so that the state with a net revenue loss as a result of the agreement receives  
9.12 estimated payments from the other state, in the same fiscal year as that in which the net  
9.13 revenue loss occurred and a final payment with interest in the following fiscal year.

9.14 (b) The commissioner may not enter into an income tax reciprocity agreement  
9.15 with Wisconsin under this section until after Wisconsin has paid in full with interest the  
9.16 amount due to Minnesota under the income tax reciprocity agreement in effect for taxable  
9.17 years beginning before January 1, 2010.

9.18 **EFFECTIVE DATE.** Subdivision 2 is effective the day following final enactment.  
9.19 The changes to subdivision 1 are effective for taxable years beginning after December 31  
9.20 of the year of the agreement, contingent upon agreement from the state of Wisconsin to a  
9.21 reciprocity arrangement in which estimated payments are made in the same fiscal year in  
9.22 which a change in revenue occurs, and a final payment is made in the following fiscal year.

9.23 Sec. 6. Minnesota Statutes 2010, section 290.091, subdivision 2, is amended to read:

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

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

9.28 (1) the taxpayer's federal alternative minimum taxable income as defined in section  
9.29 55(b)(2) of the Internal Revenue Code;

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

9.32 (i) the charitable contribution deduction under section 170 of the Internal Revenue  
9.33 Code, including any additional subtraction for charitable contributions of food inventory  
9.34 under section 290.01, subdivision 19b;

9.35 (ii) the medical expense deduction;

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

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

10.3 (3) for depletion allowances computed under section 613A(c) of the Internal

10.4 Revenue Code, with respect to each property (as defined in section 614 of the Internal

10.5 Revenue Code), to the extent not included in federal alternative minimum taxable income,

10.6 the excess of the deduction for depletion allowable under section 611 of the Internal

10.7 Revenue Code for the taxable year over the adjusted basis of the property at the end of the

10.8 taxable year (determined without regard to the depletion deduction for the taxable year);

10.9 (4) to the extent not included in federal alternative minimum taxable income, the

10.10 amount of the tax preference for intangible drilling cost under section 57(a)(2) of the

10.11 Internal Revenue Code determined without regard to subparagraph (E);

10.12 (5) to the extent not included in federal alternative minimum taxable income, the

10.13 amount of interest income as provided by section 290.01, subdivision 19a, clause (1); and

10.14 (6) the amount of addition required by section 290.01, subdivision 19a, clauses (7)

10.15 to (9), (12), (13), (16), and (17);

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

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

10.18 (2) an overpayment of state income tax as provided by section 290.01, subdivision

10.19 19b, clause (2), to the extent included in federal alternative minimum taxable income;

10.20 (3) the amount of investment interest paid or accrued within the taxable year on

10.21 indebtedness to the extent that the amount does not exceed net investment income, as

10.22 defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include

10.23 amounts deducted in computing federal adjusted gross income; and

10.24 (4) amounts subtracted from federal taxable income as provided by section 290.01,

10.25 subdivision 19b, clauses (6), (8) to (15), and (17).

10.26 In the case of an estate or trust, alternative minimum taxable income must be

10.27 computed as provided in section 59(c) of the Internal Revenue Code.

10.28 (b) "Investment interest" means investment interest as defined in section 163(d)(3)

10.29 of the Internal Revenue Code.

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

10.31 (d) "Regular tax" means the tax that would be imposed under this chapter (without

10.32 regard to this section and section 290.032), reduced by the sum of the nonrefundable

10.33 credits allowed under this chapter.

10.34 (e) "Tentative minimum tax" equals 6.4 percent of alternative minimum taxable

10.35 income after subtracting the exemption amount determined under subdivision 3.

11.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
11.2 December 31, 2010.

11.3 Sec. 7. **INCOME TAX RECIPROCITY BENCHMARK STUDY.**

11.4 (a) The Department of Revenue, in conjunction with the Wisconsin Department of  
11.5 Revenue, must conduct a study to determine at least the following:

11.6 (1) the number of residents of each state who earn income from personal services in  
11.7 the other state;

11.8 (2) the total amount of income earned by residents of each state who earn income  
11.9 from personal services in the other state; and

11.10 (3) the change in tax revenue in each state if an income tax reciprocity arrangement  
11.11 were resumed between the two states under which the taxpayers were required to pay  
11.12 income taxes on the income only in their state of residence.

11.13 (b) The study must be conducted as soon as practicable, using information obtained  
11.14 from each state's income tax returns for tax year 2011, and from any other source of  
11.15 information the departments determine is necessary to complete the study.

11.16 (c) No later than March 1, 2013, the Department of Revenue must submit a report  
11.17 containing the results of the study to the governor and to the chairs and ranking minority  
11.18 members of the legislative committees having jurisdiction over taxes.

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

11.20 **ARTICLE 2**

11.21 **SALES AND USE TAXES**

11.22 Section 1. Minnesota Statutes 2010, section 289A.20, subdivision 4, is amended to  
11.23 read:

11.24 Subd. 4. **Sales and use tax.** (a) The taxes imposed by chapter 297A are due and  
11.25 payable to the commissioner monthly on or before the 20th day of the month following  
11.26 the month in which the taxable event occurred, or following another reporting period  
11.27 as the commissioner prescribes or as allowed under section 289A.18, subdivision 4,  
11.28 paragraph (f) or (g), except that:

11.29 ~~(1) use taxes due on an annual use tax return as provided under section 289A.11,~~  
11.30 ~~subdivision 1, are payable by April 15 following the close of the calendar year; and~~

11.31 ~~(2) except as provided in paragraph (f), for a vendor having a liability of \$120,000~~  
11.32 ~~or more during a fiscal year ending June 30, 2009, and fiscal years thereafter, the taxes~~

12.1 ~~imposed by chapter 297A, except as provided in paragraph (b), are due and payable to the~~  
12.2 ~~commissioner monthly in the following manner:~~

12.3 ~~(i) On or before the 14th day of the month following the month in which the taxable~~  
12.4 ~~event occurred, the vendor must remit to the commissioner 90 percent of the estimated~~  
12.5 ~~liability for the month in which the taxable event occurred.~~

12.6 ~~(ii) On or before the 20th day of the month in which the taxable event occurs, the~~  
12.7 ~~vendor must remit to the commissioner a prepayment for the month in which the taxable~~  
12.8 ~~event occurs equal to 67 percent of the liability for the previous month.~~

12.9 ~~(iii) On or before the 20th day of the month following the month in which the taxable~~  
12.10 ~~event occurred, the vendor must pay any additional amount of tax not previously remitted~~  
12.11 ~~under either item (i) or (ii) or, if the payment made under item (i) or (ii) was greater than~~  
12.12 ~~the vendor's liability for the month in which the taxable event occurred, the vendor may~~  
12.13 ~~take a credit against the next month's liability in a manner prescribed by the commissioner.~~

12.14 ~~(iv) Once the vendor first pays under either item (i) or (ii), the vendor is required to~~  
12.15 ~~continue to make payments in the same manner, as long as the vendor continues having a~~  
12.16 ~~liability of \$120,000 or more during the most recent fiscal year ending June 30.~~

12.17 ~~(v) Notwithstanding items (i), (ii), and (iv), if a vendor fails to make the required~~  
12.18 ~~payment in the first month that the vendor is required to make a payment under either item~~  
12.19 ~~(i) or (ii), then the vendor is deemed to have elected to pay under item (ii) and must make~~  
12.20 ~~subsequent monthly payments in the manner provided in item (ii).~~

12.21 ~~(vi) For vendors making an accelerated payment under item (ii), for the first month~~  
12.22 ~~that the vendor is required to make the accelerated payment, on the 20th of that month, the~~  
12.23 ~~vendor will pay 100 percent of the liability for the previous month and a prepayment for~~  
12.24 ~~the first month equal to 67 percent of the liability for the previous month.~~

12.25 ~~(b) Notwithstanding paragraph (a), A vendor having a liability of \$120,000 or more~~  
12.26 ~~during a fiscal year ending June 30 must remit the June liability for the next year in the~~  
12.27 ~~following manner:~~

12.28 ~~(1) Two business days before June 30 of the year, the vendor must remit 90 percent~~  
12.29 ~~of the estimated June liability to the commissioner.~~

12.30 ~~(2) On or before August 20 of the year, the vendor must pay any additional amount~~  
12.31 ~~of tax not remitted in June.~~

12.32 ~~(c) A vendor having a liability of:~~

12.33 ~~(1) \$10,000 or more, but less than \$120,000 during a fiscal year ending June 30,~~  
12.34 ~~2009, and fiscal years thereafter, must remit by electronic means all liabilities on returns~~  
12.35 ~~due for periods beginning in the subsequent calendar year on or before the 20th day of~~  
12.36 ~~the month following the month in which the taxable event occurred, or on or before the~~



13.1 20th day of the month following the month in which the sale is reported under section  
13.2 289A.18, subdivision 4; or

13.3 (2) \$120,000 or more, during a fiscal year ending June 30, 2009, and fiscal years  
13.4 thereafter, must remit by electronic means all liabilities in the manner provided in  
13.5 paragraph (a), ~~clause (2)~~; on returns due for periods beginning in the subsequent calendar  
13.6 year, except for 90 percent of the estimated June liability, which is due two business days  
13.7 before June 30. The remaining amount of the June liability is due on August 20.

13.8 (d) Notwithstanding paragraph (b) or (c), a person prohibited by the person's  
13.9 religious beliefs from paying electronically shall be allowed to remit the payment by mail.  
13.10 The filer must notify the commissioner of revenue of the intent to pay by mail before  
13.11 doing so on a form prescribed by the commissioner. No extra fee may be charged to a  
13.12 person making payment by mail under this paragraph. The payment must be postmarked  
13.13 at least two business days before the due date for making the payment in order to be  
13.14 considered paid on a timely basis.

13.15 ~~(e) Whenever the liability is \$120,000 or more separately for: (1) the tax imposed~~  
13.16 ~~under chapter 297A; (2) a fee that is to be reported on the same return as and paid with the~~  
13.17 ~~chapter 297A taxes; or (3) any other tax that is to be reported on the same return as and~~  
13.18 ~~paid with the chapter 297A taxes, then the payment of all the liabilities on the return must~~  
13.19 ~~be accelerated as provided in this subdivision.~~

13.20 ~~(f) At the start of the first calendar quarter at least 90 days after the cash flow~~  
13.21 ~~account established in section 16A.152, subdivision 1, and the budget reserve account~~  
13.22 ~~established in section 16A.152, subdivision 1a, reach the amounts listed in section~~  
13.23 ~~16A.152, subdivision 2, paragraph (a), the remittance of the accelerated payments required~~  
13.24 ~~under paragraph (a), clause (2), must be suspended. The commissioner of management~~  
13.25 ~~and budget shall notify the commissioner of revenue when the accounts have reached~~  
13.26 ~~the required amounts. Beginning with the suspension of paragraph (a), clause (2), for a~~  
13.27 ~~vendor with a liability of \$120,000 or more during a fiscal year ending June 30, 2009,~~  
13.28 ~~and fiscal years thereafter, the taxes imposed by chapter 297A are due and payable to the~~  
13.29 ~~commissioner on the 20th day of the month following the month in which the taxable~~  
13.30 ~~event occurred. Payments of tax liabilities for taxable events occurring in June under~~  
13.31 ~~paragraph (b) are not changed.~~

13.32 **EFFECTIVE DATE.** This section is effective for taxes due and payable after  
13.33 July 1, 2011.

13.34 Sec. 2. Minnesota Statutes 2010, section 297A.61, subdivision 3, is amended to read:

14.1 Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited  
14.2 to, each of the transactions listed in this subdivision.

14.3 (b) Sale and purchase include:

14.4 (1) any transfer of title or possession, or both, of tangible personal property, whether  
14.5 absolutely or conditionally, for a consideration in money or by exchange or barter; and

14.6 (2) the leasing of or the granting of a license to use or consume, for a consideration  
14.7 in money or by exchange or barter, tangible personal property, other than a manufactured  
14.8 home used for residential purposes for a continuous period of 30 days or more.

14.9 (c) Sale and purchase include the production, fabrication, printing, or processing of  
14.10 tangible personal property for a consideration for consumers who furnish either directly or  
14.11 indirectly the materials used in the production, fabrication, printing, or processing.

14.12 (d) Sale and purchase include the preparing for a consideration of food.

14.13 Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited  
14.14 to, the following:

14.15 (1) prepared food sold by the retailer;

14.16 (2) soft drinks;

14.17 (3) candy;

14.18 (4) dietary supplements; and

14.19 (5) all food sold through vending machines.

14.20 (e) A sale and a purchase includes the furnishing for a consideration of electricity,  
14.21 gas, water, or steam for use or consumption within this state.

14.22 (f) A sale and a purchase includes the transfer for a consideration of prewritten  
14.23 computer software whether delivered electronically, by load and leave, or otherwise.

14.24 (g) A sale and a purchase includes the furnishing for a consideration of the following  
14.25 services:

14.26 (1) the privilege of admission to places of amusement, recreational areas, or athletic  
14.27 events, and the making available of amusement devices, tanning facilities, reducing  
14.28 salons, steam baths, Turkish baths, health clubs, and spas or athletic facilities;

14.29 (2) lodging and related services by a hotel, rooming house, resort, campground,  
14.30 motel, or trailer camp, including furnishing the guest of the facility with access to  
14.31 telecommunication services, and the granting of any similar license to use real property  
14.32 in a specific facility, other than the renting or leasing of it for a continuous period of  
14.33 30 days or more under an enforceable written agreement that may not be terminated  
14.34 without prior notice;

14.35 (3) nonresidential parking services, whether on a contractual, hourly, or other  
14.36 periodic basis, except for parking at a meter;

15.1 (4) the granting of membership in a club, association, or other organization if:

15.2 (i) the club, association, or other organization makes available for the use of its  
15.3 members sports and athletic facilities, without regard to whether a separate charge is  
15.4 assessed for use of the facilities; and

15.5 (ii) use of the sports and athletic facility is not made available to the general public  
15.6 on the same basis as it is made available to members.

15.7 Granting of membership means both onetime initiation fees and periodic membership  
15.8 dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and  
15.9 squash courts; basketball and volleyball facilities; running tracks; exercise equipment;  
15.10 swimming pools; and other similar athletic or sports facilities;

15.11 (5) delivery of aggregate materials by a third party, excluding delivery of aggregate  
15.12 material used in road construction, and delivery of concrete block by a third party if  
15.13 the delivery would be subject to the sales tax if provided by the seller of the concrete  
15.14 block; and

15.15 (6) services as provided in this clause:

15.16 (i) laundry and dry cleaning services including cleaning, pressing, repairing, altering,  
15.17 and storing clothes, linen services and supply, cleaning and blocking hats, and carpet,  
15.18 drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not  
15.19 include services provided by coin operated facilities operated by the customer;

15.20 (ii) motor vehicle washing, waxing, and cleaning services, including services  
15.21 provided by coin operated facilities operated by the customer, and rustproofing,  
15.22 undercoating, and towing of motor vehicles;

15.23 (iii) building and residential cleaning, maintenance, and disinfecting services and  
15.24 pest control and exterminating services;

15.25 (iv) detective, security, burglar, fire alarm, and armored car services; but not  
15.26 including services performed within the jurisdiction they serve by off-duty licensed peace  
15.27 officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit  
15.28 organization for monitoring and electronic surveillance of persons placed on in-home  
15.29 detention pursuant to court order or under the direction of the Minnesota Department  
15.30 of Corrections;

15.31 (v) pet grooming services;

15.32 (vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting  
15.33 and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor  
15.34 plant care; tree, bush, shrub, and stump removal, except when performed as part of a land  
15.35 clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for

16.1 public utility lines. Services performed under a construction contract for the installation of  
16.2 shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

16.3 (vii) massages, except when provided by a licensed health care facility or  
16.4 professional or upon written referral from a licensed health care facility or professional for  
16.5 treatment of illness, injury, or disease; and

16.6 (viii) the furnishing of lodging, board, and care services for animals in kennels and  
16.7 other similar arrangements, but excluding veterinary and horse boarding services.

16.8 In applying the provisions of this chapter, the terms "tangible personal property"  
16.9 and "retail sale" include taxable services listed in clause (6), items (i) to (vi) and (viii),  
16.10 and the provision of these taxable services, unless specifically provided otherwise.

16.11 Services performed by an employee for an employer are not taxable. Services performed  
16.12 by a partnership or association for another partnership or association are not taxable if  
16.13 one of the entities owns or controls more than 80 percent of the voting power of the  
16.14 equity interest in the other entity. Services performed between members of an affiliated  
16.15 group of corporations are not taxable. For purposes of the preceding sentence, "affiliated  
16.16 group of corporations" means those entities that would be classified as members of an  
16.17 affiliated group as defined under United States Code, title 26, section 1504, disregarding  
16.18 the exclusions in section 1504(b).

16.19 For purposes of clause (5), "road construction" means construction of (1) public  
16.20 roads, (2) cartways, and (3) private roads in townships located outside of the seven-county  
16.21 metropolitan area up to the point of the emergency response location sign.

16.22 (h) A sale and a purchase includes the furnishing for a consideration of tangible  
16.23 personal property or taxable services by the United States or any of its agencies or  
16.24 instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political  
16.25 subdivisions.

16.26 (i) A sale and a purchase includes the furnishing for a consideration of  
16.27 telecommunications services, ancillary services associated with telecommunication  
16.28 services, cable television services, and direct satellite services, ~~and ring tones.~~

16.29 Telecommunication services include, but are not limited to, the following services,  
16.30 as defined in section 297A.669: air-to-ground radiotelephone service, mobile  
16.31 telecommunication service, postpaid calling service, prepaid calling service, prepaid  
16.32 wireless calling service, and private communication services. The services in this  
16.33 paragraph are taxed to the extent allowed under federal law.

16.34 (j) A sale and a purchase includes the furnishing for a consideration of installation if  
16.35 the installation charges would be subject to the sales tax if the installation were provided  
16.36 by the seller of the item being installed.

17.1 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer  
17.2 to a customer when (1) the vehicle is rented by the customer for a consideration, or (2)  
17.3 the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section  
17.4 59B.02, subdivision 11.

17.5 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
17.6 June 30, 2011.

17.7 Sec. 3. Minnesota Statutes 2010, section 297A.62, is amended by adding a subdivision  
17.8 to read:

17.9 **Subd. 5. Transitional period for services.** When there is a change in the rate of tax  
17.10 imposed by this section, the following transitional period shall apply to the retail sale of  
17.11 services covering a billing period starting before and ending after the statutory effective  
17.12 date of the rate change:

17.13 (1) for a rate increase, the new rate shall apply to the first billing period starting  
17.14 on or after the effective date; and

17.15 (2) for a rate decrease, the new rate shall apply to bills rendered on or after the  
17.16 effective date.

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

17.18 Sec. 4. Minnesota Statutes 2010, section 297A.63, is amended by adding a subdivision  
17.19 to read:

17.20 **Subd. 3. Transitional period for services.** When there is a change in the rate of  
17.21 tax imposed by this section, the following transitional period shall apply to the taxable  
17.22 services purchased for use, storage, distribution, or consumption in this state when the  
17.23 service purchased covers a billing period starting before and ending after the statutory  
17.24 effective date of the rate change:

17.25 (1) for a rate increase, the new rate shall apply to the first billing period starting  
17.26 on or after the effective date; and

17.27 (2) for a rate decrease, the new rate shall apply to bills rendered on or after the  
17.28 effective date.

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

17.30 Sec. 5. Minnesota Statutes 2010, section 297A.668, subdivision 7, is amended to read:

17.31 **Subd. 7. Advertising and promotional direct mail.** (a) Notwithstanding other  
17.32 subdivisions of this section, the provisions in paragraphs (b) to (e) apply to the sale of

18.1 advertising and promotional direct mail. "Advertising and promotional direct mail" means  
18.2 printed material that is direct mail as defined in section 297A.61, subdivision 35, the  
18.3 primary purpose of which is to attract public attention to a product, person, business, or  
18.4 organization, or to attempt to sell, popularize, or secure financial support for a person,  
18.5 business, organization, or product. "Product" includes tangible personal property, a digital  
18.6 product transferred electronically, or a service.

18.7 (b) A purchaser of advertising and promotional direct mail ~~that is not a holder of~~  
18.8 ~~a direct pay permit shall provide to the seller, in conjunction with the purchase, either a~~  
18.9 ~~direct mail form or~~ may provide the seller with either:

18.10 (1) a fully completed exemption certificate as described in section 297A.72  
18.11 indicating that the purchaser is authorized to pay any sales or use tax due on purchases  
18.12 made by the purchaser directly to the commissioner under section 297A.89;

18.13 (2) a fully completed exemption certificate claiming an exemption for direct mail; or

18.14 (3) information to show showing the jurisdictions to which the advertising and  
18.15 promotional direct mail is to be delivered to recipients.

18.16 ~~(1) Upon receipt of the direct mail form;~~ (c) In the absence of bad faith, if the  
18.17 purchaser provides one of the exemption certificates indicated in paragraph (b), clauses (1)  
18.18 and (2), the seller is relieved of all obligations to collect, pay, or remit the applicable tax  
18.19 and the purchaser is obligated to pay or remit the applicable tax on a direct pay basis. A  
18.20 ~~direct mail form remains in effect for all future sales of direct mail by the seller to the~~  
18.21 ~~purchaser until it is revoked in writing.~~ tax on any transaction involving advertising and  
18.22 promotional direct mail to which the certificate applies. The purchaser shall source the  
18.23 sale to the jurisdictions to which the advertising and promotional direct mail is to be  
18.24 delivered to the recipients of the mail, and shall report and pay any applicable tax due.

18.25 ~~(2) Upon receipt of~~ (d) If the purchaser provides the seller information from the  
18.26 ~~purchaser~~ showing the jurisdictions to which the advertising and promotional direct mail  
18.27 is to be delivered to recipients, the seller shall source the sale to the jurisdictions to which  
18.28 the advertising and promotional direct mail is to be delivered and shall collect and remit  
18.29 the applicable tax according to the delivery information provided by the purchaser. In  
18.30 the absence of bad faith, the seller is relieved of any further obligation to collect any  
18.31 additional tax on any transaction for which the sale of advertising and promotional direct  
18.32 mail where the seller has collected tax pursuant sourced the sale according to the delivery  
18.33 information provided by the purchaser.

18.34 ~~(b) (e) If the purchaser of direct mail does not have a direct pay permit and does~~  
18.35 ~~not provide the seller with either a direct mail form or delivery information, as required~~  
18.36 ~~by paragraph (a), the seller shall collect the tax according to~~ any of the items listed in

19.1 paragraph (b), the sale shall be sourced under subdivision 2, paragraph (f). Nothing in  
19.2 this paragraph limits a purchaser's obligation for sales or use tax to any state to which the  
19.3 direct mail is delivered.

19.4 ~~(c) If a purchaser of direct mail provides the seller with documentation of direct~~  
19.5 ~~pay authority, the purchaser is not required to provide a direct mail form or delivery~~  
19.6 ~~information to the seller.~~

19.7 (f) This subdivision does not apply to printed materials that result from developing  
19.8 billing information or providing any data processing service that is more than incidental  
19.9 to producing the printed materials, regardless of whether advertising and promotional  
19.10 direct mail is included in the same mailing.

19.11 (g) If a transaction is a bundled transaction that includes advertising and promotional  
19.12 direct mail, this subdivision applies only if the primary purpose of the transaction is the sale  
19.13 of products or services that meet the definition of advertising and promotional direct mail.

19.14 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
19.15 June 30, 2011.

19.16 Sec. 6. Minnesota Statutes 2010, section 297A.668, is amended by adding a  
19.17 subdivision to read:

19.18 Subd. 7a. **Other direct mail.** (a) Notwithstanding other subdivisions of this section,  
19.19 the provisions in paragraphs (b) and (c) apply to the sale of other direct mail. "Other direct  
19.20 mail" means printed material that is direct mail as defined in section 297A.61, subdivision  
19.21 35, but is not advertising and promotional direct mail as described in subdivision 7,  
19.22 regardless of whether advertising and promotional direct mail is included in the same  
19.23 mailing. Other direct mail includes, but is not limited to:

19.24 (1) direct mail pertaining to a transaction between the purchaser and addressee,  
19.25 where the mail contains personal information specific to the addressee including, but not  
19.26 limited to, invoices, bills, statements of account, and payroll advices;

19.27 (2) any legally required mailings including, but not limited to, privacy notices,  
19.28 tax reports, and stockholder reports; and

19.29 (3) other nonpromotional direct mail delivered to existing or former shareholders,  
19.30 customers, employees, or agents including, but not limited to, newsletters and  
19.31 informational pieces.

19.32 Other direct mail does not include printed materials that result from developing  
19.33 billing information or providing any data processing service that is more than incidental to  
19.34 producing the other direct mail.

20.1        (b) A purchaser of other direct mail may provide the seller with either a fully  
20.2 completed exemption certificate as described in section 297A.72 indicating that the  
20.3 purchaser is authorized to pay any sales or use tax due on purchases made by the purchaser  
20.4 directly to the commissioner under section 297A.89, or a fully completed exemption  
20.5 certificate claiming an exemption for direct mail. If the purchaser provides one of the  
20.6 exemption certificates listed, then the seller, in the absence of bad faith, is relieved of all  
20.7 obligations to collect, pay, or remit the tax on any transaction involving other direct mail  
20.8 to which the certificate applies. The purchaser shall source the sale to the jurisdictions to  
20.9 which the other direct mail is to be delivered to the recipients of the mail, and shall report  
20.10 and pay any applicable tax due.

20.11        (c) If the purchaser does not provide the seller with a fully completed exemption  
20.12 certificate claiming either exemption listed in paragraph (b), the sale shall be sourced  
20.13 according to subdivision 2, paragraph (d).

20.14        **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
20.15 June 30, 2011.

20.16        Sec. 7. Minnesota Statutes 2010, section 297A.68, subdivision 5, is amended to read:

20.17        Subd. 5. **Capital equipment.** (a) Capital equipment is exempt. ~~The tax must be~~  
20.18 ~~imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and~~  
20.19 ~~then refunded in the manner provided in section 297A.75.~~

20.20        "Capital equipment" means machinery and equipment purchased or leased, and used  
20.21 in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining,  
20.22 or refining tangible personal property to be sold ultimately at retail if the machinery and  
20.23 equipment are essential to the integrated production process of manufacturing, fabricating,  
20.24 mining, or refining. Capital equipment also includes machinery and equipment  
20.25 used primarily to electronically transmit results retrieved by a customer of an online  
20.26 computerized data retrieval system.

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

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

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

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

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



- 21.1 (5) repair and replacement parts, including accessories, whether purchased as spare  
21.2 parts, repair parts, or as upgrades or modifications to machinery or equipment;
- 21.3 (6) materials used for foundations that support machinery or equipment;
- 21.4 (7) materials used to construct and install special purpose buildings used in the  
21.5 production process;
- 21.6 (8) ready-mixed concrete equipment in which the ready-mixed concrete is mixed  
21.7 as part of the delivery process regardless if mounted on a chassis, repair parts for  
21.8 ready-mixed concrete trucks, and leases of ready-mixed concrete trucks; and
- 21.9 (9) machinery or equipment used for research, development, design, or production  
21.10 of computer software.
- 21.11 (c) Capital equipment does not include the following:
- 21.12 (1) motor vehicles taxed under chapter 297B;
- 21.13 (2) machinery or equipment used to receive or store raw materials;
- 21.14 (3) building materials, except for materials included in paragraph (b), clauses (6)  
21.15 and (7);
- 21.16 (4) machinery or equipment used for nonproduction purposes, including, but not  
21.17 limited to, the following: plant security, fire prevention, first aid, and hospital stations;  
21.18 support operations or administration; pollution control; and plant cleaning, disposal of  
21.19 scrap and waste, plant communications, space heating, cooling, lighting, or safety;
- 21.20 (5) farm machinery and aquaculture production equipment as defined by section  
21.21 297A.61, subdivisions 12 and 13;
- 21.22 (6) machinery or equipment purchased and installed by a contractor as part of an  
21.23 improvement to real property;
- 21.24 (7) machinery and equipment used by restaurants in the furnishing, preparing, or  
21.25 serving of prepared foods as defined in section 297A.61, subdivision 31;
- 21.26 (8) machinery and equipment used to furnish the services listed in section 297A.61,  
21.27 subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii);
- 21.28 (9) machinery or equipment used in the transportation, transmission, or distribution  
21.29 of petroleum, liquefied gas, natural gas, water, or steam, in, by, or through pipes, lines,  
21.30 tanks, mains, or other means of transporting those products. This clause does not apply to  
21.31 machinery or equipment used to blend petroleum or biodiesel fuel as defined in section  
21.32 239.77; or
- 21.33 (10) any other item that is not essential to the integrated process of manufacturing,  
21.34 fabricating, mining, or refining.
- 21.35 (d) For purposes of this subdivision:

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

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

22.8 (3) "Integrated production process" means a process or series of operations through  
22.9 which tangible personal property is manufactured, fabricated, mined, or refined. For  
22.10 purposes of this clause, (i) manufacturing begins with the removal of raw materials  
22.11 from inventory and ends when the last process prior to loading for shipment has been  
22.12 completed; (ii) fabricating begins with the removal from storage or inventory of the  
22.13 property to be assembled, processed, altered, or modified and ends with the creation  
22.14 or production of the new or changed product; (iii) mining begins with the removal of  
22.15 overburden from the site of the ores, minerals, stone, peat deposit, or surface materials and  
22.16 ends when the last process before stockpiling is completed; and (iv) refining begins with  
22.17 the removal from inventory or storage of a natural resource and ends with the conversion  
22.18 of the item to its completed form.

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

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

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

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

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

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

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

23.3 (11) This subdivision does not apply to telecommunications equipment as  
23.4 provided in subdivision 35, and does not apply to wire, cable, fiber, poles, or conduit  
23.5 for telecommunications services.

23.6 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
23.7 June 30, 2013.

23.8 Sec. 8. Minnesota Statutes 2010, section 297A.70, subdivision 3, is amended to read:

23.9 Subd. 3. **Sales of certain goods and services to government.** (a) The following  
23.10 sales to or use by the specified governments and political subdivisions of the state are  
23.11 exempt:

23.12 (1) repair and replacement parts for emergency rescue vehicles, fire trucks, and  
23.13 fire apparatus to a political subdivision;

23.14 (2) machinery and equipment, except for motor vehicles, used directly for mixed  
23.15 municipal solid waste management services at a solid waste disposal facility as defined in  
23.16 section 115A.03, subdivision 10;

23.17 (3) chore and homemaking services to a political subdivision of the state to be  
23.18 provided to elderly or disabled individuals;

23.19 (4) telephone services to the Office of Enterprise Technology that are used to provide  
23.20 telecommunications services through the enterprise technology revolving fund;

23.21 (5) firefighter personal protective equipment as defined in paragraph (b), if purchased  
23.22 or authorized by and for the use of an organized fire department, fire protection district, or  
23.23 fire company regularly charged with the responsibility of providing fire protection to the  
23.24 state or a political subdivision;

23.25 (6) bullet-resistant body armor that provides the wearer with ballistic and trauma  
23.26 protection, if purchased by a law enforcement agency of the state or a political subdivision  
23.27 of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

23.28 (7) motor vehicles purchased or leased by political subdivisions of the state if the  
23.29 vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b),  
23.30 exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax  
23.31 under section 297B.03, clause (12);

23.32 (8) equipment designed to process, dewater, and recycle biosolids for wastewater  
23.33 treatment facilities of political subdivisions, and materials incidental to installation of  
23.34 that equipment;

24.1 (9) sales to a town of gravel and of machinery, equipment, and accessories, except  
 24.2 motor vehicles, used exclusively for road and bridge maintenance, and leases by a town of  
 24.3 motor vehicles exempt from tax under section 297B.03, clause (10);

24.4 (10) the removal of trees, bushes, or shrubs for the construction and maintenance  
 24.5 of roads, trails, or firebreaks when purchased by an agency of the state or a political  
 24.6 subdivision of the state; ~~and~~

24.7 (11) purchases by the Metropolitan Council or the Department of Transportation of  
 24.8 vehicles and repair parts to equip operations provided for in section 174.90, including, but  
 24.9 not limited to, the Northstar Corridor Rail project; and

24.10 (12) purchases of water used directly in providing public safety services by an  
 24.11 organized fire department, fire protection district, or fire company regularly charged with  
 24.12 the responsibility of providing fire protection to the state or a political subdivision.

24.13 (b) For purposes of this subdivision, "firefighters personal protective equipment"  
 24.14 means helmets, including face shields, chin straps, and neck liners; bunker coats and  
 24.15 pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets;  
 24.16 protective coveralls; goggles; self-contained breathing apparatus; canister filter masks;  
 24.17 personal alert safety systems; spanner belts; optical or thermal imaging search devices;  
 24.18 and all safety equipment required by the Occupational Safety and Health Administration.

24.19 (c) For purchases of items listed in paragraph (a), clause (11), the tax must be  
 24.20 imposed and collected as if the rate under section 297A.62, subdivision 1, applied and  
 24.21 then refunded in the manner provided in section 297A.75.

24.22 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases  
 24.23 made after June 30, 2007; however, no refunds may be made for amounts already paid on  
 24.24 water purchased between June 30, 2007, and January 30, 2010.

24.25 Sec. 9. Minnesota Statutes 2010, section 297A.75, is amended to read:

24.26 **297A.75 REFUND; APPROPRIATION.**

24.27 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the  
 24.28 following exempt items must be imposed and collected as if the sale were taxable and the  
 24.29 rate under section 297A.62, subdivision 1, applied. The exempt items include:

24.30 ~~(1) capital equipment exempt under section 297A.68, subdivision 5;~~

24.31 ~~(2)~~ (1) building materials for an agricultural processing facility exempt under section  
 24.32 297A.71, subdivision 13;

24.33 ~~(3)~~ (2) building materials for mineral production facilities exempt under section  
 24.34 297A.71, subdivision 14;

- 25.1 ~~(4)~~ (3) building materials for correctional facilities under section 297A.71,  
 25.2 subdivision 3;
- 25.3 ~~(5)~~ (4) building materials used in a residence for disabled veterans exempt under  
 25.4 section 297A.71, subdivision 11;
- 25.5 ~~(6)~~ (5) elevators and building materials exempt under section 297A.71, subdivision  
 25.6 12;
- 25.7 ~~(7)~~ (6) building materials for the Long Lake Conservation Center exempt under  
 25.8 section 297A.71, subdivision 17;
- 25.9 ~~(8)~~ (7) materials and supplies for qualified low-income housing under section  
 25.10 297A.71, subdivision 23;
- 25.11 ~~(9)~~ (8) materials, supplies, and equipment for municipal electric utility facilities  
 25.12 under section 297A.71, subdivision 35;
- 25.13 ~~(10)~~ (9) equipment and materials used for the generation, transmission, and  
 25.14 distribution of electrical energy and an aerial camera package exempt under section  
 25.15 297A.68, subdivision 37;
- 25.16 ~~(11)~~ (10) tangible personal property and taxable services and construction materials,  
 25.17 supplies, and equipment exempt under section 297A.68, subdivision 41;
- 25.18 ~~(12)~~ (11) commuter rail vehicle and repair parts under section 297A.70, subdivision  
 25.19 3, clause (11);
- 25.20 ~~(13)~~ (12) materials, supplies, and equipment for construction or improvement of  
 25.21 projects and facilities under section 297A.71, subdivision 40;
- 25.22 ~~(14)~~ (13) materials, supplies, and equipment for construction or improvement of a  
 25.23 meat processing facility exempt under section 297A.71, subdivision 41; and
- 25.24 ~~(15)~~ (14) materials, supplies, and equipment for construction, improvement, or  
 25.25 expansion of an aerospace defense manufacturing facility exempt under section 297A.71,  
 25.26 subdivision 42.
- 25.27 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the  
 25.28 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items  
 25.29 must be paid to the applicant. Only the following persons may apply for the refund:
- 25.30 (1) for subdivision 1, clauses (1) ~~to (3)~~ and (2), the applicant must be the purchaser;  
 25.31 (2) for subdivision 1, clauses ~~(4)~~ (3) and ~~(7)~~ (6), the applicant must be the  
 25.32 governmental subdivision;
- 25.33 (3) for subdivision 1, clause ~~(5)~~ (4), the applicant must be the recipient of the  
 25.34 benefits provided in United States Code, title 38, chapter 21;
- 25.35 (4) for subdivision 1, clause ~~(6)~~ (5), the applicant must be the owner of the  
 25.36 homestead property;

26.1 (5) for subdivision 1, clause ~~(8)~~ (7), the owner of the qualified low-income housing  
26.2 project;

26.3 (6) for subdivision 1, clause ~~(9)~~ (8), the applicant must be a municipal electric utility  
26.4 or a joint venture of municipal electric utilities;

26.5 (7) for subdivision 1, clauses (9), (10), ~~(11)~~, (13), and (14), and ~~(15)~~; the owner  
26.6 of the qualifying business; and

26.7 (8) for subdivision 1, clauses (11) and (12) and ~~(13)~~, the applicant must be the  
26.8 governmental entity that owns or contracts for the project or facility.

26.9 Subd. 3. **Application.** (a) The application must include sufficient information  
26.10 to permit the commissioner to verify the tax paid. If the tax was paid by a contractor,  
26.11 subcontractor, or builder, under subdivision 1, clause (3), (4), (5), (6), (7), (8), (9), (10),  
26.12 (11), (12), (13), or (14), or ~~(15)~~, the contractor, subcontractor, or builder must furnish to  
26.13 the refund applicant a statement including the cost of the exempt items and the taxes paid  
26.14 on the items unless otherwise specifically provided by this subdivision. The provisions of  
26.15 sections 289A.40 and 289A.50 apply to refunds under this section.

26.16 ~~(b) An applicant may not file more than two applications per calendar year for~~  
26.17 ~~refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.~~

26.18 ~~(c)~~ (b) Total refunds for purchases of items in section 297A.71, subdivision 40,  
26.19 must not exceed \$5,000,000 in fiscal years 2010 and 2011. Applications for refunds for  
26.20 purchases of items in sections 297A.70, subdivision 3, paragraph (a), clause (11), and  
26.21 297A.71, subdivision 40, must not be filed until after June 30, 2009.

26.22 Subd. 4. **Interest.** Interest must be paid on the refund at the rate in section 270C.405  
26.23 from 90 days after the refund claim is filed with the commissioner for taxes paid under  
26.24 subdivision 1.

26.25 Subd. 5. **Appropriation.** The amount required to make the refunds is annually  
26.26 appropriated to the commissioner.

26.27 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
26.28 June 30, 2013.

26.29 Sec. 10. **BUDGET ADJUSTMENT.**

26.30 Upon implementation of section 7, the commissioner of management and budget  
26.31 shall reduce the base budget of the Department of Revenue by \$140,000, beginning in  
26.32 fiscal year 2015.

26.33 Sec. 11. **REPEALER.**

26.34 Minnesota Statutes 2010, section 289A.60, subdivision 31, is repealed.

27.1 **EFFECTIVE DATE.** This section is effective for taxes due and payable after  
27.2 July 1, 2011.

27.3 **ARTICLE 3**

27.4 **ECONOMIC DEVELOPMENT**

27.5 Section 1. **[116W.25] CITATION.**

27.6 Sections 116W.26 to 116W.34 may be cited as the "Minnesota science and  
27.7 technology program."

27.8 Sec. 2. **[116W.26] DEFINITIONS.**

27.9 Subdivision 1. **Applicability.** For the purposes of sections 116W.26 to 116W.34,  
27.10 the terms in this section have the meanings given them.

27.11 Subd. 2. **Authority.** "Authority" means the Minnesota Science and Technology  
27.12 Authority established under this chapter.

27.13 Subd. 3. **College or university.** "College or university" means an institution of  
27.14 postsecondary education, public or private, that grants undergraduate or postgraduate  
27.15 academic degrees, conducts significant research or development activities in the areas of  
27.16 science and technology.

27.17 Subd. 4. **Commercialization.** "Commercialization" means any of the full spectrum  
27.18 of activities required for a new technology, product, or process to be developed from  
27.19 its basic research of conceptual stage through applied research or development to the  
27.20 marketplace including, without limitation, the steps leading up to and including licensure,  
27.21 sales, and services.

27.22 Subd. 5. **Commercialized research project.** "Commercialized research project"  
27.23 means research conducted within a college or university or nonprofit research institution  
27.24 or by a qualified science and technology company that has shown advanced commercial  
27.25 potential through license agreements, patents, or other forms of invention disclosure, and  
27.26 by which a qualified science and technology company has been or is being currently  
27.27 formed.

27.28 Subd. 6. **Fund.** "Fund" means the Minnesota science and technology fund.

27.29 Subd. 7. **Nonprofit research institution.** "Nonprofit research institution" means an  
27.30 entity with its principle place of business in Minnesota, that qualifies under section 501(c)  
27.31 of the Internal Revenue Code, and that conducts significant research or development  
27.32 activities in this state in the areas of science and technology.

27.33 Subd. 8. **Program.** "Program" means the Minnesota science and technology  
27.34 program.

28.1            **Subd. 9. Qualified science and technology company.** "Qualified science and  
28.2 technology company" means a corporation, limited liability company, S corporation,  
28.3 partnership, limited liability partnership, or sole proprietorship with fewer than 100  
28.4 employees that is engaged in research, development, or production of science or  
28.5 technology in this state including, without limitation, research, development, or production  
28.6 directed toward developing or providing science and technology products, processes, or  
28.7 services for specific commercial or public purposes.

28.8            **Sec. 3. [116W.27] MINNESOTA SCIENCE AND TECHNOLOGY FUND.**

28.9            (a) A Minnesota science and technology fund is created in the state treasury. The  
28.10 fund is a direct-appropriated special revenue fund. Money of the authority must be  
28.11 paid to the commissioner of management and budget as agent of the authority and the  
28.12 commissioner shall not commingle the money with other money. The money in the fund  
28.13 must be paid out only on warrants drawn by the commissioner of management and budget  
28.14 on requisition of the executive director of the authority or designee.

28.15            (b) \$1,500,000 is appropriated per year for fiscal years 2012 and 2013, and  
28.16 \$3,500,000 in each fiscal year thereafter, from the general fund to the Minnesota science  
28.17 and technology fund.

28.18            **Sec. 4. [116W.28] MINNESOTA SCIENCE AND TECHNOLOGY FUND;**  
28.19 **AUTHORIZED USES.**

28.20            The Minnesota science and technology fund may be used for the following to:

28.21            (1) establish the commercialized research program authorized under section  
28.22 116W.29;

28.23            (2) establish the federal research and development support program under section  
28.24 116W.30;

28.25            (3) establish the industry technology and competitiveness program under section  
28.26 116W.31; and

28.27            (4) carry out the powers of the authority authorized under sections 116W.04 and  
28.28 116W.32 that are in support of the programs in clauses (1) to (3).

28.29            **Sec. 5. [116W.29] COMMERCIALIZED RESEARCH PROGRAM.**

28.30            (a) The authority may establish a commercialized research program. The purpose of  
28.31 the program is to accelerate the commercialization of science and technology products,  
28.32 processes, or services from colleges or universities, nonprofit research institutions or



29.1 qualified science and technology companies that lead to an increase in science and  
29.2 technology businesses and jobs. The program shall:

29.3 (1) provide science and technology gap funding of up to \$250,000 per science and  
29.4 technology research project to assist in the commercialization and transfer of science and  
29.5 technology research projects from a college or university or nonprofit research institution  
29.6 to a qualified science and technology company; and

29.7 (2) provide funding of up to \$250,000 for early stage development for qualified  
29.8 science and technology companies to conduct commercialized research projects.

29.9 (b) All activities under the commercialized research program must require:

29.10 (1) written criteria set by the authority for the application, award, and use of the  
29.11 funds;

29.12 (2) matching funds by the participating qualified science and technology company,  
29.13 college or university, or nonprofit research institution;

29.14 (3) no more than 15 percent of the funds awarded by the authority may be used  
29.15 for overhead costs; and

29.16 (4) a report by the participating qualified science and technology company, college  
29.17 or university, or nonprofit research institution that provides documentation of the use of  
29.18 funds and outcomes of the award. The report must be submitted to the authority within  
29.19 one calendar year of the date of the award.

29.20 **Sec. 6. [116W.30] FEDERAL RESEARCH AND DEVELOPMENT SUPPORT**  
29.21 **PROGRAM.**

29.22 The authority may establish a federal research and development support program.  
29.23 The purpose of the program is to increase and coordinate efforts to procure federal funding  
29.24 for research projects of primary benefit to qualified science and technology companies,  
29.25 colleges or universities, and nonprofit research institutions. The program shall:

29.26 (1) develop and execute a strategy to identify specific federal agencies and programs  
29.27 that support the growth of science and technology industries in this state; and

29.28 (2) provide grants to qualified science and technology companies:

29.29 (i) to assist in the development of federal Small Business Innovation (SBIR) or  
29.30 Small Business Technology Transfer (STTR) proposals; and

29.31 (ii) to match funds received through SBIR or STTR awards. No more than  
29.32 \$1,500,000 may be awarded in a year for matching grants under this clause.

29.33 **Sec. 7. [116W.31] INDUSTRY INNOVATION AND COMPETITIVENESS**  
29.34 **PROGRAM.**

30.1 (a) The authority may establish an industry technology and competitiveness program.  
30.2 The purpose of the program is to advance the technological capacity and competitiveness  
30.3 of existing and emerging science and technology industries. The program shall:

30.4 (1) provide matching funds to programs and organizations that assist entrepreneurs  
30.5 in starting and growing qualified science and technology companies including, but not  
30.6 limited to, matching funds for mentoring programs, consulting and technical services,  
30.7 and related activities;

30.8 (2) fund initiatives that retain engineering, science, technology, and mathematical  
30.9 occupations in the state including, but not limited to, internships, mentoring, and support  
30.10 of industry and professional organizations; and

30.11 (3) fund initiatives that support the growth of targeted industry clusters and the  
30.12 competitiveness of existing qualified science and technology companies in developing  
30.13 and marketing new products and services.

30.14 (b) All activities under the industry innovation and competitiveness program shall  
30.15 require:

30.16 (i) written criteria set by the authority for the application, award, and use of the funds;

30.17 (ii) matching funds by the participating qualified science and technology company,  
30.18 college or university, or nonprofit research institution; and

30.19 (iii) a report by the participating qualified science and technology company, college  
30.20 or university, or nonprofit research institution providing documentation on the use of the  
30.21 funds and outcomes of the award. The report must be submitted to the authority within  
30.22 one calendar year from the date of the award.

30.23 **Sec. 8. [116W.32] MINNESOTA SCIENCE AND TECHNOLOGY AUTHORITY;**  
30.24 **POWERS UNDER FUND.**

30.25 Subdivision 1. **General powers.** The authority shall have all of the powers  
30.26 necessary to carry out the purposes and provisions of sections 116W.26 to 116W.34,  
30.27 including, but not limited to, those provided under section 116W.04 and the following:

30.28 (1) The authority may make awards in the forms of grants or loans, and charge and  
30.29 receive a reasonable interest for the loans, or take an equity position in form of stock, a  
30.30 convertible note, or other securities in consideration of an award. Interests, revenues, or  
30.31 other proceeds received as a result of a transaction authorized by use of this fund shall be  
30.32 deposited to the corpus of the fund and used in the same manner as the corpus of the fund.

30.33 (2) In awarding money from the fund, priority shall be given to proposals from  
30.34 qualified science and technology companies that have demonstrable economic benefit to

31.1 the state in terms of the formation of a new private sector business entity, the creation of  
31.2 jobs, or the attraction of federal and private funding.

31.3 (3) In awarding money from the fund, priority shall be given to proposals from  
31.4 colleges or universities and nonprofit research institutions that:

31.5 (i) promote collaboration between any combination of colleges or universities,  
31.6 nonprofit research institutions, and private industry;

31.7 (ii) enhance existing research superiority by attracting new research entities,  
31.8 research talent, or resources to the state; and

31.9 (iii) create new research superiority that attracts significant researchers and resources  
31.10 from outside the state.

31.11 (4) Subject to the limits in this clause, money within the fund may be used  
31.12 for reasonable administrative expenses by the authority including staffing and direct  
31.13 operational expenses, and professional fees for accounting, legal, and other technical  
31.14 services required to carry out the intent of the program and administration of the fund.  
31.15 Administrative expenses may not exceed five percent of the first \$5,000,000 in the fund  
31.16 and two percent of any amount in excess of \$5,000,000.

31.17 (5) Before making an award, the authority shall enter into a written agreement with  
31.18 the entity receiving the award that specifies the uses of the award.

31.19 (6) If the award recipient has not used the award received for the purposes intended,  
31.20 as of the date provided in the agreement, the recipient shall repay that amount and any  
31.21 interest applicable under the agreement to the authority. All repayments must be deposited  
31.22 to the corpus of the fund.

31.23 Subd. 2. **Rules.** The authority may adopt rules to implement the programs  
31.24 authorized under sections 116W.29 to 116W.31.

31.25 **Sec. 9. [116W.33] REPAYMENT.**

31.26 An entity must repay all or a portion of the amount of any award, grant, loan, or  
31.27 financial assistance of any type paid by the authority under sections 116W.29 to 116W.32  
31.28 if the entity relocates outside the state or ceases operation in Minnesota within three years  
31.29 from the date the authority provided the financial award. If the entity relocates outside of  
31.30 this state or ceases operation in Minnesota within two years of the financial award, the  
31.31 entity must repay 100 percent of the award. If the entity relocates or ceases operation in  
31.32 Minnesota after a period of two years but before three years from the date of the financial  
31.33 award, the entity must repay 75 percent of the financial award.

31.34 **Sec. 10. [116W.34] EXPIRATION.**

32.1           Sections 116W.26 to 116W.33 expire on the expiration date of the authority under  
32.2 section 116W.03, subdivision 7. Any unused money in the fund shall be deposited in the  
32.3 general fund.

32.4           Sec. 11. Minnesota Statutes 2010, section 469.1763, subdivision 2, is amended to read:

32.5           Subd. 2. **Expenditures outside district.** (a) For each tax increment financing  
32.6 district, an amount equal to at least 75 percent of the total revenue derived from tax  
32.7 increments paid by properties in the district must be expended on activities in the district  
32.8 or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities  
32.9 in the district or to pay, or secure payment of, debt service on credit enhanced bonds.  
32.10 For districts, other than redevelopment districts for which the request for certification  
32.11 was made after June 30, 1995, the in-district percentage for purposes of the preceding  
32.12 sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax  
32.13 increments paid by properties in the district may be expended, through a development fund  
32.14 or otherwise, on activities outside of the district but within the defined geographic area of  
32.15 the project except to pay, or secure payment of, debt service on credit enhanced bonds.  
32.16 For districts, other than redevelopment districts for which the request for certification was  
32.17 made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is  
32.18 20 percent. The revenue derived from tax increments for the district that are expended on  
32.19 costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before  
32.20 calculating the percentages that must be expended within and without the district.

32.21           (b) In the case of a housing district, a housing project, as defined in section 469.174,  
32.22 subdivision 11, is an activity in the district.

32.23           (c) All administrative expenses are for activities outside of the district, except that  
32.24 if the only expenses for activities outside of the district under this subdivision are for  
32.25 the purposes described in paragraph (d), administrative expenses will be considered as  
32.26 expenditures for activities in the district.

32.27           (d) The authority may elect, in the tax increment financing plan for the district,  
32.28 to increase by up to ten percentage points the permitted amount of expenditures for  
32.29 activities located outside the geographic area of the district under paragraph (a). As  
32.30 permitted by section 469.176, subdivision 4k, the expenditures, including the permitted  
32.31 expenditures under paragraph (a), need not be made within the geographic area of the  
32.32 project. Expenditures that meet the requirements of this paragraph are legally permitted  
32.33 expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, and 4j.  
32.34 To qualify for the increase under this paragraph, the expenditures must:

- 33.1 (1) be used exclusively to assist housing that meets the requirement for a qualified  
33.2 low-income building, as that term is used in section 42 of the Internal Revenue Code; and  
33.3 (2) not exceed the qualified basis of the housing, as defined under section 42(c) of  
33.4 the Internal Revenue Code, less the amount of any credit allowed under section 42 of  
33.5 the Internal Revenue Code; and  
33.6 (3) be used to:  
33.7 (i) acquire and prepare the site of the housing;  
33.8 (ii) acquire, construct, or rehabilitate the housing; or  
33.9 (iii) make public improvements directly related to the housing; or  
33.10 (4) be used to develop housing:  
33.11 (i) if the market value of the housing does not exceed the lesser of:  
33.12 (A) 150 percent of the average market of single-family homes in that municipality; or  
33.13 (B) \$200,000 for municipalities located in the metropolitan area, as defined in  
33.14 section 473.121, or \$125,000 for all other municipalities; and  
33.15 (ii) if the expenditures are used to pay the cost of site acquisition, relocation,  
33.16 demolition of existing structures, site preparation, and pollution abatement on one or  
33.17 more parcels, if the parcel:  
33.18 (A) contains a residence containing one to four family dwelling units that has been  
33.19 vacant for six or more months;  
33.20 (B) contains a residence containing one to four family dwelling units that is  
33.21 structurally substandard, as defined in section 469.174, subdivision 10;  
33.22 (C) is in foreclosure as defined in section 325N.10, subdivision 7, but without regard  
33.23 to whether the residence is the owner's principal residence, and a notice of pendency of the  
33.24 foreclosure has been recorded under section 580.032, except a notice of pendency is not  
33.25 required for a delinquency or default that relates to a contract for deed payment; or  
33.26 (D) is a vacant site, if the authority uses the parcel in connection with the  
33.27 development or redevelopment of a parcel qualifying under subitems (A) to (C).  
33.28 (e) For a district created within a biotechnology and health sciences industry zone  
33.29 as defined in section 469.330, subdivision 6, or for an existing district located within  
33.30 such a zone, tax increment derived from such a district may be expended outside of the  
33.31 district but within the zone only for expenditures required for the construction of public  
33.32 infrastructure necessary to support the activities of the zone, land acquisition, and other  
33.33 redevelopment costs as defined in section 469.176, subdivision 4j. These expenditures are  
33.34 considered as expenditures for activities within the district.  
33.35 (f) The authority under paragraph (d), clause (4), expires on December 31, 2016.  
33.36 Increments may continue to be expended under this authority after that date, if they are

34.1 used to pay bonds or binding contracts that would qualify under subdivision 3, paragraph  
34.2 (a), if December 31, 2016, is considered to be the last date of the five-year period after  
34.3 certification under that provision.

34.4 **EFFECTIVE DATE.** This section is effective for any district that is subject to the  
34.5 provisions of section 469.1763, regardless of when the request for certification of the  
34.6 district was made.

34.7 Sec. 12. Laws 2010, chapter 389, article 7, section 22, is amended to read:

34.8 Sec. 22. **CITY OF RAMSEY; TAX INCREMENT FINANCING DISTRICT;**  
34.9 **SPECIAL RULES.**

34.10 (a) If the city of Ramsey or an authority of the city elects upon the adoption of a tax  
34.11 increment financing plan for a district, the rules under this section apply to a redevelopment  
34.12 tax increment financing district established by the city or an authority of the city. The  
34.13 redevelopment tax increment district includes parcels within the area bounded on the east  
34.14 by Ramsey Boulevard, on the north by Bunker Lake Boulevard as extended west to Llama  
34.15 Street, on the west by Llama Street, and on the south by a line running parallel to and  
34.16 600 feet south of the southerly right-of-way for U.S. Highway 10, but including Parcels  
34.17 28-32-25-43-0007 and 28-32-25-34-0002 in their entirety, and excluding the Anoka  
34.18 County Regional Park property in its entirety. A parcel within this area that is included in  
34.19 a tax increment financing district that was certified before the date of enactment of this act  
34.20 may be included in the district created under this act if the initial district is decertified.

34.21 (b) The requirements for qualifying a redevelopment tax increment district under  
34.22 Minnesota Statutes, section 469.174, subdivision 10, do not apply to the parcels located  
34.23 within the district.

34.24 (c) ~~In addition to the costs permitted by Minnesota Statutes, section 469.176,~~  
34.25 ~~subdivision 4j, does not apply to the district.~~ Eligible expenditures within the district  
34.26 include but are not limited to (1) the city's share of the costs necessary to provide for  
34.27 the construction of the Northstar Transit Station and related infrastructure, including  
34.28 structured parking, a pedestrian overpass, and roadway improvements, (2) the cost of  
34.29 land acquired by the city or the housing and redevelopment authority in and for the city  
34.30 of Ramsey within the district prior to the establishment of the district, and (3) the cost  
34.31 of public improvements installed within the tax increment financing district prior to the  
34.32 establishment of the district.

34.33 (d) The requirement of Minnesota Statutes, section 469.1763, subdivision 3, that  
34.34 activities must be undertaken within a five-year period from the date of certification of a

35.1 tax increment financing district, is considered to be met for the district if the activities  
35.2 were undertaken within ten years from the date of certification of the district.

35.3 (e) Except for administrative expenses, the in-district percentage for purposes of  
35.4 the restriction on pooling under Minnesota Statutes, section 469.1763, subdivision 2, for  
35.5 this district is 100 percent.

35.6 (f) The four-year period under Minnesota Statutes, section 469.176, subdivision  
35.7 6, is extended to six years for the district.

35.8 **EFFECTIVE DATE.** This section is effective upon approval by the governing  
35.9 body of the city of Ramsey, and upon compliance by the city with Minnesota Statutes,  
35.10 section 645.021, subdivision 3.

35.11 Sec. 13. **CITY OF LINO LAKES; TAX INCREMENT FINANCING.**

35.12 Subdivision 1. **Duration of district.** Notwithstanding the provisions of Minnesota  
35.13 Statutes, section 469.176, subdivision 1b, the city of Lino Lakes may collect tax  
35.14 increments from tax increment financing district no. 1-10 through December 31, 2023,  
35.15 subject to the conditions in subdivision 2.

35.16 Subd. 2. **Conditions for extension.** All tax increments remaining in the account  
35.17 for the district after February 1, 2011, and all tax increments collected thereafter, must  
35.18 be used only to pay debt service on bonds issued to finance the interchange of Anoka  
35.19 County Highway 23 and marked Interstate Highway 35W, bonds issued to finance public  
35.20 improvements serving the development known as Legacy at Woods Edge, and any bonds  
35.21 issued to refund those bonds. Minnesota Statutes, sections 469.176, subdivision 4c, and  
35.22 469.1763 do not apply to expenditures made under this section.

35.23 **EFFECTIVE DATE.** This section is effective upon compliance by the governing  
35.24 body of the city of Lino Lakes with the requirements of Minnesota Statutes, sections  
35.25 469.1782, subdivision 2, and 645.021, subdivision 3.

35.26 Sec. 14. **CITY OF TAYLORS FALLS; BORDER CITY DEVELOPMENT ZONE.**

35.27 Subdivision 1. **Authorization.** The governing body of the city of Taylors Falls may  
35.28 designate all or any part of the city as a border city development zone.

35.29 Subd. 2. **Application of general law.** (a) Minnesota Statutes, sections 469.1731 to  
35.30 469.1735, apply to the border city development zones designated under this section. The  
35.31 governing body of the city may exercise the powers granted under Minnesota Statutes,  
35.32 sections 469.1731 to 469.1735, including powers that apply outside of the zones.

(b) The allocation under subdivision 3 for purposes of Minnesota Statutes, section 469.1735, subdivision 2, is appropriated to the commissioner of revenue.

**Subd. 3. Allocation of state tax reductions.** (a) The cumulative total amount of the state portion of the tax reductions for all years of the program under Minnesota Statutes, sections 469.1731 to 469.1735, for the city of Taylors Falls, is limited to \$100,000.

(b) This allocation may be used for tax reductions provided in Minnesota Statutes, section 469.1732 or 469.1734, or for reimbursements under Minnesota Statutes, section 469.1735, subdivision 3, but only if the governing body of the city of Taylors Falls determines that the tax reduction or offset is necessary to enable a business to expand within the city or to attract a business to the city.

(c) The commissioner of revenue may waive the limit under this subdivision using the same rules and standards provided in Minnesota Statutes, section 469.169, subdivision 12, paragraph (b).

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

## ARTICLE 4

### LOCAL TAXES

Section 1. Minnesota Statutes 2010, section 297A.99, subdivision 1, is amended to read:

Subdivision 1. **Authorization; scope.** (a) A political subdivision of this state may impose a general sales tax (1) under section 297A.992, (2) under section 297A.993, (3) if permitted by special law enacted prior to May 20, 2008, or (4) if the political subdivision enacted and imposed the tax before January 1, 1982, and its predecessor provision.

(b) This section governs the imposition of a general sales tax by the political subdivision. The provisions of this section preempt the provisions of any special law:

(1) enacted before June 2, 1997, or

(2) enacted on or after June 2, 1997, that does not explicitly exempt the special law provision from this section's rules by reference.

(c) This section does not apply to or preempt a sales tax on motor vehicles or a special excise tax on motor vehicles.

(d) Until after May 31, ~~2010~~ 2013, a political subdivision may not advertise, promote, expend funds, or hold a referendum to support imposing a local option sales tax unless it is for extension of an existing tax or the tax was authorized by a special law enacted prior to ~~May 20, 2008~~ May 24, 2011.

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



37.1 Sec. 2. Minnesota Statutes 2010, section 298.75, is amended by adding a subdivision  
37.2 to read:

37.3 Subd. 12. **Tax may be imposed; Pope County.** (a) If Pope County does not  
37.4 impose a tax under this section and approves imposition of the tax under this subdivision,  
37.5 Glenwood Township in Pope County may impose the aggregate materials tax under this  
37.6 section.

37.7 (b) For purposes of exercising the powers contained in this section, the "township" is  
37.8 deemed to be the "county."

37.9 (c) All provisions in this section apply to Glenwood Township, except that all  
37.10 proceeds of the tax must be retained by the township and used for the purposes described  
37.11 in subdivision 7.

37.12 (d) If Pope County imposes an aggregate materials tax under this section, the tax  
37.13 imposed by Glenwood Township under this subdivision is repealed on the effective date  
37.14 of the Pope County tax.

37.15 **EFFECTIVE DATE.** This section is effective the day after the governing body  
37.16 of Glenwood Township and its chief clerical officer comply with section 645.021,  
37.17 subdivisions 2 and 3.

37.18 Sec. 3. Minnesota Statutes 2010, section 473.757, subdivision 2, is amended to read:

37.19 Subd. 2. **Youth sports; library.** To the extent funds are available from collections  
37.20 of the tax authorized by subdivision 10 after payment each year of debt service on the  
37.21 bonds authorized and issued under subdivision 9 and payments for the purposes described  
37.22 in subdivision 1, the county may also authorize, by resolution, and expend or make  
37.23 grants to the authority and to other governmental units and nonprofit organizations in an  
37.24 aggregate amount of up to \$4,000,000 annually, ~~increased by up to 1.5 percent annually~~  
37.25 to fund equally: (1) youth activities and youth and amateur sports within Hennepin  
37.26 County; and (2) the cost of extending the hours of operation of Hennepin County libraries  
37.27 and Minneapolis public libraries.

37.28 The money provided under this subdivision is intended to supplement and not  
37.29 supplant county expenditures for these purposes as of May 27, 2006.

37.30 Hennepin County must provide reports to the chairs of the committees and budget  
37.31 divisions in the senate and the house of representatives that have jurisdiction over  
37.32 education policy and funding, describing the uses of the money provided under this  
37.33 subdivision. The first report must be made by January 15, 2009, and subsequent reports  
37.34 must be made on January 15 of each subsequent odd-numbered year.

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

38.2 Sec. 4. Minnesota Statutes 2010, section 473.757, subdivision 11, is amended to read:

38.3 Subd. 11. **Uses of tax.** (a) Revenues received from the tax imposed under  
38.4 subdivision 10 may be used:

38.5 (1) to pay costs of collection;

38.6 (2) to pay or reimburse or secure the payment of any principal of, premium, or  
38.7 interest on bonds issued in accordance with this act;

38.8 (3) to pay costs and make expenditures and grants described in this section, including  
38.9 financing costs related to them;

38.10 (4) to maintain reserves for the foregoing purposes deemed reasonable and  
38.11 appropriate by the county;

38.12 (5) to pay for operating costs of the ballpark authority other than the cost of  
38.13 operating or maintaining the ballpark; and

38.14 (6) to make expenditures and grants for youth activities and amateur sports and  
38.15 extension of library hours as described in subdivision 2;  
38.16 and for no other purpose.

38.17 (b) Revenues from the tax designated for use under paragraph (a), clause (5), must  
38.18 be deposited in the operating fund of the ballpark authority.

38.19 (c) After completion of the ballpark and public infrastructure, the tax revenues not  
38.20 required for current payments of the expenditures described in paragraph (a), clauses (1) to  
38.21 (6), shall be used to (i) redeem or defease the bonds and (ii) prepay or establish a fund for  
38.22 payment of future obligations under grants or other commitments for future expenditures  
38.23 which are permitted by ~~this section~~ paragraph (a), clauses (1) to (5), but no additional tax  
38.24 revenues may be deposited in the fund when its balance exceeds \$20,000,000. Upon the  
38.25 redemption or defeasance of the bonds and the establishment of reserves adequate to meet  
38.26 such future obligations, the taxes shall terminate and shall not be reimposed.

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

38.28 Sec. 5. Laws 1996, chapter 471, article 2, section 29, subdivision 1, as amended by  
38.29 Laws 2006, chapter 259, article 3, section 3, is amended to read:

38.30 Subdivision 1. **Sales tax authorized.** (a) Notwithstanding Minnesota Statutes,  
38.31 section 477A.016, or any other contrary provision of law, ordinance, or city charter, the  
38.32 city of Hermantown may, by ordinance, impose an additional sales tax of up to one  
38.33 percent on sales transactions taxable pursuant to Minnesota Statutes, chapter 297A, that

39.1 occur within the city. The proceeds of the tax imposed under this section must be used to  
39.2 meet the costs of:

39.3 (1) extending a sewer interceptor line;

39.4 (2) construction of a booster pump station, reservoirs, and related improvements  
39.5 to the water system; and

39.6 (3) construction of a building containing a police and fire station and an  
39.7 administrative services facility.

39.8 (b) If the city imposed a sales tax of only one-half of one percent under paragraph  
39.9 (a), it may increase the tax to one percent to fund the purposes under paragraph (a)  
39.10 provided it is approved by the voters at a general election held before December 31, 2012.

39.11 **EFFECTIVE DATE.** This section is effective the day following compliance by the  
39.12 city of Hermantown with Minnesota Statutes, section 645.021, subdivision 3.

39.13 Sec. 6. Laws 1998, chapter 389, article 8, section 43, subdivision 3, as amended by  
39.14 Laws 2005, First Special Session chapter 3, article 5, section 28, is amended to read:

39.15 Subd. 3. **Use of revenues.** (a) Revenues received from the taxes authorized by  
39.16 subdivisions 1 and 2 must be used by the city to pay for the cost of collecting and  
39.17 administering the taxes and to pay for the following projects:

39.18 (1) transportation infrastructure improvements including regional highway and  
39.19 airport improvements;

39.20 (2) improvements to the civic center complex;

39.21 (3) a municipal water, sewer, and storm sewer project necessary to improve regional  
39.22 ground water quality; and

39.23 (4) construction of a regional recreation and sports center and other higher education  
39.24 facilities available for both community and student use.

39.25 (b) The total amount of capital expenditures or bonds for ~~these~~ projects listed in  
39.26 paragraph (a) that may be paid from the revenues raised from the taxes authorized in this  
39.27 section may not exceed \$111,500,000. The total amount of capital expenditures or bonds  
39.28 for the project in clause (4) that may be paid from the revenues raised from the taxes  
39.29 authorized in this section may not exceed \$28,000,000.

39.30 (c) In addition to the projects authorized in paragraph (a) and not subject to the  
39.31 amount stated in paragraph (b), the city of Rochester may, if approved by the voters at an  
39.32 election under subdivision 5, paragraph (c), use the revenues received from the taxes and  
39.33 bonds authorized in this section to pay the costs of or bonds for the following purposes:

39.34 (1) \$17,000,000 for capital expenditures and bonds for the following Olmsted  
39.35 County transportation infrastructure improvements:

- 40.1 (i) County State Aid Highway 34 reconstruction;  
 40.2 (ii) Trunk Highway 63 and County State Aid Highway 16 interchange;  
 40.3 (iii) phase II of the Trunk Highway 52 and County State Aid Highway 22  
 40.4 interchange;  
 40.5 (iv) widening of County State Aid Highway 22 West Circle Drive; and  
 40.6 (v) 60th Avenue Northwest corridor preservation;  
 40.7 (2) \$30,000,000 for city transportation projects including:  
 40.8 (i) Trunk Highway 52 and 65th Street interchange;  
 40.9 (ii) NW transportation corridor acquisition;  
 40.10 (iii) Phase I of the Trunk Highway 52 and County State Aid Highway 22 interchange;  
 40.11 (iv) Trunk Highway 14 and Trunk Highway 63 intersection;  
 40.12 (v) Southeast transportation corridor acquisition;  
 40.13 (vi) Rochester International Airport expansion; and  
 40.14 (vii) a transit operations center bus facility;  
 40.15 (3) \$14,000,000 for the Minnesota Rochester academic and complementary facilities;  
 40.16 (4) \$6,500,000 for the Rochester Community Center and Technical College/Winona  
 40.17 State University career technical education and science and math facilities;  
 40.18 (5) \$6,000,000 for the Rochester Community Center and Technical College regional  
 40.19 recreation facilities at University Center Rochester;  
 40.20 (6) \$20,000,000 for the Destination Medical Community Initiative; and  
 40.21 (7) \$8,000,000 for the regional public safety and 911 dispatch center facilities.  
 40.22 (d) No revenues from the taxes raised from the taxes authorized in subdivisions 1  
 40.23 and 2 may be used to fund transportation improvements related to a railroad bypass that  
 40.24 would divert traffic from the city of Rochester.

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

40.26 Sec. 7. Laws 1998, chapter 389, article 8, section 43, subdivision 4, as amended by  
 40.27 Laws 2005, First Special Session chapter 3, article 5, section 29, is amended to read:

40.28 Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota  
 40.29 Statutes, chapter 475, to finance the capital expenditure and improvement projects.  
 40.30 An election to approve up to \$71,500,000 in bonds under Minnesota Statutes, section  
 40.31 475.58, may be held in combination with the election to authorize imposition of the tax  
 40.32 under subdivision 1. Whether to permit imposition of the tax and issuance of bonds  
 40.33 may be posed to the voters as a single question. The question must state that the sales  
 40.34 tax revenues are pledged to pay the bonds, but that the bonds are general obligations  
 40.35 and will be guaranteed by the city's property taxes. An election to approve up to an

41.1 additional \$40,000,000 of bonds under Minnesota Statutes, section 475.58, may be held  
41.2 in combination with the election to authorize extension of the tax under subdivision 5,  
41.3 paragraph (b). An election to approve bonds under Minnesota Statutes, section 475.58,  
41.4 in an amount not to exceed \$101,500,000 plus an amount equal to the costs of issuance  
41.5 of the bonds, may be held in combination with the election to authorize the extension of  
41.6 the tax under subdivision 5, paragraph (c).

41.7 (b) The city ~~may~~ shall enter into an agreement with Olmsted County under which the  
41.8 city and the county agree to jointly undertake and finance certain roadway infrastructure  
41.9 improvements. The agreement ~~may~~ shall provide that the city will make available to the  
41.10 county a portion of the sales tax revenues collected pursuant to the authority granted in  
41.11 this section and the bonding authority provided in this subdivision. The county may,  
41.12 pursuant to the agreement, issue its general obligation bonds in a principal amount not  
41.13 exceeding the amount authorized by its agreement with the city payable primarily from  
41.14 the sales tax revenues from the city under the agreement. The county's bonds must be  
41.15 issued in accordance with the provisions of Minnesota Statutes, chapter 475, except that  
41.16 no election is required for the issuance of the bonds and the bonds are not included in  
41.17 the net debt of the county.

41.18 ~~(b)~~ (c) The issuance of bonds under this subdivision is not subject to Minnesota  
41.19 Statutes, section 275.60.

41.20 ~~(c)~~ (d) The bonds are not included in computing any debt limitation applicable to the  
41.21 city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of  
41.22 and interest on the bonds is not subject to any levy limitation.

41.23 (e) The aggregate principal amount of bonds, plus the aggregate of the taxes used  
41.24 directly to pay eligible capital expenditures and improvements for projects listed in  
41.25 subdivision 3, paragraph (a), may not exceed \$111,500,000, plus an amount equal to the  
41.26 costs related to issuance of the bonds. The aggregate principal amount of bonds plus the  
41.27 aggregate of the taxes used directly to pay the costs of eligible projects under subdivision  
41.28 3, paragraph (c), may not exceed \$101,500,000 plus an amount equal to the costs of  
41.29 issuance of the bonds.

41.30 ~~(d)~~ (f) The taxes may be pledged to and used for the payment of the bonds and  
41.31 any bonds issued to refund them, only if the bonds and any refunding bonds are general  
41.32 obligations of the city.

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

41.34 Sec. 8. Laws 1998, chapter 389, article 8, section 43, subdivision 5, as amended by  
41.35 Laws 2005, First Special Session chapter 3, article 5, section 30, is amended to read:

Subd. 5. **Termination of taxes.** (a) The taxes imposed under subdivisions 1 and 2 expire at the later of (1) December 31, 2009, or (2) when the city council determines that sufficient funds have been received from the taxes to finance the first \$71,500,000 of capital expenditures and bonds for the projects authorized in subdivision 3, including the amount to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the projects under subdivision 4, unless the taxes are extended as allowed in paragraph (b). Any funds remaining after completion of the project and retirement or redemption of the bonds shall also be used to fund the projects under subdivision 3. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

(b) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Rochester may, by ordinance, extend the taxes authorized in subdivisions 1 and 2 beyond December 31, 2009, if approved by the voters of the city at a special election in 2005 or the general election in 2006. The question put to the voters must indicate that an affirmative vote would allow up to an additional \$40,000,000 of sales tax revenues be raised and up to \$40,000,000 of bonds to be issued above the amount authorized in the June 23, 1998, referendum for the projects specified in subdivision 3. If the taxes authorized in subdivisions 1 and 2 are extended under this paragraph, the taxes expire when the city council determines that sufficient funds have been received from the taxes to finance the projects and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the projects under subdivision 4. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city.

(c) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Rochester may, by ordinance, extend the taxes authorized in subdivisions 1 and 2 beyond the date the city council determines that sufficient funds have been received from the taxes to finance \$111,500,000 of expenditures and bonds for the projects authorized in subdivision 3, paragraph (a), plus an amount equal to the costs of issuance of the bonds and including the amount to prepay or retire at maturity the principal, interest, and premiums due on any bonds issued for the projects under subdivision 4, paragraph (a), if approved by the voters of the city at the general election in 2012. If the election to authorize the additional \$101,500,000 of bonds plus an amount equal to the costs of the issuance of the bonds is placed on the general election ballot in 2012, the city may continue to collect the taxes authorized in subdivisions 1 and 2 until December 31, 2012. The question put to the voters must indicate that an affirmative vote would allow sales tax revenues be raised for

43.1 an extended period of time and an additional \$101,500,000 of bonds plus an amount  
 43.2 equal to the costs of issuance of the bonds, to be issued above the amount authorized in  
 43.3 the previous elections required under paragraphs (a) and (b) for the projects and amounts  
 43.4 specified in subdivision 3. If the taxes authorized in subdivisions 1 and 2 are extended  
 43.5 under this paragraph, the taxes expire when the city council determines that \$101,500,000  
 43.6 has been received from the taxes to finance the projects plus an amount sufficient to  
 43.7 prepay or retire at maturity the principal, interest, and premium due on any bonds issued  
 43.8 for the projects under subdivision 4, including any bonds issued to refund the bonds. Any  
 43.9 funds remaining after completion of the projects and retirement or redemption of the  
 43.10 bonds may be placed in the general fund of the city.

43.11 **EFFECTIVE DATE.** This section is effective the day after compliance by the  
 43.12 governing body of the city of Rochester with Minnesota Statutes, section 645.021,  
 43.13 subdivision 3.

43.14 Sec. 9. Laws 2008, chapter 366, article 7, section 19, subdivision 3, is amended to read:

43.15 Subd. 3. **Use of revenues.** Notwithstanding Minnesota Statutes, section 297A.99,  
 43.16 subdivision 3, paragraph (b), the proceeds of the tax imposed under this section shall be  
 43.17 used to pay for the costs of acquisition, construction, improvement, and development of  
 43.18 a regional parks, bicycle trails, park land, open space, and pedestrian bridge walkways,  
 43.19 as described in the city improvement plan adopted by the city council by resolution on  
 43.20 December 12, 2006, and land and buildings for a community and recreation center. The  
 43.21 total amount of revenues from the taxes in subdivisions 1 and 2 that may be used to fund  
 43.22 these projects is \$12,000,000 plus any associated bond costs.

43.23 **EFFECTIVE DATE.** This section is effective the day after compliance by the  
 43.24 governing body of the city of Clearwater with Minnesota Statutes, section 645.021,  
 43.25 subdivisions 2 and 3.

43.26 Sec. 10. **CITY OF CLOQUET; TAXES AUTHORIZED.**

43.27 Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section  
 43.28 297A.99, subdivision 1, 477A.016, or any other provision of law, ordinance, or city  
 43.29 charter, if approved by the voters pursuant to Minnesota Statutes, section 297A.99, the  
 43.30 city of Cloquet may impose by ordinance a sales and use tax of up to one-half of one  
 43.31 percent for the purposes specified in subdivision 3. Except as provided in this section, the  
 43.32 provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration,  
 43.33 collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, 477A.016, or any other provision of law, ordinance, or city charter, the city of Cloquet may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. **Use of revenues.** Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for the following projects:

(1) \$4,500,000 for construction and completion of park improvement projects, including St. Louis River riverfront improvements; Veteran's Park construction and improvements; improvements to the Hilltop Park soccer complex and Braun Park baseball complex; capital equipment and building and grounds improvements at the Pine Valley Park/Pine Valley Hockey Arena/Cloquet Area Recreation Center; and development of pedestrian trails within the city;

(2) \$5,800,00 for extension of utilities and the construction of all improvements associated with the development of property adjacent to Highway 33 and Interstate Highway 35, including payment of all debt service on bonds issued for these; and

(3) \$6,200,000 for engineering and construction of infrastructure improvements, including, but not limited to, storm sewer, sanitary sewer, and water in areas identified as part of the city's comprehensive land use plan.

Authorized expenses include, but are not limited to, acquiring property and paying construction expenses related to these improvements, and paying debt service on bonds or other obligations issued to finance acquisition and construction of these improvements.

Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the improvements described in subdivision 3 in an amount that does not exceed \$16,500,000. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(c) The debt represented by the bonds is not included in computing any debt limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2 expire at the earlier of (1) 30 years, or (2) when the city council determines that the amount of revenues received from the taxes to finance the improvements described in subdivision



45.1 3 first equals or exceeds \$16,500,000, plus the additional amount needed to pay the costs  
45.2 related to issuance of bonds under subdivision 4, including interest on the bonds. Any  
45.3 funds remaining after completion of the project and retirement or redemption of the bonds  
45.4 may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and  
45.5 2 may expire at an earlier time if the city so determines by ordinance.

45.6 **EFFECTIVE DATE.** This section is effective the day after the governing body of  
45.7 the city of Cloquet and its chief clerical officer timely comply with Minnesota Statutes,  
45.8 section 645.021, subdivisions 2 and 3.

45.9 Sec. 11. **CITY OF FERGUS FALLS; SALES AND USE TAX AUTHORIZED.**

45.10 Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section  
45.11 297A.99, subdivision 1, or 477A.016, or any other provision of law, ordinance, or city  
45.12 charter, as approved by the voters at the November 2, 2010 general election, the city  
45.13 of Fergus Falls may impose by ordinance a sales and use tax of up to one-half of one  
45.14 percent for the purposes specified in subdivision 2. Except as provided in this section, the  
45.15 provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration,  
45.16 collection, and enforcement of the tax authorized under this subdivision.

45.17 Subd. 2. **Use of revenues.** Revenues received from taxes authorized by subdivision  
45.18 1 must be used by the city of Fergus Falls to pay the cost of collecting the tax and to pay for  
45.19 all or part of the costs of the acquisition and betterment of a regional community ice arena  
45.20 facility. Authorized expenses include, but are not limited to, acquiring property, predesign,  
45.21 design, and paying construction, furnishing, and equipment costs related to the facility and  
45.22 paying debt service on bonds or other obligations issued by the Fergus Falls Port Authority  
45.23 to finance the facility. The amount of revenues from the tax imposed under subdivision 1  
45.24 that may be used to finance the facility and any associated costs is limited to \$6,600,000.

45.25 Subd. 3. **Termination of taxes.** The tax imposed under this section expires when  
45.26 the Fergus Falls City Council determines that sufficient funds have been received from  
45.27 the taxes to finance the facility and to prepay or retire at maturity the principal, interest,  
45.28 and premium due on any bonds, including refunding bonds, issued by the Fergus Falls  
45.29 Port Authority for the facility. Any funds remaining after completion of the facility and  
45.30 retirement or redemption of the bonds may be placed in the general fund of the city of  
45.31 Fergus Falls. The tax imposed under subdivision 1 may expire at an earlier time if the  
45.32 city so determines by ordinance.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Fergus Falls and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 12. **CITY OF HUTCHINSON; TAXES AUTHORIZED.**

**Subdivision 1. Sales and use tax.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, as approved by the voters at a referendum held at the 2010 general election, the city of Hutchinson may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. Except as otherwise provided in this section, Minnesota Statutes, section 297A.99, governs the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. Minnesota Statutes, section 297A.99, subdivision 1, paragraph (d), does not apply to this section.

**Subd. 2. Excise tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Hutchinson may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

**Subd. 3. Use of revenues.** Revenues received from the taxes authorized by this section must be used to pay the cost of collecting and administering the tax and to finance the costs of constructing the water treatment facility and renovating the wastewater treatment facility in the city of Hutchinson. Authorized costs include, but are not limited to, construction and engineering costs of the projects and associated bond costs.

**Subd. 4. Termination of tax.** The taxes authorized under subdivisions 1 and 2 terminate at the earlier of: (1) 18 years after the date of initial imposition of the tax; or (2) when the Hutchinson City Council determines that the amount of revenues raised is sufficient to pay for the projects under subdivision 3, plus the amount needed to finance the capital and administrative costs for the projects specified in subdivision 3, and to repay or retire at maturity the principal, interest, and premium due on any bonds issued for the projects. Any funds remaining after completion of the projects specified in subdivision 3 and retirement or redemption of the associated bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

**EFFECTIVE DATE.** This section is effective the day after compliance by the governing body of the city of Hutchinson with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

47.1       Sec. 13. **CITY OF LANESBORO; SALES AND USE TAX AUTHORIZED.**

47.2           Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes,  
47.3 sections 297A.99, subdivision 1, and 477A.016, or any other provision of law, ordinance,  
47.4 or city charter, as approved by the voters at the November 2, 2010, general election, the  
47.5 city of Lanesboro may impose by ordinance a sales and use tax of up to one-half of one  
47.6 percent for the purposes specified in subdivision 2. Except as provided in this section,  
47.7 the provisions of Minnesota Statutes, section 297A.99, govern the imposition of the tax  
47.8 authorized under this subdivision.

47.9           Subd. 2. Use of revenues. Revenues received from the tax authorized under  
47.10 subdivision 1 must be used by the city of Lanesboro to pay the costs of collecting the tax  
47.11 and to pay for all or a part of the improvements to city streets and utility systems, and the  
47.12 betterment of city municipal buildings consisting of (i) street and utility improvements to  
47.13 Calhoun Avenue, Fillmore Avenue, Kenilworth Avenue, Pleasant Street, Kirkwood Street,  
47.14 Auburn Avenue, and Zenith Street, and street light replacement on State Highways 250  
47.15 and 16; (ii) improvements to utility systems consisting of wastewater treatment facility  
47.16 improvements and electric utility improvements to the Lanesboro High Hazard Dam; and  
47.17 (iii) improvements to the Lanesboro community center, library, and city hall, including  
47.18 paying debt service on bonds or other obligations issued to fund these projects under  
47.19 subdivision 3. The total amount of revenues from the taxes in subdivision 1 that may be  
47.20 used to fund these projects is \$800,000 plus any associated bond costs.

47.21           Subd. 3. Bonding authority. The city of Lanesboro may issue bonds under  
47.22 Minnesota Statutes, chapter 475, to pay capital and administrative expenses related to the  
47.23 projects authorized in subdivision 2. An election to approve the bonds under Minnesota  
47.24 Statutes, section 475.58, is not required. The issuance of bonds under this subdivision  
47.25 is not subject to Minnesota Statutes, sections 275.60 and 275.61. The bonds are not  
47.26 included in computing any debt limitation applicable to the city and the levy of taxes  
47.27 under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is  
47.28 not subject to any levy limitation.

47.29           The aggregate principal amount of the bonds plus the aggregate of the taxes used  
47.30 directly to pay costs of the projects listed in subdivision 2 may not exceed \$800,000, plus  
47.31 an amount equal to the costs related to issuance of the bonds and capitalized interest.

47.32           The taxes authorized in subdivision 1 may be pledged and used for payments of  
47.33 the bonds and bonds issued to refund them, only if the bonds and any refunding bonds  
47.34 are general obligations of the city.

47.35           Subd. 4. Termination of tax. The tax imposed under subdivision 1 expires when  
47.36 the Lanesboro City Council determines that sufficient funds have been raised from the

48.1 taxes to finance the projects authorized under subdivision 2 and to prepay or retire at  
48.2 maturity the principal, interest, and premium due on any bonds issued under subdivision 3.  
48.3 Any funds remaining after completion of the project and retirement or redemption of the  
48.4 bonds may be placed in the general fund of the city. The tax imposed under subdivision 1  
48.5 may expire at an earlier time if the city so determines by ordinance.

48.6 **EFFECTIVE DATE.** This section is effective the day after the governing body of  
48.7 the city of Lanesboro and its chief clerical officer comply with Minnesota Statutes, section  
48.8 645.021, subdivisions 2 and 3.

48.9 Sec. 14. **CITY OF MARSHALL; SALES AND USE TAX.**

48.10 Subdivision 1. **Authorization.** Notwithstanding Minnesota Statutes, section  
48.11 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city charter,  
48.12 the city of Marshall, if approved by the voters at a general election held within two  
48.13 years of the date of final enactment of this section, may impose the tax authorized under  
48.14 subdivision 2. Two separate ballot questions must be presented to the voters, one for each  
48.15 of the two facility projects named in subdivision 3.

48.16 Subd. 2. **Sales and use tax authorized.** The city of Marshall may impose by  
48.17 ordinance a sales and use tax of up to one-half of one percent for the purposes specified in  
48.18 subdivision 3. The provisions of Minnesota Statutes, section 297A.99, except subdivisions  
48.19 1 and 2, govern the imposition, administration, collection, and enforcement of the tax  
48.20 authorized under this subdivision.

48.21 Subd. 3. **Use of sales and use tax revenues.** The revenues derived from the tax  
48.22 authorized under subdivision 2 must be used by the city of Marshall to pay the costs of  
48.23 collecting and administering the sales and use tax and to pay all or part of the costs of the  
48.24 new and existing facilities of the Minnesota Emergency Response and Industry Training  
48.25 Center and all or part of the costs of the new facilities of the Southwest Minnesota  
48.26 Regional Amateur Sports Center. Authorized expenses include, but are not limited to,  
48.27 acquiring property, predesign, design, and paying construction, furnishing, and equipment  
48.28 costs related to these facilities and paying debt service on bonds or other obligations issued  
48.29 by the city of Marshall under subdivision 4 to finance the capital costs of these facilities.

48.30 Subd. 4. **Bonds.** (a) If the imposition of a sales and use tax is approved by the voters,  
48.31 the city of Marshall may issue bonds under Minnesota Statutes, chapter 475, to finance all  
48.32 or a portion of the costs of the facilities authorized in subdivision 3, and may issue bonds  
48.33 to refund bonds previously issued. The aggregate principal amount of bonds issued under  
48.34 this subdivision may not exceed \$17,290,000, plus an amount to be applied to the payment

of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Marshall, including the tax authorized under subdivision 2.

(b) The bonds are not included in computing any debt limitation applicable to the city of Marshall, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds, is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

**Subd. 5. Termination of taxes.** The tax imposed under subdivision 2 expires at the earlier of (1) 15 years after the tax is first imposed, or (2) when the city council determines that the amount of revenues received from the tax to pay for the capital and administrative costs of the facilities under subdivision 3 first equals or exceeds the amount authorized to be spent for the facilities plus the additional amount needed to pay the costs related to issuance of the bonds under subdivision 4, including interest on the bonds. Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the city. The tax imposed under subdivision 2 may expire at an earlier time if the city so determines by ordinance.

**EFFECTIVE DATE.** This section is effective the day after compliance by the governing body of the city of Marshall with Minnesota Statutes, section 645.021, subdivision 3.

## Sec. 15. **CITY OF MEDFORD; SALES AND USE TAX.**

**Subdivision 1. Sales and use tax authorized.** Notwithstanding Minnesota Statutes, sections 297A.99, subdivision 1, and 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters pursuant to Minnesota Statutes, section 297A.99, at the next general election, the city of Medford may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

**Subd. 2. Use of revenues.** The proceeds of the tax imposed under this section must be used by the city of Medford to pay the costs of collecting and administering the tax and to repay loans received from the Minnesota Public Facilities Authority since 2007 that were used to finance \$4,200,000 of improvements to the city's water and wastewater systems.

**Subd. 3. Termination of taxes.** The tax imposed under this section expires at the earlier of (1) 20 years after the date the taxes are first imposed, or (2) when the Medford City Council determines that the amount of revenues received from the tax equals or

50.1 exceeds the sum of loans made to the city by the Minnesota Public Facilities Authority  
50.2 as described in subdivision 2, including interest on the loans. Any funds remaining  
50.3 after completion of the repayment of the loans may be placed in the general fund of the  
50.4 city. The tax imposed under subdivision 1 may expire at an earlier time if the city so  
50.5 determines by ordinance.

50.6 **EFFECTIVE DATE.** This section is effective the day after compliance by the  
50.7 governing body of the city of Medford with Minnesota Statutes, section 645.021,  
50.8 subdivision 3.

50.9 Sec. 16. **REPORT ON THE USE OF ZIP CODES IN COLLECTING AND**  
50.10 **REMITTING LOCAL SALES TAXES.**

50.11 Subdivision 1. **Report to the legislature.** By March 1, 2012, the commissioner  
50.12 of revenue shall provide a report to the chairs and ranking minority members of the  
50.13 legislative committees with jurisdiction over local sales taxes reporting on the current use  
50.14 of zip codes for the purposes of collecting and remitting local sales taxes, problems with  
50.15 the current system, and suggestions for improvements.

50.16 Subd. 2. **Contents of the report.** The report shall include the following information:

50.17 (1) the current status of the department's development of a system that allows  
50.18 vendors to identify the correct local sales tax based on a street address and the five-digit  
50.19 zip code, as described in Minnesota Statutes, section 297A.99, subdivision 10, including a  
50.20 list of cities and townships that impose a local sales tax or do not impose a local sales tax  
50.21 but share a zip code with a jurisdiction in which a local sales tax is imposed for which the  
50.22 system has not been developed;

50.23 (2) a priority list and timeline for developing the required system outlined in  
50.24 Minnesota Statutes, section 297A.99, subdivision 10, for the cities and townships  
50.25 identified in clause (1);

50.26 (3) the compliance by businesses with the requirement in Minnesota Statutes, section  
50.27 297A.99, subdivision 10, that the tax be collected on the lowest combined rate within the  
50.28 zip code for cities and townships identified in clause (1);

50.29 (4) the accuracy of the crediting and remittance of local sales taxes to the appropriate  
50.30 taxing jurisdiction when two contiguous cities with different local sales tax authority  
50.31 share a zip code; and

50.32 (5) recommendations for administrative or statutory changes to improve the accurate  
50.33 collection and allocation of local sales tax revenues collected by the Department of  
50.34 Revenue.

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

51.2 **ARTICLE 5**

51.3 **PROPERTY TAXES**

51.4 Section 1. Minnesota Statutes 2010, section 272.02, is amended by adding a  
51.5 subdivision to read:

51.6 **Subd. 95. Electric generation facility; personal property.** (a) Notwithstanding  
51.7 subdivision 9, clause (a), and section 453.54, subdivision 20, attached machinery and other  
51.8 personal property that is part of a multiple reciprocating engine electric generation facility  
51.9 that adds more than 20 and less than 30 megawatts of installed capacity at a site where  
51.10 there is presently more than ten megawatts and fewer than 15 megawatts of installed  
51.11 capacity and that meets the requirements of this subdivision is exempt from taxation and  
51.12 from payments in lieu of taxation. At the time of construction, the facility must:

51.13 (1) be designed to utilize natural gas as a primary fuel;

51.14 (2) be owned and operated by a municipal power agency as defined in section  
51.15 453.52, subdivision 8;

51.16 (3) be located within one mile of an existing natural gas pipeline;

51.17 (4) be designed to have black start capability and to furnish emergency backup  
51.18 power service to the city in which it is located;

51.19 (5) satisfy a resource deficiency identified in an approved integrated resource plan  
51.20 filed under section 216B.2422; and

51.21 (6) have received, by resolution, the approval of the governing bodies of the city  
51.22 and county in which it is located for the exemption of personal property provided by  
51.23 this subdivision.

51.24 (b) Construction of the facility must be commenced after December 31, 2011, and  
51.25 before January 1, 2015. Property eligible for this exemption does not include (i) electric  
51.26 transmission lines and interconnections or gas pipelines and interconnections appurtenant  
51.27 to the property or the facility; or (ii) property located on the site on the enactment date  
51.28 of this subdivision.

51.29 **EFFECTIVE DATE.** This section is effective for assessments in 2012, taxes  
51.30 payable in 2013, and thereafter.

51.31 Sec. 2. Minnesota Statutes 2010, section 273.121, subdivision 1, is amended to read:

51.32 Subdivision 1. **Notice.** Any county assessor or city assessor having the powers of a  
51.33 county assessor, valuing or classifying taxable real property shall in each year notify those

persons whose property is to be included on the assessment roll that year if the person's address is known to the assessor, otherwise the occupant of the property. The notice shall be in writing and shall be sent by ordinary mail at least ten days before the meeting of the local board of appeal and equalization under section 274.01 or the review process established under section 274.13, subdivision 1c. Upon written request by the owner of the property, the assessor may send the notice in electronic form or by electronic mail instead of on paper or by ordinary mail. It shall contain: (1) the market value for the current and prior assessment, (2) ~~the limited market value under section 273.11, subdivision 1a, for the current and prior assessment,~~ (3) the qualifying amount of any improvements under section 273.11, subdivision 16, for the current assessment, ~~(4)~~ (3) the market value subject to taxation after subtracting the amount of any qualifying improvements for the current assessment, ~~(5)~~ (4) the classification of the property for the current and prior assessment, ~~(6) a note that if the property is homestead and at least 45 years old, improvements made to the property may be eligible for a valuation exclusion under section 273.11, subdivision 16,~~ ~~(7)~~ (5) the assessor's office address, and ~~(8)~~ (6) the dates, places, and times set for the meetings of the local board of appeal and equalization, the review process established under section 274.13, subdivision 1c, and the county board of appeal and equalization. If the classification of the property has changed between the current and prior assessments, a specific note to that effect shall be prominently listed on the statement. The commissioner of revenue shall specify the form of the notice. The assessor shall attach to the assessment roll a statement that the notices required by this section have been mailed. Any assessor who is not provided sufficient funds from the assessor's governing body to provide such notices, may make application to the commissioner of revenue to finance such notices. The commissioner of revenue shall conduct an investigation and, if satisfied that the assessor does not have the necessary funds, issue a certification to the commissioner of management and budget of the amount necessary to provide such notices. The commissioner of management and budget shall issue a warrant for such amount and shall deduct such amount from any state payment to such county or municipality. The necessary funds to make such payments are hereby appropriated. Failure to receive the notice shall in no way affect the validity of the assessment, the resulting tax, the procedures of any board of review or equalization, or the enforcement of delinquent taxes by statutory means.

**EFFECTIVE DATE.** This section is effective for notifications for taxes payable in 2013 and thereafter.

Sec. 3. Minnesota Statutes 2010, section 273.13, subdivision 25, is amended to read:



53.1 Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more  
53.2 units and used or held for use by the owner or by the tenants or lessees of the owner  
53.3 as a residence for rental periods of 30 days or more, excluding property qualifying for  
53.4 class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other  
53.5 than hospitals exempt under section 272.02, and contiguous property used for hospital  
53.6 purposes, without regard to whether the property has been platted or subdivided. The  
53.7 market value of class 4a property has a class rate of 1.25 percent.

53.8 (b) Class 4b includes:

53.9 (1) residential real estate containing less than four units that does not qualify as class  
53.10 4bb, other than seasonal residential recreational property;

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

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

53.14 (4) unimproved property that is classified residential as determined under subdivision  
53.15 33.

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

53.17 (c) Class 4bb includes:

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

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

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

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

53.26 (d) Class 4c property includes:

53.27 (1) except as provided in subdivision 22, paragraph (c), real and personal property  
53.28 devoted to commercial temporary and seasonal residential occupancy for recreation  
53.29 purposes, ~~including real and personal property devoted to temporary and seasonal~~  
53.30 ~~residential occupancy for recreation purposes and not devoted to commercial purposes~~ for  
53.31 not more than 250 days in the year preceding the year of assessment. For purposes of this  
53.32 clause, property is devoted to a commercial purpose on a specific day if any portion of the  
53.33 property is used for residential occupancy, and a fee is charged for residential occupancy.  
53.34 Class 4c property under this clause must contain three or more rental units. A "rental unit"  
53.35 is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site  
53.36 equipped with water and electrical hookups for recreational vehicles. ~~Class 4c property~~

54.1 ~~under this clause must provide recreational activities such as renting ice fishing houses,~~  
54.2 ~~boats and motors, snowmobiles, downhill or cross-country ski equipment, provide marina~~  
54.3 ~~services, launch services, or guide services; or sell bait and fishing tackle.~~ A camping pad  
54.4 offered for rent by a property that otherwise qualifies for class 4c under this clause is also  
54.5 class 4c under this clause regardless of the term of the rental agreement, as long as the use  
54.6 of the camping pad does not exceed 250 days. In order for a property to be classified ~~as~~  
54.7 ~~class 4c, seasonal residential recreational for commercial purposes~~ under this clause, either  
54.8 (i) the business located on the property must provide recreational activities, at least 40  
54.9 percent of the annual gross lodging receipts related to the property must be from business  
54.10 conducted during 90 consecutive days, and either (i) (A) at least 60 percent of all paid  
54.11 bookings by lodging guests during the year must be for periods of at least two consecutive  
54.12 nights; or (ii) (B) at least 20 percent of the annual gross receipts must be from charges  
54.13 ~~for rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski~~  
54.14 ~~equipment, or charges for marina services, launch services, and guide services, or the sale~~  
54.15 ~~of bait and fishing tackle~~ providing recreational activities, or (ii) the business must contain  
54.16 20 or fewer rental units, and must be located in a township or a city with a population of  
54.17 2,500 or less located outside the metropolitan area, as defined under section 473.121,  
54.18 subdivision 2, that contains a portion of a state trail administered by the Department of  
54.19 Natural Resources. For purposes of ~~this determination~~ item (i)(A), a paid booking of  
54.20 five or more nights shall be counted as two bookings. Class 4c property ~~classified under~~  
54.21 ~~this clause~~ also includes commercial use real property used exclusively for recreational  
54.22 purposes in conjunction with other class 4c property classified under this clause and  
54.23 devoted to temporary and seasonal residential occupancy for recreational purposes, up to a  
54.24 total of two acres, provided the property is not devoted to commercial recreational use for  
54.25 more than 250 days in the year preceding the year of assessment and is located within two  
54.26 miles of the class 4c property with which it is used. ~~Owners of real and personal property~~  
54.27 ~~devoted to temporary and seasonal residential occupancy for recreation purposes and all~~  
54.28 ~~or a portion of which was devoted to commercial purposes for not more than 250 days in~~  
54.29 ~~the year preceding the year of assessment desiring classification as class 4c,~~ In order for a  
54.30 property to qualify for classification under this clause, the owner must submit a declaration  
54.31 to the assessor designating the cabins or units occupied for 250 days or less in the year  
54.32 preceding the year of assessment by January 15 of the assessment year. Those cabins or  
54.33 units and a proportionate share of the land on which they are located must be designated  
54.34 class 4c under this clause as otherwise provided. The remainder of the cabins or units and  
54.35 a proportionate share of the land on which they are located will be designated as class 3a.  
54.36 The owner of property desiring designation as class 4c property under this clause must

55.1 provide guest registers or other records demonstrating that the units for which class 4c  
55.2 designation is sought were not occupied for more than 250 days in the year preceding the  
55.3 assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar,  
55.4 (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility  
55.5 operated on a commercial basis not directly related to temporary and seasonal residential  
55.6 occupancy for recreation purposes does not qualify for class 4c. For the purposes of this  
55.7 paragraph, "recreational activities" means renting ice fishing houses, boats and motors,  
55.8 snowmobiles, downhill or cross-country ski equipment; providing marina services, launch  
55.9 services, or guide services; or selling bait and fishing tackle;

55.10 (2) qualified property used as a golf course if:

55.11 (i) it is open to the public on a daily fee basis. It may charge membership fees or  
55.12 dues, but a membership fee may not be required in order to use the property for golfing,  
55.13 and its green fees for golfing must be comparable to green fees typically charged by  
55.14 municipal courses; and

55.15 (ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

55.16 A structure used as a clubhouse, restaurant, or place of refreshment in conjunction  
55.17 with the golf course is classified as class 3a property;

55.18 (3) real property up to a maximum of three acres of land owned and used by a  
55.19 nonprofit community service oriented organization and not used for residential purposes  
55.20 on either a temporary or permanent basis, provided that:

55.21 (i) the property is not used for a revenue-producing activity for more than six days  
55.22 in the calendar year preceding the year of assessment; or

55.23 (ii) the organization makes annual charitable contributions and donations at least  
55.24 equal to the property's previous year's property taxes and the property is allowed to be  
55.25 used for public and community meetings or events for no charge, as appropriate to the  
55.26 size of the facility.

55.27 For purposes of this clause,

55.28 (A) "charitable contributions and donations" has the same meaning as lawful  
55.29 gambling purposes under section 349.12, subdivision 25, excluding those purposes  
55.30 relating to the payment of taxes, assessments, fees, auditing costs, and utility payments;

55.31 (B) "property taxes" excludes the state general tax;

55.32 (C) a "nonprofit community service oriented organization" means any corporation,  
55.33 society, association, foundation, or institution organized and operated exclusively for  
55.34 charitable, religious, fraternal, civic, or educational purposes, and which is exempt from  
55.35 federal income taxation pursuant to section 501(c)(3), (8), (10), or (19) of the Internal  
55.36 Revenue Code; and

56.1 (D) "revenue-producing activities" shall include but not be limited to property or that  
56.2 portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt  
56.3 liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling  
56.4 alley, a retail store, gambling conducted by organizations licensed under chapter 349, an  
56.5 insurance business, or office or other space leased or rented to a lessee who conducts a  
56.6 for-profit enterprise on the premises.

56.7 Any portion of the property not qualifying under either item (i) or (ii) is class 3a. The use  
56.8 of the property for social events open exclusively to members and their guests for periods  
56.9 of less than 24 hours, when an admission is not charged nor any revenues are received by  
56.10 the organization shall not be considered a revenue-producing activity.

56.11 The organization shall maintain records of its charitable contributions and donations  
56.12 and of public meetings and events held on the property and make them available upon  
56.13 request any time to the assessor to ensure eligibility. An organization meeting the  
56.14 requirement under item (ii) must file an application by May 1 with the assessor for  
56.15 eligibility for the current year's assessment. The commissioner shall prescribe a uniform  
56.16 application form and instructions;

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

56.21 (5) (i) manufactured home parks as defined in section 327.14, subdivision 3,  
56.22 excluding manufactured home parks described in section 273.124, subdivision 3a, and (ii)  
56.23 manufactured home parks as defined in section 327.14, subdivision 3, that are described in  
56.24 section 273.124, subdivision 3a;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

57.20 (10) real property up to a maximum of three acres and operated as a restaurant  
57.21 as defined under section 157.15, subdivision 12, provided it: (A) is located on a lake  
57.22 as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and (B)  
57.23 is either devoted to commercial purposes for not more than 250 consecutive days, or  
57.24 receives at least 60 percent of its annual gross receipts from business conducted during  
57.25 four consecutive months. Gross receipts from the sale of alcoholic beverages must be  
57.26 included in determining the property's qualification under subitem (B). The property's  
57.27 primary business must be as a restaurant and not as a bar. Gross receipts from gift shop  
57.28 sales located on the premises must be excluded. Owners of real property desiring 4c  
57.29 classification under this clause must submit an annual declaration to the assessor by  
57.30 February 1 of the current assessment year, based on the property's relevant information for  
57.31 the preceding assessment year; ~~and~~

57.32 (11) lakeshore and riparian property and adjacent land, not to exceed six acres, used  
57.33 as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to  
57.34 the public and devoted to recreational use for marina services. The marina owner must  
57.35 annually provide evidence to the assessor that it provides services, including lake or river  
57.36 access to the public by means of an access ramp or other facility that is either located on

58.1 the property of the marina or at a publicly owned site that abuts the property of the marina.  
58.2 No more than 800 feet of lakeshore may be included in this classification. Buildings used  
58.3 in conjunction with a marina for marina services, including but not limited to buildings  
58.4 used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing  
58.5 tackle, are classified as class 3a property; and

58.6 (12) real and personal property devoted to noncommercial temporary and seasonal  
58.7 residential occupancy for recreation purposes.

58.8 Class 4c property has a class rate of 1.5 percent of market value, except that (i)  
58.9 each parcel of noncommercial seasonal residential recreational property ~~not used for~~  
58.10 ~~commercial purposes~~ under clause (12) has the same class rates as class 4bb property, (ii)  
58.11 manufactured home parks assessed under clause (5), item (i), have the same class rate  
58.12 as class 4b property, and the market value of manufactured home parks assessed under  
58.13 clause (5), item (ii), has the same class rate as class 4d property if more than 50 percent  
58.14 of the lots in the park are occupied by shareholders in the cooperative corporation or  
58.15 association and a class rate of one percent if 50 percent or less of the lots are so occupied,  
58.16 (iii) commercial-use seasonal residential recreational property and marina recreational  
58.17 land as described in clause (11), has a class rate of one percent for the first \$500,000 of  
58.18 market value, and 1.25 percent for the remaining market value, (iv) the market value of  
58.19 property described in clause (4) has a class rate of one percent, (v) the market value of  
58.20 property described in clauses (2), (6), and (10) has a class rate of 1.25 percent, and (vi)  
58.21 that portion of the market value of property in clause (9) qualifying for class 4c property  
58.22 has a class rate of 1.25 percent.

58.23 (e) Class 4d property is qualifying low-income rental housing certified to the assessor  
58.24 by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion  
58.25 of the units in the building qualify as low-income rental housing units as certified under  
58.26 section 273.128, subdivision 3, only the proportion of qualifying units to the total number  
58.27 of units in the building qualify for class 4d. The remaining portion of the building shall be  
58.28 classified by the assessor based upon its use. Class 4d also includes the same proportion of  
58.29 land as the qualifying low-income rental housing units are to the total units in the building.  
58.30 For all properties qualifying as class 4d, the market value determined by the assessor must  
58.31 be based on the normal approach to value using normal unrestricted rents.

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

58.33 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and  
58.34 thereafter.

58.35 Sec. 4. Minnesota Statutes 2010, section 273.13, subdivision 34, is amended to read:

Subd. 34. **Homestead of disabled veteran or family caregiver.** (a) All or a portion of the market value of property owned by a veteran ~~or by the veteran and the~~ and serving as the ~~veteran's spouse qualifying for homestead classification under subdivision 22 or 23,~~ is excluded in determining the property's taxable market value if ~~it serves as the homestead of a military veteran, as defined in section 197.447, who~~ has a service-connected disability of 70 percent or more as certified by the United States Department of Veterans Affairs.

To qualify for exclusion under this subdivision, the veteran must have been honorably discharged from the United States armed forces, as indicated by United States Government Form DD214 or other official military discharge papers, ~~and must be certified by the United States Veterans Administration as having a service-connected disability.~~

(b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded, except as provided in clause (2); and

(2) for a total (100 percent) and permanent disability, \$300,000 of market value is excluded.

(c) If:

(1) a disabled veteran qualifying for a valuation exclusion under paragraph (b), clause (2); or

(2) a member of any branch or unit of the United States armed forces who dies due to a service-connected cause while serving honorably in active service, as indicated on United States Government Form DD1300 or DD2064;

predeceases the veteran's or service member's spouse, and if upon the death of the veteran or service member the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exclusion shall carry over to the benefit of the ~~veteran's~~ spouse for ~~one additional assessment year~~ the current taxes payable year and for five additional taxes payable years or until such time as the spouse remarries, or sells, transfers, or otherwise disposes of the property, whichever comes first.

(d) A surviving spouse qualifying for a market valuation exclusion under paragraph (c), clause (2), is eligible for the same level of benefit as that described in paragraph (b), clause (2).

(e) If a veteran meets the disability criteria of paragraph (a) but does not own property classified as homestead in the state of Minnesota, then the homestead of the veteran's primary family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify for under paragraph (b).

~~(d)~~ (f) In the case of an agricultural homestead, only the portion of the property consisting of the house and garage and immediately surrounding one acre of land qualifies for the valuation exclusion under this subdivision.

60.1 ~~(e)~~ (g) A property qualifying for a valuation exclusion under this subdivision is  
 60.2 not eligible for the credit under section 273.1384, subdivision 1, or classification under  
 60.3 subdivision 22, paragraph (b).

60.4 ~~(f)~~ (h) To qualify for a valuation exclusion under this subdivision a property owner  
 60.5 must apply to the assessor by July 1 of each assessment year, except that an annual  
 60.6 reapplication is not required once a property has been accepted for a valuation exclusion  
 60.7 under paragraph (a) and qualifies for the benefit described in paragraph (b), clause (2), and  
 60.8 the property continues to qualify until there is a change in ownership.

60.9 (i) A first-time application by a qualifying spouse for the market value exclusion  
 60.10 under paragraph (c), clause (2), may be made at any time during the year of or year  
 60.11 following the death of the veteran or service member who predeceased the spouse.

60.12 (j) For purposes of this subdivision:

60.13 (1) "active service" has the meaning given in section 190.05;

60.14 (2) "own" means that the person's name is present as an owner on the property deed;

60.15 (3) "primary family caregiver" means a person who is approved by the secretary of  
 60.16 the United States Department of Veterans Affairs for assistance as the primary provider  
 60.17 of personal care services for an eligible veteran under the Program of Comprehensive  
 60.18 Assistance for Family Caregivers, as established by Public Law 111–163 and codified as  
 60.19 United States Code, title 38, section 1720G, as amended by Congress at any time; and

60.20 (4) "veteran" has the meaning given the term in section 197.447.

60.21 (k) The purpose of this provision of law providing a level of homestead property tax  
 60.22 relief for gravely disabled veterans, their primary family caregivers, and their surviving  
 60.23 spouses is to help ease the burdens of war for those among our state's citizens who bear  
 60.24 those burdens most heavily.

60.25 **EFFECTIVE DATE.** This section is effective for assessment year 2011 and  
 60.26 thereafter, for taxes payable in 2012 and thereafter.

60.27 Sec. 5. Minnesota Statutes 2010, section 275.025, subdivision 3, is amended to read:

60.28 Subd. 3. **Seasonal residential recreational tax capacity.** For the purposes of this  
 60.29 section, "seasonal residential recreational tax capacity" means the tax capacity of tier III  
 60.30 of class 1c under section 273.13, subdivision 22, and all class 4c(1) ~~and~~ 4c(3)(ii), and  
 60.31 4c(12) property under section 273.13, subdivision 25, except that the first \$76,000 of  
 60.32 market value of each noncommercial class ~~4c(1)~~ 4c(12) property has a tax capacity for this  
 60.33 purpose equal to 40 percent of its tax capacity under section 273.13.



61.1 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and  
 61.2 thereafter.

61.3 Sec. 6. Minnesota Statutes 2010, section 275.066, is amended to read:

61.4 **275.066 SPECIAL TAXING DISTRICTS; DEFINITION.**

61.5 For the purposes of property taxation and property tax state aids, the term "special  
 61.6 taxing districts" includes the following entities:

- 61.7 (1) watershed districts under chapter 103D;
- 61.8 (2) sanitary districts under sections 115.18 to 115.37;
- 61.9 (3) regional sanitary sewer districts under sections 115.61 to 115.67;
- 61.10 (4) regional public library districts under section 134.201;
- 61.11 (5) park districts under chapter 398;
- 61.12 ~~(6) regional railroad authorities under chapter 398A;~~
- 61.13 ~~(7)~~ hospital districts under sections 447.31 to 447.38;
- 61.14 ~~(8)~~ (7) St. Cloud Metropolitan Transit Commission under sections 458A.01 to  
 61.15 458A.15;
- 61.16 ~~(9)~~ (8) Duluth Transit Authority under sections 458A.21 to 458A.37;
- 61.17 ~~(10)~~ (9) regional development commissions under sections 462.381 to 462.398;
- 61.18 ~~(11)~~ (10) housing and redevelopment authorities under sections 469.001 to 469.047;
- 61.19 ~~(12)~~ (11) port authorities under sections 469.048 to 469.068;
- 61.20 ~~(13)~~ (12) economic development authorities under sections 469.090 to 469.1081;
- 61.21 ~~(14)~~ (13) Metropolitan Council under sections 473.123 to 473.549;
- 61.22 ~~(15)~~ (14) Metropolitan Airports Commission under sections 473.601 to 473.680;
- 61.23 ~~(16)~~ (15) Metropolitan Mosquito Control Commission under sections 473.701 to  
 61.24 473.716;
- 61.25 ~~(17)~~ (16) Morrison County Rural Development Financing Authority under Laws  
 61.26 1982, chapter 437, section 1;
- 61.27 ~~(18)~~ (17) Croft Historical Park District under Laws 1984, chapter 502, article 13,  
 61.28 section 6;
- 61.29 ~~(19)~~ (18) East Lake County Medical Clinic District under Laws 1989, chapter 211,  
 61.30 sections 1 to 6;
- 61.31 ~~(20)~~ (19) Floodwood Area Ambulance District under Laws 1993, chapter 375,  
 61.32 article 5, section 39;
- 61.33 ~~(21)~~ (20) Middle Mississippi River Watershed Management Organization under  
 61.34 sections 103B.211 and 103B.241;
- 61.35 ~~(22)~~ (21) emergency medical services special taxing districts under section 144F.01;

62.1 ~~(23)~~ (22) a county levying under the authority of section 103B.241, 103B.245,  
 62.2 or 103B.251;

62.3 ~~(24)~~ (23) Southern St. Louis County Special Taxing District; Chris Jensen Nursing  
 62.4 Home under Laws 2003, First Special Session chapter 21, article 4, section 12;

62.5 ~~(25)~~ (24) an airport authority created under section 360.0426; and

62.6 ~~(26)~~ (25) any other political subdivision of the state of Minnesota, excluding  
 62.7 counties, school districts, cities, and towns, that has the power to adopt and certify a  
 62.8 property tax levy to the county auditor, as determined by the commissioner of revenue.

62.9 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and  
 62.10 thereafter.

62.11 Sec. 7. **[275.761] MAINTENANCE OF EFFORT REQUIREMENTS**  
 62.12 **SUSPENDED.**

62.13 (a) Notwithstanding any law to the contrary and except as provided in paragraphs  
 62.14 (b) and (c), all maintenance of effort requirements for counties, including but not limited  
 62.15 to those under sections 116L.872, 134.34, 245.4835, 245.4932, 245.714, 256F.10, and  
 62.16 256F.13, are suspended.

62.17 (b) This section does not permit a county to suspend compliance with maintenance  
 62.18 of effort requirements to the extent that the suspension would:

62.19 (1) require the state to expend additional money or incur additional costs; or

62.20 (2) cause a reduction in the receipt by the state or the county of federal funds.

62.21 (c) The commissioner of management and budget may determine the maintenance  
 62.22 of effort requirements that are not permitted, in whole or in part, to be suspended under  
 62.23 paragraph (b). The commissioner shall publish these determinations on the department's  
 62.24 Web site and no county may suspend compliance with a maintenance of effort requirement  
 62.25 that the commissioner determines is not subject to suspension.

62.26 (d) Notwithstanding any law to the contrary, all statutory and home rule charter cities  
 62.27 are exempt from the maintenance of effort requirements under section 134.34.

62.28 **EFFECTIVE DATE.** This section is effective for maintenance of effort  
 62.29 requirements in calendar years 2012 and 2013.

62.30 Sec. 8. Minnesota Statutes 2010, section 279.01, subdivision 1, is amended to read:

62.31 Subdivision 1. **Due dates; penalties.** Except as provided in subdivision 3 ~~or 4~~, on  
 62.32 May 16 or 21 days after the postmark date on the envelope containing the property tax  
 62.33 statement, whichever is later, a penalty accrues and thereafter is charged upon all unpaid

63.1 taxes on real estate on the current lists in the hands of the county treasurer. The penalty is  
63.2 at a rate of two percent ~~on homestead property~~ until May 31 and four percent on June 1.  
63.3 ~~The penalty on nonhomestead property is at a rate of four percent until May 31 and eight~~  
63.4 ~~percent on June 1.~~ This penalty does not accrue until June 1 of each year, or 21 days after  
63.5 the postmark date on the envelope containing the property tax statements, whichever is  
63.6 later, on commercial use real property used for seasonal residential recreational purposes  
63.7 and classified as class 1c or 4c, and on other commercial use real property classified as  
63.8 class 3a, provided that over 60 percent of the gross income earned by the enterprise on the  
63.9 class 3a property is earned during the months of May, June, July, and August. In order  
63.10 for the first half of the tax due on class 3a property to be paid after May 15 and before  
63.11 June 1, or 21 days after the postmark date on the envelope containing the property tax  
63.12 statement, whichever is later, without penalty, the owner of the property must attach  
63.13 an affidavit to the payment attesting to compliance with the income provision of this  
63.14 subdivision. Thereafter, ~~for both homestead and nonhomestead property~~, on the first day  
63.15 of each month beginning July 1, up to and including October 1 following, an additional  
63.16 penalty of one percent for each month accrues and is charged on all such unpaid taxes  
63.17 provided that if the due date was extended beyond May 15 as the result of any delay in  
63.18 mailing property tax statements no additional penalty shall accrue if the tax is paid by the  
63.19 extended due date. If the tax is not paid by the extended due date, then all penalties that  
63.20 would have accrued if the due date had been May 15 shall be charged. When the taxes  
63.21 against any tract or lot exceed \$100, one-half thereof may be paid prior to May 16 or  
63.22 21 days after the postmark date on the envelope containing the property tax statement,  
63.23 whichever is later; and, if so paid, no penalty attaches; the remaining one-half may be  
63.24 paid at any time prior to October 16 following, without penalty; but, if not so paid, then  
63.25 a penalty of two percent accrues ~~thereon for homestead property and a penalty of four~~  
63.26 ~~percent on nonhomestead property.~~ Thereafter, ~~for homestead property~~, on the first day  
63.27 of November an additional penalty of ~~four~~ two percent accrues and on the first day of  
63.28 December following, an additional penalty of two percent accrues and is charged on all  
63.29 such unpaid taxes. ~~Thereafter, for nonhomestead property, on the first day of November~~  
63.30 ~~and December following, an additional penalty of four percent for each month accrues~~  
63.31 ~~and is charged on all such unpaid taxes.~~ If one-half of such taxes are not paid prior to  
63.32 May 16 or 21 days after the postmark date on the envelope containing the property tax  
63.33 statement, whichever is later, the same may be paid at any time prior to October 16, with  
63.34 accrued penalties to the date of payment added, and thereupon no penalty attaches to the  
63.35 remaining one-half until October 16 following.

This section applies to payment of personal property taxes assessed against improvements to leased property, except as provided by section 277.01, subdivision 3.

A county may provide by resolution that in the case of a property owner that has multiple tracts or parcels with aggregate taxes exceeding \$100, payments may be made in installments as provided in this subdivision.

The county treasurer may accept payments of more or less than the exact amount of a tax installment due. Payments must be applied first to the oldest installment that is due but which has not been fully paid. If the accepted payment is less than the amount due, payments must be applied first to the penalty accrued for the year or the installment being paid. Acceptance of partial payment of tax does not constitute a waiver of the minimum payment required as a condition for filing an appeal under section 278.03 or any other law, nor does it affect the order of payment of delinquent taxes under section 280.39.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and thereafter.

Sec. 9. Minnesota Statutes 2010, section 398A.04, subdivision 8, is amended to read:

Subd. 8. **Taxation.** ~~Before deciding to exercise the power to tax, the authority shall give six weeks' published notice in all municipalities in the region. If a number of voters in the region equal to five percent of those who voted for candidates for governor at the last gubernatorial election present a petition within nine weeks of the first published notice to the secretary of state requesting that the matter be submitted to popular vote, it shall be submitted at the next general election. The question prepared shall be:~~

~~"Shall the regional rail authority have the power to impose a property tax?"~~

~~Yes .....~~

~~No ....."~~

~~If a majority of those voting on the question approve or if no petition is presented within the prescribed time the authority may levy a tax at any annual rate not exceeding 0.04835 percent of market value of all taxable property situated within the municipality or municipalities named in its organization resolution. Its recording officer shall file, All taxes imposed for the support of the authority must be imposed by the county board and included in the county budget for all purposes, including levy limits, if any. If the authority consists of more than one county, the authority must determine the total levy request and apportion it among the member counties as provided in the joint resolution organizing the authority. On or before September 15, in the office of the county auditor of each county in which territory under the jurisdiction of the authority is located a certified copy of the board of commissioners' resolution levying the tax, and each county auditor shall assess~~

65.1 ~~and extend upon the tax rolls of each municipality named in the organization resolution the~~  
65.2 ~~portion of the tax that bears the same ratio to the whole amount that the net tax capacity of~~  
65.3 ~~taxable property in that municipality bears to the net tax capacity of taxable property in~~  
65.4 ~~all municipalities named in the organization resolution. Collections of the tax shall be~~  
65.5 ~~remitted by each county treasurer to the treasurer of the authority. For taxes levied in 1991,~~  
65.6 ~~the amount levied for light rail transit purposes under this subdivision shall not exceed 75~~  
65.7 ~~percent of the amount levied in 1990 for light rail transit purposes under this subdivision.~~

65.8 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and  
65.9 thereafter.

65.10 Sec. 10. Minnesota Statutes 2010, section 398A.07, subdivision 2, is amended to read:

65.11 Subd. 2. **Security.** Bonds may be made payable exclusively from the revenues from  
65.12 one or more projects, or from one or more revenue producing contracts, or from the  
65.13 authority's revenues generally, including but not limited to specified taxes which the  
65.14 county may levy on behalf of the authority may levy or which a particular municipality  
65.15 may agree to levy for a specified purpose, and may be additionally secured by a pledge  
65.16 of any grant, subsidy, or contribution from any public agency, including but not limited  
65.17 to a participating municipality, or any income or revenues from any source. They may  
65.18 be secured by a mortgage or deed of trust of the whole or any part of the property of the  
65.19 authority. They shall be payable solely from the revenues, funds, and property pledged or  
65.20 mortgaged for their payment. No commissioner, officer, employee, agent, or trustee of the  
65.21 authority shall be liable personally on its bonds or be subject to any personal liability or  
65.22 accountability by reason of their issuance. ~~Neither the state nor~~ Only a county ~~or other~~  
65.23 ~~municipality except the authority~~ may pledge its faith and credit or taxing power or shall  
65.24 be obligated in any manner for the payment of the bonds or interest on them, except as  
65.25 specifically provided by agreement under section 398A.06; but nothing herein shall affect  
65.26 the obligation of the state or municipality to perform any contract made by it with the  
65.27 authority, and when the authority's rights under a contract with the state or a municipality  
65.28 are pledged by the authority for the security of its bonds, the holders or a bond trustee  
65.29 may enforce the rights as a third-party beneficiary. All bonds shall be negotiable within  
65.30 the meaning and for the purposes of the Uniform Commercial Code, subject only to any  
65.31 registration requirement. In the case of bonds issued by a regional rail authority prior to  
65.32 June 1, 2011, to which the authority's levy was pledged, the county must levy whatever  
65.33 tax is necessary to fulfill the authority's pledge under the bonds.

66.1 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and  
66.2 thereafter.

66.3 Sec. 11. **REVISOR'S INSTRUCTION.**

66.4 The revisor of statutes shall remove from Minnesota Statutes and Minnesota Rules  
66.5 all references to the sections repealed in section 12, paragraph (b). The revisor shall also  
66.6 remove text and calculations relating to the repealed sections.

66.7 In sections affected by this instruction, the revisor may make changes necessary  
66.8 to correct the punctuation, grammar, or structure of the remaining text and preserve its  
66.9 meaning. If text in Minnesota Statutes or Minnesota Rules that is unrelated to the repealed  
66.10 sections refers to a repealed definition, the revisor may substitute the text of the repealed  
66.11 definition in the cross-reference.

66.12 If the revisor requests it, the commissioner of revenue shall assist the revisor in  
66.13 making the changes to statutes and rules necessary to accomplish the purpose of section  
66.14 12, paragraph (b).

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

66.16 Sec. 12. **REPEALER.**

66.17 (a) Minnesota Statutes 2010, section 279.01, subdivision 4, is repealed.

66.18 (b) Minnesota Statutes 2010, sections 473F.001; 473F.01; 473F.02, subdivisions 1, 2,  
66.19 3, 4, 5, 6, 7, 8, 10, 12, 13, 14, 15, 21, 22, 23, and 24; 473F.03; 473F.05; 473F.06; 473F.07;  
66.20 473F.08, subdivisions 1, 2, 3, 3a, 3b, 4, 5, 5a, 6, 7a, 8a, and 10; 473F.09; 473F.10; 473F.11;  
66.21 and 473F.13, subdivision 1, are repealed.

66.22 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and  
66.23 thereafter.

66.24 **ARTICLE 6**

66.25 **AIDS, CREDITS, AND REFUNDS**

66.26 Section 1. Minnesota Statutes 2010, section 97A.061, subdivision 1, is amended to  
66.27 read:

66.28 Subdivision 1. **Applicability; amount.** (a) The commissioner shall annually make a  
66.29 payment to each county having public hunting areas and game refuges. Money to make  
66.30 the payments is annually appropriated for that purpose from the general fund. Except as  
66.31 provided in paragraph (b), this section does not apply to state trust fund land and other

67.1 state land not purchased for game refuge or public hunting purposes. Except as provided  
67.2 in paragraph (b), the payment shall be the greatest of:

67.3 (1) ~~35~~ 29.75 percent of the gross receipts from all special use permits and leases of  
67.4 land acquired for public hunting and game refuges;

67.5 (2) ~~50~~ 42.5 cents per acre on land purchased actually used for public hunting or  
67.6 game refuges; or

67.7 (3) ~~three-fourths of one~~ .6375 percent of the appraised value of purchased land  
67.8 actually used for public hunting and game refuges.

67.9 (b) The payment shall be 50 percent of the dollar amount ~~adjusted for inflation~~ as  
67.10 determined under section 477A.12, subdivision 1, paragraph (a), clause (1), multiplied  
67.11 by the number of acres of land in the county that are owned by another state agency for  
67.12 military purposes and designated as a game refuge under section 97A.085.

67.13 (c) The payment must be reduced by the amount paid under subdivision 3 for  
67.14 croplands managed for wild geese.

67.15 (d) The appraised value is the purchase price for five years after acquisition.  
67.16 The appraised value shall be determined by the county assessor every five years after  
67.17 acquisition.

67.18 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
67.19 2011 and thereafter.

67.20 Sec. 2. Minnesota Statutes 2010, section 97A.061, subdivision 3, is amended to read:

67.21 Subd. 3. **Goose management croplands.** (a) The commissioner shall make a  
67.22 payment on July 1 of each year to each county where the state owns more than 1,000 acres  
67.23 of crop land, for wild goose management purposes. The payment shall be equal to 85  
67.24 percent of the taxes assessed on comparable, privately owned, adjacent land. Money to  
67.25 make the payments is annually appropriated for that purpose from the general fund. The  
67.26 county treasurer shall allocate and distribute the payment as provided in subdivision 2.

67.27 (b) The land used for goose management under this subdivision is exempt from  
67.28 taxation as provided in sections 272.01 and 273.19.

67.29 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
67.30 2011 and thereafter.

67.31 Sec. 3. Minnesota Statutes 2010, section 270A.03, subdivision 7, is amended to read:

Subd. 7. **Refund.** "Refund" means an individual income tax refund ~~or political contribution refund~~, pursuant to chapter 290, or a property tax credit or refund, pursuant to chapter 290A, or a sustainable forest tax payment to a claimant under chapter 290C.

For purposes of this chapter, lottery prizes, as set forth in section 349A.08, subdivision 8, and amounts granted to persons by the legislature on the recommendation of the joint senate-house of representatives Subcommittee on Claims shall be treated as refunds.

In the case of a joint property tax refund payable to spouses under chapter 290A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total income determined under section 290A.03, subdivision 3. In the case of a joint income tax refund under chapter 289A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total taxable income determined under section 290.01, subdivision 29. The commissioner shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, determine the amount of the refund belonging to that spouse and refund the amount to that spouse. For court fines, fees, and surcharges and court-ordered restitution under section 611A.04, subdivision 2, the notice provided by the commissioner of revenue under section 270A.07, subdivision 2, paragraph (b), serves as the appropriate legal notice to the spouse who does not owe the debt.

**EFFECTIVE DATE.** This section is effective for refund claims based on contributions made after June 30, 2011.

Sec. 4. Minnesota Statutes 2010, section 273.13, subdivision 21b, is amended to read:

Subd. 21b. **Tax capacity.** ~~(a) Gross tax capacity means the product of the appropriate gross class rates in this section and market values.~~

~~(b)~~ Net tax capacity means the product of the appropriate net class rates in this section and market values, minus the property's tax capacity reduction determined under section 273.1384, subdivision 1, if applicable.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and thereafter.

Sec. 5. Minnesota Statutes 2010, section 273.1384, subdivision 1, is amended to read:

Subdivision 1. **Residential homestead market value ~~credit~~ tax capacity reduction.** Each county auditor shall determine a homestead ~~credit~~ tax capacity reduction



for each class 1a, 1b, and 2a homestead property within the county equal to 0.4 percent of the first \$76,000 of market value of the property minus .09 percent of the market value in excess of \$76,000. The ~~credit~~ tax capacity reduction amount may not be less than zero. In the case of an agricultural or resort homestead, only the market value of the house, garage, and immediately surrounding one acre of land is eligible in determining the property's homestead ~~credit~~ tax capacity reduction. In the case of a property that is classified as part homestead and part nonhomestead, (i) the ~~credit~~ tax capacity reduction shall apply only to the homestead portion of the property, but (ii) if a portion of a property is classified as nonhomestead solely because not all the owners occupy the property, not all the owners have qualifying relatives occupying the property, or solely because not all the spouses of owners occupy the property, the ~~credit~~ tax capacity reduction amount shall be initially computed as if that nonhomestead portion were also in the homestead class and then prorated to the owner-occupant's percentage of ownership. For the purpose of this section, when an owner-occupant's spouse does not occupy the property, the percentage of ownership for the owner-occupant spouse is one-half of the couple's ownership percentage.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and thereafter.

Sec. 6. Minnesota Statutes 2010, section 273.1384, subdivision 3, is amended to read:

Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions allowed under ~~this section~~ subdivision 2 within the county for each taxes payable year and shall certify that amount to the commissioner of revenue as a part of the abstracts of tax lists submitted by the county auditors under section 275.29. Any prior year adjustments shall also be certified on the abstracts of tax lists. The commissioner shall review the certifications for accuracy, and may make such changes as are deemed necessary, or return the certification to the county auditor for correction. The ~~credits~~ credit under this section must be used to proportionately reduce the net tax capacity-based property tax payable to each local taxing jurisdiction as provided in section 273.1393.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and thereafter.

Sec. 7. Minnesota Statutes 2010, section 273.1384, subdivision 4, is amended to read:

Subd. 4. **Payment.** (a) The commissioner of revenue shall reimburse each local taxing jurisdiction, other than school districts, for the tax reductions granted under ~~this section~~ subdivision 2 in two equal installments on October 31 and December 26 of the

70.1 taxes payable year for which the reductions are granted, including in each payment  
70.2 the prior year adjustments certified on the abstracts for that taxes payable year. The  
70.3 reimbursements related to tax increments shall be issued in one installment each year on  
70.4 December 26.

70.5 (b) The commissioner of revenue shall certify the total of the tax reductions granted  
70.6 under ~~this section~~ subdivision 2 for each taxes payable year within each school district to  
70.7 the commissioner of the Department of Education and the commissioner of education shall  
70.8 pay the reimbursement amounts to each school district as provided in section 273.1392.

70.9 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and  
70.10 thereafter.

70.11 Sec. 8. Minnesota Statutes 2010, section 273.1393, is amended to read:

70.12 **273.1393 COMPUTATION OF NET PROPERTY TAXES.**

70.13 Notwithstanding any other provisions to the contrary, "net" property taxes are  
70.14 determined by subtracting the credits in the order listed from the gross tax:

- 70.15 (1) disaster credit as provided in sections 273.1231 to 273.1235;  
70.16 (2) powerline credit as provided in section 273.42;  
70.17 (3) agricultural preserves credit as provided in section 473H.10;  
70.18 (4) enterprise zone credit as provided in section 469.171;  
70.19 (5) disparity reduction credit;  
70.20 (6) conservation tax credit as provided in section 273.119;  
70.21 (7) ~~homestead and agricultural credits~~ credit as provided in section 273.1384;  
70.22 (8) taconite homestead credit as provided in section 273.135;  
70.23 (9) supplemental homestead credit as provided in section 273.1391; and  
70.24 (10) the bovine tuberculosis zone credit, as provided in section 273.113.

70.25 The combination of all property tax credits must not exceed the gross tax amount.

70.26 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and  
70.27 thereafter.

70.28 Sec. 9. Minnesota Statutes 2010, section 273.1398, subdivision 3, is amended to read:

70.29 Subd. 3. **Disparity reduction aid.** The amount of disparity aid certified each year  
70.30 for each taxing district within each unique taxing jurisdiction ~~for taxes payable in the prior~~  
70.31 ~~year shall be multiplied by the ratio of (1) the jurisdiction's tax capacity using the class~~  
70.32 ~~rates for taxes payable in the year for which aid is being computed, to (2) its tax capacity~~  
70.33 ~~using the class rates for taxes payable in the year prior to that for which aid is being~~

71.1 ~~computed, both based upon market values for taxes payable in the year prior to that for~~  
 71.2 ~~which aid is being computed. If the commissioner determines that insufficient information~~  
 71.3 ~~is available to reasonably and timely calculate the numerator in this ratio for the first taxes~~  
 71.4 ~~payable year that a class rate change or new class rate is effective, the commissioner~~  
 71.5 ~~shall omit the effects of that class rate change or new class rate when calculating this~~  
 71.6 ~~ratio for aid payable in that taxes payable year. For aid payable in the year following a~~  
 71.7 ~~year for which such omission was made, the commissioner shall use in the denominator~~  
 71.8 ~~for the class that was changed or created, the tax capacity for taxes payable two years~~  
 71.9 ~~prior to that in which the aid is payable, based on market values for taxes payable in the~~  
 71.10 ~~year prior to that for which aid is being computed~~ is 50 percent of the amount certified  
 71.11 for taxes payable in 2011.

71.12 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and  
 71.13 thereafter.

71.14 Sec. 10. Minnesota Statutes 2010, section 275.08, subdivision 1a, is amended to read:

71.15 Subd. 1a. **Computation of tax capacity.** ~~For taxes payable in 1989, the county~~  
 71.16 ~~auditor shall compute the gross tax capacity for each parcel according to the class rates~~  
 71.17 ~~specified in section 273.13. The gross tax capacity will be the appropriate class rate~~  
 71.18 ~~multiplied by the parcel's market value. For taxes payable in 1990 and subsequent years,~~  
 71.19 The county auditor shall compute the net tax capacity for each parcel ~~according to the~~  
 71.20 ~~class rates specified in~~ as defined under section 273.13, subdivision 21b. ~~The net tax~~  
 71.21 ~~capacity will be the appropriate class rate multiplied by the parcel's market value.~~

71.22 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and  
 71.23 thereafter.

71.24 Sec. 11. Minnesota Statutes 2010, section 275.08, subdivision 1d, is amended to read:

71.25 Subd. 1d. **Additional adjustment.** If, after computing each local government's  
 71.26 adjusted local tax rate within a unique taxing jurisdiction pursuant to subdivision 1c, the  
 71.27 auditor finds that the total adjusted local tax rate of all local governments combined is  
 71.28 less than ~~90~~ 105 percent ~~of gross tax capacity for taxes payable in 1989 and 90 percent~~  
 71.29 ~~of net tax capacity for taxes payable in 1990 and thereafter,~~ the auditor shall increase  
 71.30 each local government's adjusted local tax rate proportionately so the total adjusted local  
 71.31 tax rate of all local governments combined equals ~~90~~ 105 percent. The total amount  
 71.32 of the increase in tax resulting from the increased local tax rates must not exceed the  
 71.33 amount of disparity aid allocated to the unique taxing district under section 273.1398. The

72.1 auditor shall certify to the Department of Revenue the difference between the disparity  
72.2 aid originally allocated under section 273.1398, subdivision 3, and the amount necessary  
72.3 to reduce the total adjusted local tax rate of all local governments combined to ~~90~~ 105  
72.4 percent. Each local government's disparity reduction aid payment under section 273.1398,  
72.5 subdivision 6, must be reduced accordingly.

72.6 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and  
72.7 thereafter.

72.8 Sec. 12. Minnesota Statutes 2010, section 276.04, subdivision 2, is amended to read:

72.9 Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the  
72.10 printing of the tax statements. The commissioner of revenue shall prescribe the form of  
72.11 the property tax statement and its contents. The tax statement must not state or imply  
72.12 that property tax credits are paid by the state of Minnesota. The statement must contain  
72.13 a tabulated statement of the dollar amount due to each taxing authority and the amount  
72.14 of the state tax from the parcel of real property for which a particular tax statement is  
72.15 prepared. The dollar amounts attributable to the county, the state tax, the voter approved  
72.16 school tax, the other local school tax, the township or municipality, and the total of  
72.17 the metropolitan special taxing districts as defined in section 275.065, subdivision 3,  
72.18 paragraph (i), must be separately stated. The amounts due all other special taxing districts,  
72.19 if any, may be aggregated except that any levies made by the regional rail authorities in the  
72.20 county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter  
72.21 398A shall be listed on a separate line directly under the appropriate county's levy. If the  
72.22 county levy under this paragraph includes an amount for a lake improvement district as  
72.23 defined under sections 103B.501 to 103B.581, the amount attributable for that purpose  
72.24 must be separately stated from the remaining county levy amount. In the case of Ramsey  
72.25 County, if the county levy under this paragraph includes an amount for public library  
72.26 service under section 134.07, the amount attributable for that purpose may be separated  
72.27 from the remaining county levy amount. The amount of the tax on homesteads qualifying  
72.28 under the senior citizens' property tax deferral program under chapter 290B is the total  
72.29 amount of property tax before subtraction of the deferred property tax amount. The  
72.30 amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any,  
72.31 must also be separately stated. The dollar amounts, including the dollar amount of any  
72.32 special assessments, may be rounded to the nearest even whole dollar. For purposes of this  
72.33 section whole odd-numbered dollars may be adjusted to the next higher even-numbered  
72.34 dollar. The amount of market value excluded under section 273.11, subdivision 16, if any,  
72.35 must also be listed on the tax statement.

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

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

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

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

73.11 (3) the property's gross tax, before credits;

73.12 (4) for homestead ~~residential~~ and agricultural properties, the ~~credits~~ credit under  
73.13 section 273.1384;

73.14 (5) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135;  
73.15 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of  
73.16 credit received under section 273.135 must be separately stated and identified as "taconite  
73.17 tax relief"; and

73.18 (6) the net tax payable in the manner required in paragraph (a).

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

73.27 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and  
73.28 thereafter.

73.29 Sec. 13. Minnesota Statutes 2010, section 289A.50, subdivision 1, is amended to read:

73.30 Subdivision 1. **General right to refund.** (a) Subject to the requirements of this  
73.31 section and section 289A.40, a taxpayer who has paid a tax in excess of the taxes lawfully  
73.32 due and who files a written claim for refund will be refunded or credited the overpayment  
73.33 of the tax determined by the commissioner to be erroneously paid.

73.34 (b) The claim must specify the name of the taxpayer, the date when and the period  
73.35 for which the tax was paid, the kind of tax paid, the amount of the tax that the taxpayer

74.1 claims was erroneously paid, the grounds on which a refund is claimed, and other  
 74.2 information relative to the payment and in the form required by the commissioner. An  
 74.3 income tax, estate tax, or corporate franchise tax return, or amended return claiming an  
 74.4 overpayment constitutes a claim for refund.

74.5 (c) When, in the course of an examination, and within the time for requesting a  
 74.6 refund, the commissioner determines that there has been an overpayment of tax, the  
 74.7 commissioner shall refund or credit the overpayment to the taxpayer and no demand  
 74.8 is necessary. If the overpayment exceeds \$1, the amount of the overpayment must  
 74.9 be refunded to the taxpayer. If the amount of the overpayment is less than \$1, the  
 74.10 commissioner is not required to refund. In these situations, the commissioner does not  
 74.11 have to make written findings or serve notice by mail to the taxpayer.

74.12 (d) If the amount allowable as a credit for withholding, estimated taxes, or dependent  
 74.13 care exceeds the tax against which the credit is allowable, the amount of the excess is  
 74.14 considered an overpayment. ~~The refund allowed by section 290.06, subdivision 23, is also~~  
 74.15 ~~considered an overpayment.~~ The requirements of section 270C.33 do not apply to the  
 74.16 refunding of such an overpayment shown on the original return filed by a taxpayer.

74.17 (e) If the entertainment tax withheld at the source exceeds by \$1 or more the taxes,  
 74.18 penalties, and interest reported in the return of the entertainment entity or imposed by  
 74.19 section 290.9201, the excess must be refunded to the entertainment entity. If the excess is  
 74.20 less than \$1, the commissioner need not refund that amount.

74.21 (f) If the surety deposit required for a construction contract exceeds the liability of  
 74.22 the out-of-state contractor, the commissioner shall refund the difference to the contractor.

74.23 (g) An action of the commissioner in refunding the amount of the overpayment does  
 74.24 not constitute a determination of the correctness of the return of the taxpayer.

74.25 (h) There is appropriated from the general fund to the commissioner of revenue the  
 74.26 amount necessary to pay refunds allowed under this section.

74.27 **EFFECTIVE DATE.** This section is effective for refund claims based on  
 74.28 contributions made after June 30, 2011.

74.29 Sec. 14. Minnesota Statutes 2010, section 290.01, subdivision 6, is amended to read:

74.30 Subd. 6. **Taxpayer.** The term "taxpayer" means any person or corporation subject to  
 74.31 a tax imposed by this chapter. ~~For purposes of section 290.06, subdivision 23, the term~~  
 74.32 ~~"taxpayer" means an individual eligible to vote in Minnesota under section 201.014.~~

74.33 **EFFECTIVE DATE.** This section is effective for refund claims based on  
 74.34 contributions made after June 30, 2011.

75.1 Sec. 15. Minnesota Statutes 2010, section 290A.03, subdivision 11, is amended to read:

75.2 Subd. 11. **Rent constituting property taxes.** "Rent constituting property taxes"  
75.3 means ~~19~~ 12 percent of the gross rent actually paid in cash, or its equivalent, or the portion  
75.4 of rent paid in lieu of property taxes, in any calendar year by a claimant for the right  
75.5 of occupancy of the claimant's Minnesota homestead in the calendar year, and which  
75.6 rent constitutes the basis, in the succeeding calendar year of a claim for relief under this  
75.7 chapter by the claimant.

75.8 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in  
75.9 2010 and following years.

75.10 Sec. 16. Minnesota Statutes 2010, section 290A.03, subdivision 13, is amended to read:

75.11 Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax  
75.12 exclusive of special assessments, penalties, and interest payable on a claimant's homestead  
75.13 after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2,  
75.14 and any other state paid property tax credits in any calendar year, and after any refund  
75.15 claimed and allowable under section 290A.04, subdivision 2h, that is first payable in  
75.16 the year that the property tax is payable. In the case of a claimant who makes ground  
75.17 lease payments, "property taxes payable" includes the amount of the payments directly  
75.18 attributable to the property taxes assessed against the parcel on which the house is located.  
75.19 No apportionment or reduction of the "property taxes payable" shall be required for the  
75.20 use of a portion of the claimant's homestead for a business purpose if the claimant does not  
75.21 deduct any business depreciation expenses for the use of a portion of the homestead in the  
75.22 determination of federal adjusted gross income. For homesteads which are manufactured  
75.23 homes as defined in section 273.125, subdivision 8, and for homesteads which are park  
75.24 trailers taxed as manufactured homes under section 168.012, subdivision 9, "property  
75.25 taxes payable" shall also include ~~19~~ 12 percent of the gross rent paid in the preceding  
75.26 year for the site on which the homestead is located. When a homestead is owned by  
75.27 two or more persons as joint tenants or tenants in common, such tenants shall determine  
75.28 between them which tenant may claim the property taxes payable on the homestead. If  
75.29 they are unable to agree, the matter shall be referred to the commissioner of revenue  
75.30 whose decision shall be final. Property taxes are considered payable in the year prescribed  
75.31 by law for payment of the taxes.

75.32 In the case of a claim relating to "property taxes payable," the claimant must have  
75.33 owned and occupied the homestead on January 2 of the year in which the tax is payable  
75.34 and (i) the property must have been classified as homestead property pursuant to section  
75.35 273.124, on or before December 15 of the assessment year to which the "property taxes

76.1 payable" relate; or (ii) the claimant must provide documentation from the local assessor  
76.2 that application for homestead classification has been made on or before December 15  
76.3 of the year in which the "property taxes payable" were payable and that the assessor has  
76.4 approved the application.

76.5 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in  
76.6 2010 and following years.

76.7 Sec. 17. **[373.51] ALTERNATIVE PROCESS FOR CONSOLIDATION.**

76.8 Notwithstanding the provisions relating to petitions in sections 371.02 and 371.03,  
76.9 two or more counties may begin the process for consolidation by filing with the secretary  
76.10 of state a resolution unanimously adopted by the board of each affected county to seek  
76.11 voter approval for consolidation of the counties following the procedures in chapter 371.

76.12 Sec. 18. Minnesota Statutes 2010, section 477A.011, is amended by adding a  
76.13 subdivision to read:

76.14 Subd. 1c. **First class city.** "First class city" means a city of the first class as of  
76.15 2009 as defined in section 410.01.

76.16 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
76.17 2011 and thereafter.

76.18 Sec. 19. Minnesota Statutes 2010, section 477A.0124, is amended by adding a  
76.19 subdivision to read:

76.20 Subd. 6. **Aid payments in 2011 and 2012.** Notwithstanding total aids calculated or  
76.21 certified for 2011 under subdivisions 3, 4, and 5, for 2011 and 2012, each county shall  
76.22 receive an aid distribution under this section equal to the lesser of (1) the total amount of  
76.23 aid it received under this section in 2010 after the reductions under sections 477A.0133  
76.24 and 477A.0134, or (2) the total amount the county is certified to receive in 2011 under  
76.25 subdivisions 3 to 5.

76.26 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
76.27 2011 and 2012.

76.28 Sec. 20. Minnesota Statutes 2010, section 477A.013, subdivision 8, is amended to read:

76.29 Subd. 8. **City formula aid.** The formula aid for a city is equal to the sum of (1) its  
76.30 city jobs base, (2) its small city aid base, and (3) the need increase percentage multiplied  
76.31 by the average of its unmet need for the most recently available two years.



77.1 No city may have a formula aid amount less than zero. The need increase percentage must  
77.2 be the same for all cities. For first class cities, the formula aid is 25 percent of its base  
77.3 aid as defined in subdivision 11, paragraph (a), for aids payable in 2013 and zero for aids  
77.4 payable in 2014 and thereafter.

77.5 The applicable need increase percentage must be calculated by the Department of  
77.6 Revenue so that the total of the aid under subdivision 9 equals the total amount available  
77.7 for aid under section 477A.03. Data used in calculating aids to cities under sections  
77.8 477A.011 to 477A.013 shall be the most recently available data as of January 1 in the  
77.9 year in which the aid is calculated except that the data used to compute "net levy" in  
77.10 subdivision 9 is the data most recently available at the time of the aid computation.

77.11 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
77.12 2013 and thereafter.

77.13 Sec. 21. Minnesota Statutes 2010, section 477A.013, subdivision 9, is amended to read:

77.14 Subd. 9. **City aid distribution.** (a) In calendar year 2009 and thereafter, each  
77.15 city shall receive an aid distribution equal to the sum of (1) the city formula aid under  
77.16 subdivision 8, and (2) its city aid base.

77.17 (b) For aids payable in ~~2011~~ 2013 only, the total aid in the previous year for any  
77.18 city shall mean the amount of aid it was certified to receive for aids payable in ~~2010~~  
77.19 2012 under ~~this section minus the amount of its aid reduction under section 477A.0134~~  
77.20 subdivision 11. For aids payable in ~~2012~~ 2014 and thereafter, the total aid in the previous  
77.21 year for any city means the amount of aid it was certified to receive under this section in  
77.22 the previous payable year.

77.23 (c) For aids payable in 2010 and thereafter, the total aid for any city shall not exceed  
77.24 the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution  
77.25 plus (2) its total aid in the previous year. For aids payable in 2009 and thereafter, the total  
77.26 aid for any city with a population of 2,500 or more may not be less than its total aid under  
77.27 this section in the previous year minus the lesser of \$10 multiplied by its population, or ten  
77.28 percent of its net levy in the year prior to the aid distribution.

77.29 (d) For aids payable in 2010 and thereafter, the total aid for a city with a population  
77.30 less than 2,500 must not be less than the amount it was certified to receive in the  
77.31 previous year minus the lesser of \$10 multiplied by its population, or five percent of its  
77.32 2003 certified aid amount. For aids payable in 2009 only, the total aid for a city with a  
77.33 population less than 2,500 must not be less than what it received under this section in the  
77.34 previous year unless its total aid in calendar year 2008 was aid under section 477A.011,  
77.35 subdivision 36, paragraph (s), in which case its minimum aid is zero.

78.1 (e) A city's aid loss under this section may not exceed \$300,000 in any year in  
78.2 which the total city aid appropriation under section 477A.03, subdivision 2a, is equal or  
78.3 greater than the appropriation under that subdivision in the previous year, unless the  
78.4 city has an adjustment in its city net tax capacity under the process described in section  
78.5 469.174, subdivision 28.

78.6 (f) If a city's net tax capacity used in calculating aid under this section has decreased  
78.7 in any year by more than 25 percent from its net tax capacity in the previous year due to  
78.8 property becoming tax-exempt Indian land, the city's maximum allowed aid increase  
78.9 under paragraph (c) shall be increased by an amount equal to (1) the city's tax rate in the  
78.10 year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease  
78.11 resulting from the property becoming tax exempt.

78.12 (g) Notwithstanding paragraphs (a) to (f), the total aid for a first class city is its  
78.13 formula aid under subdivision 8.

78.14 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
78.15 2013 and thereafter.

78.16 Sec. 22. Minnesota Statutes 2010, section 477A.013, is amended by adding a  
78.17 subdivision to read:

78.18 **Subd. 11. Aid payments in 2011 and 2012.** (a) For purposes of this subdivision,  
78.19 "base aid" means the lesser of (1) the total amount of aid it received under this section in  
78.20 2010, after the reductions under sections 477A.0133 and 477A.0134 and reduced by the  
78.21 amount of payments under section 477A.011, subdivision 36, paragraphs (y) and (z), or  
78.22 (2) the amount it was certified to receive in 2011 under subdivision 9, minus any aid base  
78.23 adjustment under section 477A.011, subdivision 36, paragraph (aa).

78.24 (b) Notwithstanding aids calculated or certified for aids payable in 2011 under  
78.25 subdivision 9, in 2011 each city shall receive an aid distribution under this section as  
78.26 follows:

78.27 (1) for a first class city, 75 percent of its base aid as defined in paragraph (a); and  
78.28 (2) for any other city, the amount it is certified to receive in 2011 under subdivision 9.

78.29 (c) Notwithstanding aids calculated or certified for aids payable in 2012 under  
78.30 subdivision 9, in 2012 each city shall receive an aid distribution under this section as  
78.31 follows:

78.32 (1) for a first class city, 50 percent of its base aid as defined in paragraph (a); and  
78.33 (2) for any other city, its base aid as defined under paragraph (a).

79.1 **EFFECTIVE DATE.** This section is effective for aids payable in calendar years  
 79.2 2011 and 2012.

79.3 Sec. 23. Minnesota Statutes 2010, section 477A.03, is amended to read:

79.4 **477A.03 APPROPRIATION.**

79.5 Subd. 2. **Annual appropriation.** A sum sufficient to discharge the duties imposed  
 79.6 by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the  
 79.7 commissioner of revenue.

79.8 Subd. 2a. **Cities.** For aids payable in 2013 only, the total aid paid under section  
 79.9 477A.013, subdivision 9, is \$318,774,184. For aids payable in ~~2011~~ 2014 and thereafter,  
 79.10 the total aid paid under section 477A.013, subdivision 9, is ~~\$527,100,646~~ \$283,292,875.

79.11 Subd. 2b. **Counties.** (a) For aids payable in ~~2011~~ 2013 and thereafter, the total aid  
 79.12 payable under section 477A.0124, subdivision 3, is ~~\$96,395,000~~ \$78,218,000. Each  
 79.13 calendar year, \$500,000 shall be retained by the commissioner of revenue to make  
 79.14 reimbursements to the commissioner of management and budget for payments made  
 79.15 under section 611.27. ~~For calendar year 2004, the amount shall be in addition to the~~  
 79.16 ~~payments authorized under section 477A.0124, subdivision 1. For calendar year 2005~~  
 79.17 ~~and subsequent years,~~ The amount shall be deducted from the appropriation under  
 79.18 this paragraph. The reimbursements shall be to defray the additional costs associated  
 79.19 with court-ordered counsel under section 611.27. Any retained amounts not used for  
 79.20 reimbursement in a year shall be included in the next distribution of county need aid  
 79.21 that is certified to the county auditors for the purpose of property tax reduction for the  
 79.22 next taxes payable year.

79.23 (b) For aids payable in ~~2011~~ 2013 and thereafter, the total aid under section  
 79.24 477A.0124, subdivision 4, is ~~\$101,309,575~~ \$83,133,000. The commissioner of  
 79.25 management and budget shall bill the commissioner of revenue for the cost of preparation  
 79.26 of local impact notes as required by section 3.987, not to exceed \$207,000 in fiscal year  
 79.27 2004 and thereafter. The commissioner of education shall bill the commissioner of  
 79.28 revenue for the cost of preparation of local impact notes for school districts as required by  
 79.29 section 3.987, not to exceed \$7,000 in fiscal year 2004 and thereafter. The commissioner  
 79.30 of revenue shall deduct the amounts billed under this paragraph from the appropriation  
 79.31 under this paragraph. The amounts deducted are appropriated to the commissioner of  
 79.32 management and budget and the commissioner of education for the preparation of local  
 79.33 impact notes.

80.1 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
80.2 2012 and thereafter.

80.3 Sec. 24. Minnesota Statutes 2010, section 477A.11, subdivision 1, is amended to read:

80.4 Subdivision 1. **Terms.** For the purpose of sections 477A.11 to ~~477A.145~~ 477A.14,  
80.5 the terms defined in this section have the meanings given them.

80.6 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
80.7 2011 and thereafter.

80.8 Sec. 25. Minnesota Statutes 2010, section 477A.12, subdivision 1, is amended to read:

80.9 Subdivision 1. **Types of land; payments.** (a) As an offset for expenses incurred  
80.10 by counties and towns in support of natural resources lands, the following amounts are  
80.11 annually appropriated to the commissioner of natural resources from the general fund for  
80.12 transfer to the commissioner of revenue. The commissioner of revenue shall pay the  
80.13 transferred funds to counties as required by sections 477A.11 to ~~477A.145~~ 477A.14.  
80.14 The amounts are:

80.15 (1) for acquired natural resources land, ~~\$3, as adjusted for inflation under section~~  
80.16 ~~477A.145, \$4.363~~ multiplied by the total number of acres of acquired natural resources  
80.17 land or, at the county's option ~~three-fourths of one~~ 0.6375 percent of the appraised value of  
80.18 all acquired natural resources land in the county, whichever is greater;

80.19 (2) ~~75 cents, as adjusted for inflation under section 477A.145, \$1.091~~ multiplied by  
80.20 the number of acres of county-administered other natural resources land;

80.21 (3) ~~75 cents, as adjusted for inflation under section 477A.145, \$1.091~~ multiplied by  
80.22 the total number of acres of land utilization project land; and

80.23 (4) ~~37.5 cents, as adjusted for inflation under section 477A.145, 54.5 cents~~ multiplied  
80.24 by the number of acres of commissioner-administered other natural resources land located  
80.25 in each county as of July 1 of each year prior to the payment year.

80.26 (b) The amount determined under paragraph (a), clause (1), is payable for land  
80.27 that is acquired from a private owner and owned by the Department of Transportation  
80.28 for the purpose of replacing wetland losses caused by transportation projects, but only  
80.29 if the county contains more than 500 acres of such land at the time the certification is  
80.30 made under subdivision 2.

80.31 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
80.32 2011 and thereafter.

81.1 Sec. 26. Minnesota Statutes 2010, section 477A.14, subdivision 1, is amended to read:

81.2 Subdivision 1. **General distribution.** Except as provided in subdivision 2 or in  
81.3 section 97A.061, subdivision 5, 40 percent of the total payment to the county shall be  
81.4 deposited in the county general revenue fund to be used to provide property tax levy  
81.5 reduction. The remainder shall be distributed by the county in the following priority:

81.6 (a) ~~37.5 cents, as adjusted for inflation under section 477A.145,~~ 54.5 cents for  
81.7 each acre of county-administered other natural resources land shall be deposited in a  
81.8 resource development fund to be created within the county treasury for use in resource  
81.9 development, forest management, game and fish habitat improvement, and recreational  
81.10 development and maintenance of county-administered other natural resources land. Any  
81.11 county receiving less than \$5,000 annually for the resource development fund may elect to  
81.12 deposit that amount in the county general revenue fund;

81.13 (b) From the funds remaining, within 30 days of receipt of the payment to the  
81.14 county, the county treasurer shall pay each organized township ~~30 cents, as adjusted for~~  
81.15 ~~inflation under section 477A.145,~~ 43.6 cents for each acre of acquired natural resources  
81.16 land and each acre of land described in section 477A.12, subdivision 1, paragraph (b), and  
81.17 ~~7.5 cents, as adjusted for inflation under section 477A.145,~~ 10.9 cents for each acre of  
81.18 other natural resources land and each acre of land utilization project land located within its  
81.19 boundaries. Payments for natural resources lands not located in an organized township  
81.20 shall be deposited in the county general revenue fund. Payments to counties and townships  
81.21 pursuant to this paragraph shall be used to provide property tax levy reduction, except  
81.22 that of the payments for natural resources lands not located in an organized township, the  
81.23 county may allocate the amount determined to be necessary for maintenance of roads in  
81.24 unorganized townships. Provided that, if the total payment to the county pursuant to  
81.25 section 477A.12 is not sufficient to fully fund the distribution provided for in this clause,  
81.26 the amount available shall be distributed to each township and the county general revenue  
81.27 fund on a pro rata basis; and

81.28 (c) Any remaining funds shall be deposited in the county general revenue fund.  
81.29 Provided that, if the distribution to the county general revenue fund exceeds \$35,000, the  
81.30 excess shall be used to provide property tax levy reduction.

81.31 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
81.32 2011 and thereafter.

82.1 Sec. 27. Minnesota Statutes 2010, section 477A.17, is amended to read:

82.2 **477A.17 LAKE VERMILION STATE PARK AND SOUDAN**

82.3 **UNDERGROUND MINE STATE PARK; ANNUAL PAYMENTS.**

82.4 (a) Beginning in fiscal year 2012, in lieu of the payment amount provided under  
82.5 section 477A.12, subdivision 1, clause (1), the county shall receive an annual payment for  
82.6 land acquired for Lake Vermilion State Park, established in section 85.012, subdivision  
82.7 38a, and land within the boundary of Soudan Underground Mine State Park, established  
82.8 in section 85.012, subdivision 53a, equal to ~~1.5~~ 1.275 percent of the appraised value of  
82.9 the land.

82.10 (b) For the purposes of this section, the appraised value of the land acquired for  
82.11 Lake Vermilion State Park for the first five years after acquisition shall be the purchase  
82.12 price of the land, plus the value of any portion of the land that is acquired by donation.  
82.13 The appraised value must be redetermined by the county assessor every five years after  
82.14 the land is acquired.

82.15 (c) The annual payments under this section shall be distributed to the taxing  
82.16 jurisdictions containing the property as follows: one-third to the school districts; one-third  
82.17 to the town; and one-third to the county. The payment to school districts is not a county  
82.18 apportionment under section 127A.34 and is not subject to aid recapture. Each of those  
82.19 taxing jurisdictions may use the payments for their general purposes.

82.20 (d) Except as provided in this section, the payments shall be made as provided  
82.21 in sections 477A.11 to 477A.13.

82.22 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
82.23 2011 and thereafter.

82.24 Sec. 28. **ADMINISTRATION OF PROPERTY TAX REFUND CLAIMS; 2011.**

82.25 In administering sections 15 and 16 for claims for refunds submitted using 19  
82.26 percent of gross rent as rent constituting property taxes under prior law, the commissioner  
82.27 shall recalculate and pay the refund amounts using 12 percent of gross rent. The  
82.28 commissioner shall notify the claimant that the recalculation was mandated by action  
82.29 of the 2011 Legislature.

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

82.31 Sec. 29. **CREDIT REDUCTIONS AND LIMITATION; COUNTIES AND**  
82.32 **CITIES.**

83.1 In 2011, the market value credit reimbursement payment to each county and city  
83.2 authorized under Minnesota Statutes, section 273.1384, subdivision 4, may not exceed the  
83.3 reimbursement payment received by the county or city for taxes payable in 2010.

83.4 **EFFECTIVE DATE.** This section is effective for credit reimbursements in 2011.

83.5 Sec. 30. **PROPERTY TAX STATEMENT FOR TAXES PAYABLE IN 2012 ONLY.**

83.6 For the purposes of the property tax statements required under Minnesota Statutes,  
83.7 section 276.04, subdivision 2, for taxes payable in 2012 only, the gross tax amount shown  
83.8 for the previous year is the gross tax minus the residential homestead market value credit.

83.9 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 only.

83.10 Sec. 31. **COOPERATION, CONSOLIDATION, INNOVATION GRANTS.**

83.11 Subdivision 1. **Definition.** For the purposes of this section, "local government"  
83.12 means a town, county, or home rule charter or statutory city.

83.13 Subd. 2. **Grants.** The commissioner of administration may make a cooperation,  
83.14 consolidation, and service innovation grant to a local government that is participating with  
83.15 at least one other local government in planning for or implementing provision of services  
83.16 cooperatively or in planning and implementing consolidation of services, functions, or  
83.17 governance. The grants shall be made on a first-come first-served basis. The commissioner  
83.18 shall determine the form and content of the application and grant agreements. At a  
83.19 minimum, an application must contain a resolution adopted by the governing body of each  
83.20 participating local government supporting the cooperation, consolidation, or innovation  
83.21 effort that identifies the services and functions the local government is considering  
83.22 providing cooperatively with one or more other local governments or that identifies the  
83.23 functions the local governments seek to consolidate. The maximum grant amount is  
83.24 \$100,000 per local government.

83.25 Subd. 3. **Report.** The commissioner of administration must report to the governor  
83.26 and legislative committees with jurisdiction over local government governance and local  
83.27 government taxes and finance on the cooperation and consolidation grants made and  
83.28 how the money was used, what services and functions have been provided by local  
83.29 governments in cooperation with each other, what programs or governance structures have  
83.30 been proposed for consolidation or consolidated, and what impediments remain that  
83.31 prevent cooperation, consolidation, and service innovation. An interim report is due  
83.32 February 1, 2012, and a final report is due December 15, 2012.

84.1 Subd. 4. **Appropriation.** \$5,000,000 is appropriated from the general fund to the  
84.2 commissioner of administration for the biennium ending June 30, 2013, to make grants to  
84.3 counties as provided in this section.

84.4            Sec. 32. **REPEALER.**

84.5 (a) Minnesota Statutes 2010, sections 10A.322, subdivision 4; 13.4967, subdivision  
84.6 2; are repealed.

84.7 (b) Minnesota Statutes 2010, section 290.06, subdivision 23, is repealed.

84.8 (c) Minnesota Statutes 2010, sections 273.1384, subdivision 6; and 477A.145, are  
84.9 repealed.

84.10 (d) Minnesota Statutes 2010, sections 290C.01; 290C.02; 290C.03; 290C.04;  
84.11 290C.05; 290C.055; 290C.06; 290C.07; 290C.08; 290C.09; 290C.10; 290C.11; 290C.12;  
84.12 and 290C.13, are repealed.

84.13 **EFFECTIVE DATE.** Paragraph (a) is effective the day following final enactment.

84.14 Paragraph (b) is effective for refund claims based on contributions made after June 30,

84.15 2011. Paragraph (c) is effective for aids payable in 2011 and thereafter. Paragraph (d) is

84.16 effective July 1, 2011, and the covenants under the program are void on that date. No later

84.17 than 60 days after enactment of this section, the commissioner of revenue shall issue a

84.18 document to each enrollee immediately releasing the land from the covenant as provided

84.19 in Minnesota Statutes 2010, section 290C.04, paragraph (c).

## ARTICLE 7

## GREEN ACRES AND RURAL PRESERVES

84.22 Section 1. Minnesota Statutes 2010, section 273.111, is amended by adding a  
84.23 subdivision to read:

84.24 Subd. 2a. **Purpose.** The legislature finds that it is in the interest of the state to  
84.25 encourage and preserve farms by mitigating the property tax impact of increasing land  
84.26 values due to nonagricultural economic forces.

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

84.28      **Sec. 2.** Minnesota Statutes 2010, section 273.111, subdivision 9, is amended to read:

84.29 Subd. 9. **Additional taxes.** (a) Except as provided in paragraph (b), when real  
84.30 property which is being, or has been valued and assessed under this section no longer  
84.31 qualifies under subdivision 3, the portion no longer qualifying shall be subject to additional  
84.32 taxes, in the amount equal to the difference between the taxes determined in accordance



with subdivision 4, and the amount determined under subdivision 5. Provided, however, that the amount determined under subdivision 5 shall not be greater than it would have been had the actual bona fide sale price of the real property at an arm's-length transaction been used in lieu of the market value determined under subdivision 5. Such additional taxes shall be extended against the property on the tax list for the current year, provided, however, that no interest or penalties shall be levied on such additional taxes if timely paid, and provided further, that such additional taxes shall only be levied with respect to (1) the last three years that the ~~said~~ property has been valued and assessed under this section, for property originally enrolled on or before May 1, 2012, or (2) the last five years that the property has been valued and assessed under this section, for property originally enrolled after May 1, 2012.

(b) Real property that has been valued and assessed under this section prior to May 29, 2008, and that ceases to qualify under this section after May 28, 2008, and is withdrawn from the program before August 16, 2010, is not subject to additional taxes under this subdivision or subdivision 3, paragraph (c). If additional taxes have been paid under this subdivision with respect to property described in this paragraph prior to April 3, 2009, the county must repay the property owner in the manner prescribed by the commissioner of revenue.

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

Sec. 3. Minnesota Statutes 2010, section 273.114, subdivision 2, is amended to read:

Subd. 2. **Requirements.** Class ~~2a or 2b~~ property that had been ~~assessed properly~~ enrolled under ~~Minnesota Statutes 2006~~, section 273.111 for taxes payable in 2008, or that is part of an agricultural homestead under ~~Minnesota Statutes~~, section 273.13, subdivision 23, paragraph (a), at least a portion of which is enrolled under section 273.111, is entitled to valuation and tax deferment under this section if:

(1) ~~the land consists of at least ten acres~~ property is contiguous to class 2a property enrolled under section 273.111 under the same ownership;

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

~~(3) the land must be enrolled for a minimum of eight years;~~

~~(4)~~ (2) there are no delinquent property taxes on the land; and

~~(5)~~ (3) the property is not also enrolled for valuation and deferment under section 273.111 or 273.112, or chapter 290C or 473H.

86.1 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and  
86.2 thereafter.

86.3 Sec. 4. Minnesota Statutes 2010, section 273.114, subdivision 5, is amended to read:

86.4 Subd. 5. **Application and covenant agreement.** ~~(a)~~ Application for deferment  
86.5 of taxes and assessment under this section shall be filed by May 1 of the year prior to  
86.6 the year in which the taxes are payable. Any application filed under this subdivision  
86.7 and granted shall continue in effect for subsequent years until the ~~termination of the~~  
86.8 ~~covenant agreement under paragraph (b)~~ property is withdrawn or no longer qualifies. The  
86.9 application must be filed with the assessor of the taxing district in which the real property  
86.10 is located on the form prescribed by the commissioner of revenue. ~~The assessor may~~  
86.11 ~~require proof by affidavit or otherwise that the property qualifies under subdivision 2.~~

86.12 ~~(b) The owner of the property must sign a covenant agreement that is filed with the~~  
86.13 ~~county recorder and recorded in the county where the property is located. The covenant~~  
86.14 ~~agreement must include all of the following:~~

86.15 ~~(1) legal description of the area to which the covenant applies;~~

86.16 ~~(2) name and address of the owner;~~

86.17 ~~(3) a statement that the land described in the covenant must be kept as rural preserve~~  
86.18 ~~land, which meets the requirements of subdivision 2, for the duration of the covenant;~~

86.19 ~~(4) a statement that the landowner may terminate the covenant agreement by~~  
86.20 ~~notifying the county assessor in writing three years in advance of the date of proposed~~  
86.21 ~~termination, provided that the notice of intent to terminate may not be given at any time~~  
86.22 ~~before the land has been subject to the covenant for a period of five years;~~

86.23 ~~(5) a statement that the covenant is binding on the owner or the owner's successor or~~  
86.24 ~~assigns and runs with the land; and~~

86.25 ~~(6) a witnessed signature of the owner, agreeing by covenant, to maintain the land as~~  
86.26 ~~described in subdivision 2.~~

86.27 ~~(c) After a covenant under this section has been terminated, the land that had been~~  
86.28 ~~subject to the covenant is ineligible for subsequent valuation under this section for a~~  
86.29 ~~period of three years after the termination.~~

86.30 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and  
86.31 thereafter.

86.32 Sec. 5. Minnesota Statutes 2010, section 273.114, subdivision 6, is amended to read:

86.33 Subd. 6. **Additional taxes.** ~~Upon termination of a covenant agreement in~~  
86.34 ~~subdivision 5, paragraph (b), the land to which the covenant applied~~ When real property

87.1 that is being or has been valued and assessed under this section no longer qualifies under  
87.2 subdivision 2, the portion no longer qualifying shall be subject to additional taxes in  
87.3 the amount equal to the difference between the taxes determined in accordance with  
87.4 subdivision 3 and the amount determined under subdivision 4, provided that the amount  
87.5 determined under subdivision 4 shall not be greater than it would have been had the actual  
87.6 bona fide sale price of the real property at an arm's-length transaction been used in lieu of  
87.7 the market value determined under subdivision 4. The additional taxes shall be extended  
87.8 against the property on the tax list for the current year, provided that no interest or penalties  
87.9 shall be levied on the additional taxes if timely paid and that the additional taxes shall only  
87.10 be levied with respect to the current year plus (1) two prior years that the property has  
87.11 been valued and assessed under this section, for property that had been enrolled under  
87.12 this section or section 273.111 on or before May 1, 2012, or (2) four prior years that the  
87.13 property had been valued and assessed under this section, for all other property.

87.14 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and  
87.15 thereafter.

87.16 **Sec. 6. LAND REMOVED FROM PROGRAM.**

87.17 (a) Any class 2a land that had been properly enrolled in the Minnesota Agricultural  
87.18 Property Tax Law under Minnesota Statutes 2006, section 273.111, and that was removed  
87.19 from the program between May 21, 2008, and the effective date of this paragraph must be  
87.20 reinstated to the program at the request of the owner provided that the request is made  
87.21 prior to September 1, 2011.

87.22 (b) Any class 2b land that had been properly enrolled in the Minnesota Agricultural  
87.23 Property Tax Law under Minnesota Statutes, section 273.111, and that was removed from  
87.24 the program between May 21, 2008, and the effective date of this paragraph, and that  
87.25 applies for enrollment in the rural preserve program under Minnesota Statutes, section  
87.26 273.114, prior to September 1, 2011, shall be allowed to apply as if it had been enrolled  
87.27 under Minnesota Statutes, section 273.111, immediately prior to application for enrollment  
87.28 under Minnesota Statutes, section 273.114.

87.29 (c) If additional taxes, as defined under Minnesota Statutes, section 273.111,  
87.30 subdivision 9, have been paid by a property owner prior to the effective date of this  
87.31 paragraph for property being enrolled or reenrolled under paragraph (a) or (b), the county  
87.32 must repay the property owner in the manner prescribed by the commissioner of revenue.

88.1 **EFFECTIVE DATE.** Paragraphs (a) and (b) are effective the day following final  
88.2 enactment for taxes payable in 2012 and thereafter. Paragraph (c) is effective the day  
88.3 following final enactment.

88.4 Sec. 7. **COVENANTS TERMINATED.**

88.5 Any covenants entered into in order to comply with the requirements of Minnesota  
88.6 Statutes 2010, section 273.114, subdivision 5, are terminated.

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

88.8 Sec. 8. **STUDY REQUIRED.**

88.9 The commissioner of revenue, in consultation with the Minnesota Association of  
88.10 Assessing Officers, the Department of Applied Economics at the University of Minnesota,  
88.11 and representatives of major farm groups within the state of Minnesota, must explore  
88.12 alternative methods for determining the taxable value of tillable and nontillable land  
88.13 enrolled in the green acres program under Minnesota Statutes, section 273.111, and the  
88.14 rural preserves program under Minnesota Statutes, section 273.114. The commissioner  
88.15 must make a report to the legislature by February 15, 2012, describing the methodologies  
88.16 intended to be used for assessment year 2012 and thereafter.

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

88.18 Sec. 9. **REPEALER.**

88.19 Minnesota Statutes 2010, section 273.114, subdivision 1, is repealed.

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

88.21 **ARTICLE 8**

88.22 **MINERALS**

88.23 Section 1. Minnesota Statutes 2010, section 298.01, subdivision 3, is amended to read:

88.24 Subd. 3. **Occupation tax; other ores.** Every person engaged in the business of  
88.25 mining or producing ores in this state, except iron ore or taconite concentrates, shall pay  
88.26 an occupation tax to the state of Minnesota as provided in this subdivision. The tax is  
88.27 determined in the same manner as the tax imposed by section 290.02, except that sections  
88.28 290.05, subdivision 1, clause (a), 290.17, subdivision 4, and 290.191, subdivision 2, do  
88.29 not apply, and the occupation tax must be computed by applying to taxable income the rate

89.1 of ~~2.45~~ 1.75 percent. A person subject to occupation tax under this section shall apportion  
89.2 its net income on the basis of the percentage obtained by taking the sum of:

89.3 (1) 75 percent of the percentage which the sales made within this state in connection  
89.4 with the trade or business during the tax period are of the total sales wherever made in  
89.5 connection with the trade or business during the tax period;

89.6 (2) 12.5 percent of the percentage which the total tangible property used by the  
89.7 taxpayer in this state in connection with the trade or business during the tax period is of  
89.8 the total tangible property, wherever located, used by the taxpayer in connection with the  
89.9 trade or business during the tax period; and

89.10 (3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred  
89.11 in this state or paid in respect to labor performed in this state in connection with the trade  
89.12 or business during the tax period are of the taxpayer's total payrolls paid or incurred in  
89.13 connection with the trade or business during the tax period.

89.14 The tax is in addition to all other taxes.

89.15 Sec. 2. Minnesota Statutes 2010, section 298.015, subdivision 1, is amended to read:

89.16 Subdivision 1. **Tax imposed.** A person engaged in the business of mining shall pay  
89.17 to the state of Minnesota for distribution as provided in section 298.018 a net proceeds tax  
89.18 equal to ~~two~~ 2.7 percent of the net proceeds from mining in Minnesota. The tax applies to  
89.19 all mineral and energy resources mined or extracted within the state of Minnesota except  
89.20 for sand, silica sand, gravel, building stone, crushed rock, limestone, granite, dimension  
89.21 granite, dimension stone, horticultural peat, clay, soil, iron ore, and taconite concentrates.  
89.22 The tax is in addition to all other taxes provided for by law.

89.23 Sec. 3. Minnesota Statutes 2010, section 298.018, subdivision 1, is amended to read:

89.24 Subdivision 1. **Within taconite assistance area.** The proceeds of the tax paid under  
89.25 sections 298.015 to 298.017 on minerals and energy resources mined or extracted within  
89.26 the taconite assistance area defined in section 273.1341, shall be allocated as follows:

89.27 (1) five percent to the city or town within which the minerals or energy resources  
89.28 are mined or extracted or within which the concentrate was produced. If the mining and  
89.29 concentration, or different steps in either process, are carried on in more than one taxing  
89.30 district, the commissioner shall apportion equitably the proceeds of the part of the tax going  
89.31 to cities and towns among them upon the basis of attributing 50 percent of the proceeds of  
89.32 the tax to the operation of mining or extraction, and the remainder to the concentrating  
89.33 plant and to the processes of concentration, and with respect to each of them giving due  
89.34 consideration to the relative extent of the operations performed in each taxing district;

90.1 (2) ten percent to the taconite municipal aid account to be distributed as provided  
90.2 in section 298.282;

90.3 (3) ten percent to the school district within which the minerals or energy resources  
90.4 are mined or extracted or within which the concentrate was produced. If the mining  
90.5 and concentration, or different steps in either process, are carried on in more than one  
90.6 school district, distribution among the school districts must be based on the apportionment  
90.7 formula prescribed in clause (1);

90.8 (4) 20 percent to a group of school districts comprised of those school districts  
90.9 wherein the mineral or energy resource was mined or extracted or in which there is a  
90.10 qualifying municipality as defined by section 273.134, paragraph (b), in direct proportion  
90.11 to school district indexes as follows: for each school district, its pupil units determined  
90.12 under section 126C.05 for the prior school year shall be multiplied by the ratio of the  
90.13 average adjusted net tax capacity per pupil unit for school districts receiving aid under  
90.14 this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year  
90.15 ending prior to distribution to the adjusted net tax capacity per pupil unit of the district.  
90.16 Each district shall receive that portion of the distribution which its index bears to the sum  
90.17 of the indices for all school districts that receive the distributions;

90.18 (5) 20 percent to the county within which the minerals or energy resources are mined  
90.19 or extracted, provided that the county shall pay one percent of its proceeds to the Range  
90.20 Association of Municipalities and Schools;

90.21 (6) 20 percent to St. Louis County acting as the counties' fiscal agent to be  
90.22 distributed as provided in sections 273.134 to 273.136;

90.23 (7) five percent to the Iron Range Resources and Rehabilitation Board for the  
90.24 purposes of section 298.22;

90.25 (8) ~~five~~ three percent to the Douglas J. Johnson economic protection trust fund; and

90.26 (9) ~~five~~ seven percent to the taconite environmental protection fund.

90.27 The proceeds of the tax shall be distributed on July 15 each year.

90.28 Sec. 4. Minnesota Statutes 2010, section 298.28, subdivision 3, is amended to read:

90.29 Subd. 3. **Cities; towns.** (a) 12.5 cents per taxable ton, less any amount distributed  
90.30 under subdivision 8, and paragraph (b), must be allocated to the taconite municipal aid  
90.31 account to be distributed as provided in section 298.282.

90.32 (b) An amount must be allocated to towns or cities that is annually certified by  
90.33 the county auditor of a county containing a taconite tax relief area as defined in section  
90.34 273.134, paragraph (b), within which there is (1) an organized township if, as of January  
90.35 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron

91.1 ore or (2) a city if, as of January 2, 1980, more than 75 percent of the assessed valuation  
91.2 of the city consists of iron ore.

91.3 (c) The amount allocated under paragraph (b) will be the portion of a township's or  
91.4 city's certified levy equal to the proportion of (1) the difference between 50 percent of  
91.5 January 2, 1982, assessed value in the case of a township and 50 percent of the January 2,  
91.6 1980, assessed value in the case of a city and its current assessed value to (2) the sum of  
91.7 its current assessed value plus the difference determined in (1), provided that the amount  
91.8 distributed shall not exceed \$55 per capita in the case of a township or \$75 per capita in  
91.9 the case of a city. For purposes of this limitation, population will be determined according  
91.10 to the 1980 decennial census conducted by the United States Bureau of the Census. If the  
91.11 current assessed value of the township exceeds 50 percent of the township's January 2,  
91.12 1982, assessed value, or if the current assessed value of the city exceeds 50 percent of the  
91.13 city's January 2, 1980, assessed value, this paragraph shall not apply. For purposes of this  
91.14 paragraph, "assessed value," when used in reference to years other than 1980 or 1982,  
91.15 means the appropriate net tax capacities multiplied by 10.2.

91.16 (d) In addition to other distributions under this subdivision, three cents per taxable  
91.17 ton for distributions in 2009 and subsequent years must be allocated for distribution  
91.18 to towns that are entirely located within the taconite tax relief area defined in section  
91.19 273.134, paragraph (b). ~~For distribution in 2010 and subsequent years, the three-cent~~  
91.20 ~~amount must be annually increased in the same proportion as the increase in the implicit~~  
91.21 ~~price deflator as provided in section 298.24, subdivision 1.~~ The amount available under  
91.22 this paragraph will be distributed to eligible towns on a per capita basis, provided that no  
91.23 town may receive more than \$50,000 in any year under this paragraph. Any amount of the  
91.24 distribution that exceeds the \$50,000 limitation for a town under this paragraph must be  
91.25 redistributed on a per capita basis among the other eligible towns, to whose distributions  
91.26 do not exceed \$50,000.

91.27 **EFFECTIVE DATE.** This section is effective for the 2012 distribution.

## 91.28 ARTICLE 9

### 91.29 MISCELLANEOUS

91.30 Section 1. **[3.193] REVENUE INCREASES VOID.**

91.31 Notwithstanding any other law to the contrary, any increase in a tax, as defined in  
91.32 Minnesota Statutes, section 645.44, subdivision 19, enacted into law is void, unless it  
91.33 specifically provides that this section does not apply.

92.1           **EFFECTIVE DATE.** This section is effective the day following final enactment  
92.2 and does not apply to the provisions of the bill styled as H.F. No. 79, if enacted into law  
92.3 during the 2011 regular session of the legislature.

92.4           Sec. 2. Minnesota Statutes 2010, section 270C.13, subdivision 1, is amended to read:

92.5           Subdivision 1. **Biennial report.** The commissioner shall report to the legislature  
92.6 by March 1 of each odd-numbered year on the overall incidence of the income tax,  
92.7 sales and excise taxes, and property tax. The report shall present information on the  
92.8 distribution of the tax burden as follows: (1) for the overall income distribution, using  
92.9 a systemwide incidence measure such as the Suits index or other appropriate measures  
92.10 of equality and inequality; (2) by income classes, including at a minimum deciles of the  
92.11 income distribution; and (3) by other appropriate taxpayer characteristics. The report  
92.12 must also include information on the distribution of the burden of federal taxes borne  
92.13 by Minnesota residents.

92.14           **EFFECTIVE DATE.** This section is effective beginning with the report due in  
92.15 March 2013.

92.16           Sec. 3. Minnesota Statutes 2010, section 275.025, subdivision 1, is amended to read:

92.17           Subdivision 1. **Levy amount.** The state general levy is levied against  
92.18 commercial-industrial property and seasonal residential recreational property, as defined  
92.19 in this section. The state general levy base amount for commercial-industrial property is  
92.20 ~~\$592,000,000~~ \$739,000,000 for taxes payable in ~~2002~~ 2012. The state general levy base  
92.21 amount for seasonal recreational property is \$40,600,000 for taxes payable in 2012. For  
92.22 taxes payable in subsequent years, ~~the~~ each levy base amount is increased each year by  
92.23 multiplying the levy base amount for the prior year by the sum of one plus the rate of  
92.24 increase, if any, in the implicit price deflator for government consumption expenditures  
92.25 and gross investment for state and local governments prepared by the Bureau of Economic  
92.26 Analysts of the United States Department of Commerce for the 12-month period ending  
92.27 March 31 of the year prior to the year the taxes are payable. The tax under this section is  
92.28 not treated as a local tax rate under section 469.177 and is not the levy of a governmental  
92.29 unit under chapters 276A and 473F.

92.30           The commissioner shall increase or decrease the preliminary or final rate for a year  
92.31 as necessary to account for errors and tax base changes that affected a preliminary or final  
92.32 rate for either of the two preceding years. Adjustments are allowed to the extent that the  
92.33 necessary information is available to the commissioner at the time the rates for a year must  
92.34 be certified, and for the following reasons:



93.1 (1) an erroneous report of taxable value by a local official;  
93.2 (2) an erroneous calculation by the commissioner; and  
93.3 (3) an increase or decrease in taxable value for commercial-industrial or seasonal  
93.4 residential recreational property reported on the abstracts of tax lists submitted under  
93.5 section 275.29 that was not reported on the abstracts of assessment submitted under  
93.6 section 270C.89 for the same year.

93.7 The commissioner may, but need not, make adjustments if the total difference in the tax  
93.8 levied for the year would be less than \$100,000.

93.9 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and  
93.10 thereafter.

93.11 Sec. 4. Minnesota Statutes 2010, section 275.025, subdivision 4, is amended to read:

93.12 Subd. 4. **Apportionment and levy of state general tax.** ~~Ninety-five percent of~~ The  
93.13 state general tax must be levied by applying a uniform rate to all commercial-industrial tax  
93.14 capacity and ~~five percent of the state general tax must be levied by applying~~ a uniform  
93.15 rate to all seasonal residential recreational tax capacity. On or before October 1 each  
93.16 year, the commissioner of revenue shall certify the preliminary state general levy rates to  
93.17 each county auditor that must be used to prepare the notices of proposed property taxes  
93.18 for taxes payable in the following year. By January 1 of each year, the commissioner  
93.19 shall certify the final state general levy ~~rate~~ rates to each county auditor that shall be  
93.20 used in spreading taxes.

93.21 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and  
93.22 thereafter.

93.23 Sec. 5. **APPROPRIATIONS.**

93.24 Subdivision 1. **Income tax reciprocity benchmark study.** \$115,000 in fiscal year  
93.25 2012 and \$215,000 in fiscal year 2013 are appropriated from the general fund to the  
93.26 commissioner of revenue for the income tax reciprocity benchmark study in article 1,  
93.27 section 17. This appropriation is onetime and is not added to the agency's base budget.

93.28 Subd. 2. **Tax incidence report.** \$15,000 in fiscal year 2012 and \$15,000 in fiscal  
93.29 year 2013 are appropriated from the general fund to the commissioner of revenue for the  
93.30 change to the tax incidence report in section 2.

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Article locations in h0042-1

ARTICLE 1	INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES	Page.Ln 2.8
ARTICLE 2	SALES AND USE TAXES .....	Page.Ln 11.20
ARTICLE 3	ECONOMIC DEVELOPMENT .....	Page.Ln 27.3
ARTICLE 4	LOCAL TAXES .....	Page.Ln 36.15
ARTICLE 5	PROPERTY TAXES .....	Page.Ln 51.2
ARTICLE 6	AIDS, CREDITS, AND REFUNDS .....	Page.Ln 66.24
ARTICLE 7	GREEN ACRES AND RURAL PRESERVES .....	Page.Ln 84.20
ARTICLE 8	MINERALS .....	Page.Ln 88.21
ARTICLE 9	MISCELLANEOUS .....	Page.Ln 91.28

**10A.322 SPENDING LIMIT AGREEMENTS.**

Subd. 4. **Refund receipt forms; penalty.** The board must make available to a political party on request and to any candidate for whom an agreement under this section is effective, a supply of official refund receipt forms that state in boldface type that (1) a contributor who is given a receipt form is eligible to claim a refund as provided in section 290.06, subdivision 23, and (2) if the contribution is to a candidate, that the candidate has signed an agreement to limit campaign expenditures as provided in this section. The forms must provide duplicate copies of the receipt to be attached to the contributor's claim. A candidate who does not sign an agreement under this section and who willfully issues an official refund receipt form or a facsimile of one to any of the candidate's contributors is guilty of a misdemeanor.

**13.4967 OTHER TAX DATA CODED ELSEWHERE.**

Subd. 2. **Political contribution refund.** Certain political contribution refund data in the Revenue Department are classified under section 290.06, subdivision 23.

**273.114 RURAL PRESERVE PROPERTY TAX PROGRAM.**

Subdivision 1. **Definitions.** (a) In this section, the terms defined in this subdivision have the meanings given them.

(b) "Conservation assessment plan" means a written document approved by the soil and water conservation district providing a framework for site-specific healthy, productive, and sustainable conservation resources. A conservation assessment plan must include at least the following:

- (1) conservation goals for the land;
  - (2) a United States Department of Agriculture field map;
  - (3) a description of the soil type and quality;
  - (4) an aerial photo or map of the vegetation and other natural features of the land clearly indicating the boundaries of the conservation land;
  - (5) the proposed future conditions of the land;
  - (6) prescriptions to meet proposed future conditions of the land;
  - (7) a recommended timetable for implementing the prescribed practices; and
  - (8) a legal description of the land encompassing the parcels included in the plan.
- (c) The Board of Water and Soil Resources shall develop and distribute guidance for conservation assessment plan preparation and approval.
- (d) The commissioner of revenue is the final arbiter of disputes arising over plan approvals.

**273.1384 MARKET VALUE HOMESTEAD CREDITS.**

Subd. 6. **Credit reduction.** In 2011 and each year thereafter, the market value credit reimbursement amount for each taxing jurisdiction determined under this section is reduced by the dollar amount of the reduction in market value credit reimbursements for that taxing jurisdiction in 2010 due to the reductions under section 477A.0133. No taxing jurisdiction's market value credit reimbursements are reduced to less than zero under this subdivision. The commissioner of revenue shall pay the annual market value credit reimbursement amounts, after reduction under this subdivision, to the affected taxing jurisdictions as provided in this section.

**279.01 DUE DATES; PENALTIES.**

Subd. 4. **Seasonal residential recreational property.** In the case of class 4c seasonal residential recreational property not used for commercial purposes, penalties shall accrue and be charged on unpaid taxes at the times and at the rates provided in subdivision 1 for homestead property.

**289A.60 CIVIL PENALTIES.**

Subd. 31. **Accelerated payment of monthly sales tax liability; penalty for underpayment.** For payments made after September 1, 2010, if a vendor is required by section 289A.20, subdivision 4, paragraph (a), clause (2), item (i) or (ii), to make accelerated payments, then the penalty for underpayment is as follows:

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(a) For those vendors that must remit a 90 percent payment by the 14th day of the month following the month in which the taxable event occurred, as an estimation of monthly sales tax liabilities, including the liability of any fee or other tax that is to be reported on the same return as and paid with the chapter 297A taxes, for the month in which the taxable event occurred, the vendor shall pay a penalty equal to ten percent of the amount of liability that was required to be paid by the 14th day of the month, less the amount remitted by the 14th day of the month. The penalty must not be imposed, however, if the amount remitted by the 14th day of the month equals the least of: (1) 90 percent of the liability for the month preceding the month in which the taxable event occurred; (2) 90 percent of the liability for the same month in the previous calendar year as the month in which the taxable event occurred; or (3) 90 percent of the average monthly liability for the previous calendar year.

(b) For those vendors that, on or before the 20th day of the month in which the taxable event occurs, must remit to the commissioner a prepayment of sales tax liabilities for the month in which the taxable event occurs equal to 67 percent of the liabilities for the previous month, including the liability of any fee or other tax that is to be reported on the same return as and paid with the chapter 297A taxes, for the month in which the taxable event occurred, the vendor shall pay a penalty equal to ten percent of the amount of liability that was required to be paid by the 20th of the month, less the amount remitted by the 20th of the month. The penalty must not be imposed, however, if the amount remitted by the 20th of the month equals the lesser of 67 percent of the liability for the month preceding the month in which the taxable event occurred or 67 percent of the liability of the same month in the previous calendar year as the month in which the taxable event occurred.

#### **290.06 RATES OF TAX; CREDITS.**

Subd. 23. **Refund of contributions to political parties and candidates.** (a) A taxpayer may claim a refund equal to the amount of the taxpayer's contributions made in the calendar year to candidates and to a political party. The maximum refund for an individual must not exceed \$50 and for a married couple, filing jointly, must not exceed \$100. A refund of a contribution is allowed only if the taxpayer files a form required by the commissioner and attaches to the form a copy of an official refund receipt form issued by the candidate or party and signed by the candidate, the treasurer of the candidate's principal campaign committee, or the chair or treasurer of the party unit, after the contribution was received. The receipt forms must be numbered, and the data on the receipt that are not public must be made available to the campaign finance and public disclosure board upon its request. A claim must be filed with the commissioner no sooner than January 1 of the calendar year in which the contribution was made and no later than April 15 of the calendar year following the calendar year in which the contribution was made. A taxpayer may file only one claim per calendar year. Amounts paid by the commissioner after June 15 of the calendar year following the calendar year in which the contribution was made must include interest at the rate specified in section 270C.405.

(b) No refund is allowed under this subdivision for a contribution to a candidate unless the candidate:

(1) has signed an agreement to limit campaign expenditures as provided in section 10A.322;

(2) is seeking an office for which voluntary spending limits are specified in section 10A.25; and

(3) has designated a principal campaign committee.

This subdivision does not limit the campaign expenditures of a candidate who does not sign an agreement but accepts a contribution for which the contributor improperly claims a refund.

(c) For purposes of this subdivision, "political party" means a major political party as defined in section 200.02, subdivision 7, or a minor political party qualifying for inclusion on the income tax or property tax refund form under section 10A.31, subdivision 3a.

A "major party" or "minor party" includes the aggregate of that party's organization within each house of the legislature, the state party organization, and the party organization within congressional districts, counties, legislative districts, municipalities, and precincts.

"Candidate" means a candidate as defined in section 10A.01, subdivision 10, except a candidate for judicial office.

"Contribution" means a gift of money.

(d) The commissioner shall make copies of the form available to the public and candidates upon request.

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(e) The following data collected or maintained by the commissioner under this subdivision are private: the identities of individuals claiming a refund, the identities of candidates to whom those individuals have made contributions, and the amount of each contribution.

(f) The commissioner shall report to the campaign finance and public disclosure board by each August 1 a summary showing the total number and aggregate amount of political contribution refunds made on behalf of each candidate and each political party. These data are public.

(g) The amount necessary to pay claims for the refund provided in this section is appropriated from the general fund to the commissioner of revenue.

(h) For a taxpayer who files a claim for refund via the Internet or other electronic means, the commissioner may accept the number on the official receipt as documentation that a contribution was made rather than the actual receipt as required by paragraph (a).

#### **290C.01 PURPOSE.**

It is the policy of this state to promote sustainable forest resource management on the state's public and private lands. Recognizing that private forests comprise approximately one-half of the state forest land resources, that healthy and robust forest land provides significant benefits to the state of Minnesota, and that ad valorem property taxes represent a significant annual cost that can discourage long-term forest management investments, this chapter, hereafter referred to as the "Sustainable Forest Incentive Act," is enacted to encourage the state's private forest landowners to make a long-term commitment to sustainable forest management.

#### **290C.02 DEFINITIONS.**

Subdivision 1. **Application.** When used in sections 290C.01 to 290C.11, the terms in this section have the meanings given them.

Subd. 2. **Approved plan writers.** "Approved plan writers" are natural resource professionals who are self-employed, employed by private companies or individuals, nonprofit organizations, local units of government, or public agencies, and who are approved by the commissioner of natural resources. Persons determined to be certified foresters by the Society of American Foresters shall be deemed to meet the standards required under this subdivision. The commissioner of natural resources shall issue a unique identification number to each approved planner.

Subd. 3. **Claimant.** (a) "Claimant" means:

(1) a person, as that term is defined in section 290.01, subdivision 2, who owns forest land in Minnesota and files an application authorized by the Sustainable Forest Incentive Act;

(2) a purchaser or grantee if property enrolled in the program was sold or transferred after the original application was filed and prior to the annual incentive payment being made; or

(3) an owner of land previously covered by an auxiliary forest contract that automatically qualifies for inclusion in the Sustainable Forest Incentive Act program pursuant to section 88.49, subdivision 9a, or 88.491, subdivision 2.

The purchaser or grantee must notify the commissioner in writing of the sale or transfer of the property. Owners of land that qualifies for inclusion pursuant to section 88.49, subdivision 9a, or 88.491, subdivision 2, must notify the commissioner in writing of the expiration of the auxiliary forest contract or land trade with a governmental unit and submit an application to the commissioner by August 15 in order to be eligible to receive a payment by October 1 of that same year. For purposes of section 290C.11, claimant also includes any person bound by the covenant required in section 290C.04.

(b) No more than one claimant is entitled to a payment under this chapter with respect to any tract, parcel, or piece of land enrolled under this chapter that has been assigned the same parcel identification number. When enrolled forest land is owned by two or more persons, the owners must determine between them which person is eligible to claim the payments provided under sections 290C.01 to 290C.11. In the case of property sold or transferred, the former owner and the purchaser or grantee must determine between them which person is eligible to claim the payments provided under sections 290C.01 to 290C.11. The owners, transferees, or grantees must notify the commissioner in writing which person is eligible to claim the payments.

Subd. 4. **Commissioner.** "Commissioner" means the commissioner of revenue.

Subd. 5. **Current use value.** "Current use value" means the statewide average annual income per acre, multiplied by 90 percent and divided by the capitalization rate determined under subdivision 9. The statewide net annual income shall be a weighted average based on the most recent data as of July 1 of the computation year on stumpage prices and annual tree growth rates

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and acreage by cover type provided by the Department of Natural Resources and the United States Department of Agriculture Forest Service North Central Research Station.

Subd. 6. **Forest land.** "Forest land" means land containing a minimum of 20 contiguous acres for which the owner has implemented a forest management plan that was prepared or updated within the past ten years by an approved plan writer. For purposes of this subdivision, acres are considered to be contiguous even if they are separated by a road, waterway, railroad track, or other similar intervening property. At least 50 percent of the contiguous acreage must meet the definition of forest land in section 88.01, subdivision 7. For the purposes of sections 290C.01 to 290C.11, forest land does not include (i) land used for residential or agricultural purposes, (ii) land enrolled in the reinvest in Minnesota program, a state or federal conservation reserve or easement reserve program under sections 103F.501 to 103F.531, the Minnesota agricultural property tax law under section 273.111, or land subject to agricultural land preservation controls or restrictions as defined in section 40A.02 or under the Metropolitan Agricultural Preserves Act under chapter 473H, or (iii) land improved with a structure, pavement, sewer, campsite, or any road, other than a township road, used for purposes not prescribed in the forest management plan.

Subd. 7. **Forest management plan.** "Forest management plan" means a written document providing a framework for site-specific healthy, productive, and sustainable forest resources. A forest management plan must include at least the following: (i) forest management goals for the land; (ii) a reliable field inventory of the individual forest cover types, their age, and density; (iii) a description of the soil type and quality; (iv) an aerial photo and/or map of the vegetation and other natural features of the land clearly indicating the boundaries of the land and of the forest land; (v) the proposed future conditions of the land; (vi) prescriptions to meet proposed future conditions of the land; (vii) a recommended timetable for implementing the prescribed activities; and (viii) a legal description of the land encompassing the parcels included in the plan. All management activities prescribed in a plan must be in accordance with the recommended timber harvesting and forest management guidelines. The commissioner of natural resources shall provide a framework for plan content and updating and revising plans.

Subd. 8. **Timber harvesting and forest management guidelines.** "Timber harvesting and forest management guidelines" means guidelines developed under section 89A.05 and adopted by the Minnesota Forest Resources Council in effect at the time the tract, parcel, or piece of land is enrolled in the sustainable forest incentive program.

Subd. 9. **Capitalization rate.** By July 1 of each year, the commissioner shall determine a statewide capitalization rate for use under this chapter. The rate shall be the average annual effective interest rate for St. Paul on new loans under the Farm Credit Bank system calculated under section 2032A(e)(7)(A) of the Internal Revenue Code.

### **290C.03 ELIGIBILITY REQUIREMENTS.**

(a) Land may be enrolled in the sustainable forest incentive program under this chapter if all of the following conditions are met:

(1) the land consists of at least 20 contiguous acres and at least 50 percent of the land must meet the definition of forest land in section 88.01, subdivision 7, during the enrollment;

(2) a forest management plan for the land must be prepared by an approved plan writer and implemented during the period in which the land is enrolled;

(3) timber harvesting and forest management guidelines must be used in conjunction with any timber harvesting or forest management activities conducted on the land during the period in which the land is enrolled;

(4) the land must be enrolled for a minimum of eight years;

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

(6) claimants enrolling more than 1,920 acres in the sustainable forest incentive program must allow year-round, nonmotorized access to fish and wildlife resources on enrolled land except within one-fourth mile of a permanent dwelling or during periods of high fire hazard as determined by the commissioner of natural resources.

(b) Claimants required to allow access under paragraph (a), clause (6), do not by that action:

(1) extend any assurance that the land is safe for any purpose;

(2) confer upon the person the legal status of an invitee or licensee to whom a duty of care is owed; or

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(3) assume responsibility for or incur liability for any injury to the person or property caused by an act or omission of the person.

#### **290C.04 APPLICATIONS.**

(a) A landowner may apply to enroll forest land for the sustainable forest incentive program under this chapter. The claimant must complete, sign, and submit an application to the commissioner by September 30 in order for the land to become eligible beginning in the next year. The application shall be on a form prescribed by the commissioner and must include the information the commissioner deems necessary. At a minimum, the application must show the following information for the land and the claimant: (i) the claimant's Social Security number or state or federal business tax registration number and date of birth, (ii) the claimant's address, (iii) the claimant's signature, (iv) the county's parcel identification numbers for the tax parcels that completely contain the claimant's forest land that is sought to be enrolled, (v) the number of acres eligible for enrollment in the program, (vi) the approved plan writer's signature and identification number, and (vii) proof, in a form specified by the commissioner, that the claimant has executed and acknowledged in the manner required by law for a deed, and recorded, a covenant that the land is not and shall not be developed in a manner inconsistent with the requirements and conditions of this chapter. The covenant shall state in writing that the covenant is binding on the claimant and the claimant's successor or assignee, and that it runs with the land for a period of not less than eight years. The commissioner shall specify the form of the covenant and provide copies upon request. The covenant must include a legal description that encompasses all the forest land that the claimant wishes to enroll under this section or the certificate of title number for that land if it is registered land.

(b) In all cases, the commissioner shall notify the claimant within 90 days after receipt of a completed application that either the land has or has not been approved for enrollment. A claimant whose application is denied may appeal the denial as provided in section 290C.13.

(c) Within 90 days after the denial of an application, or within 90 days after the final resolution of any appeal related to the denial, the commissioner shall execute and acknowledge a document releasing the land from the covenant required under this chapter. The document must be mailed to the claimant and is entitled to be recorded.

(d) The Social Security numbers collected from individuals under this section are private data as provided in section 13.355. The federal business tax registration number and date of birth data collected under this section are also private data on individuals or nonpublic data, as defined in section 13.02, subdivisions 9 and 12, but may be shared with county assessors for purposes of tax administration and with county treasurers for purposes of the revenue recapture under chapter 270A.

#### **290C.05 ANNUAL CERTIFICATION.**

On or before July 1 of each year, beginning with the year after the original claimant has received an approved application, the commissioner shall send each claimant enrolled under the sustainable forest incentive program a certification form. For purposes of this section, the original claimant is the person that filed the first application under section 290C.04 to enroll the land in the program. The claimant must sign the certification, attesting that the requirements and conditions for continued enrollment in the program are currently being met, and must return the signed certification form to the commissioner by August 15 of that same year. If the claimant does not return an annual certification form by the due date, the provisions in section 290C.11 apply.

#### **290C.055 LENGTH OF COVENANT.**

The covenant remains in effect for a minimum of eight years. If land is removed from the program before it has been enrolled for four years, the covenant remains in effect for eight years from the date recorded.

If land that has been enrolled for four years or more is removed from the program for any reason, there is a waiting period before the covenant terminates. The covenant terminates on January 1 of the fifth calendar year that begins after the date that:

(1) the commissioner receives notification from the claimant that the claimant wishes to remove the land from the program under section 290C.10; or

(2) the date that the land is removed from the program under section 290C.11.

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Notwithstanding the other provisions of this section, the covenant is terminated at the same time that the land is removed from the program due to acquisition of title or possession for a public purpose under section 290C.10.

#### **290C.06 CALCULATION OF AVERAGE ESTIMATED MARKET VALUE; MANAGED FOREST LAND.**

The commissioner shall annually calculate a statewide average estimated market value per acre for class 2c managed forest land under section 273.13, subdivision 23.

#### **290C.07 CALCULATION OF INCENTIVE PAYMENT.**

An approved claimant under the sustainable forest incentive program is eligible to receive an annual payment. The payment shall equal the greater of:

(1) the difference between the property tax that would be paid on the land using the previous year's statewide average total township tax rate and a class rate of one percent, if the land were valued at (i) the average statewide managed forest land market value per acre calculated under section 290C.06, and (ii) the average statewide managed forest land current use value per acre calculated under section 290C.02, subdivision 5; or

(2) two-thirds of the property tax amount determined by using the previous year's statewide average total township tax rate, the estimated market value per acre as calculated in section 290C.06, and a class rate of one percent, provided that the payment shall be no less than \$7 per acre for each acre enrolled in the sustainable forest incentive program.

#### **290C.08 ANNUAL INCENTIVE PAYMENT; APPROPRIATION.**

Subdivision 1. **Annual payment.** An incentive payment for each acre of enrolled land will be made annually to each claimant in the amount determined under section 290C.07. The incentive payment shall be paid on or before October 1 each year based on the certifications due August 15 of that year. Interest at the annual rate determined under section 270C.40 shall be included with any incentive payment not paid by the later of October 1 of the year the certification was due, or 45 days after the completed certification was returned or filed if the commissioner accepts a certification filed after August 15 of the taxes payable year as the resolution of an appeal.

Subd. 2. **Appropriation.** The amount necessary to make the payments under this section is annually appropriated to the commissioner from the general fund.

#### **290C.09 REMOVAL FOR PROPERTY TAX DELINQUENCY.**

The commissioner shall immediately remove any land enrolled in the sustainable forest incentive program for which taxes are determined to be delinquent as provided in chapter 279 and shall notify the claimant of such action. Lands terminated from the sustainable forest incentive program under this section are not entitled to any payments provided in this chapter and are subject to removal penalties prescribed in section 290C.11. The claimant has 60 days from the receipt of notice from the commissioner under this section to pay the delinquent taxes. If the delinquent taxes are paid within this 60-day period, the lands shall be reinstated in the program as if they had not been withdrawn and without the payment of a penalty.

#### **290C.10 WITHDRAWAL PROCEDURES.**

An approved claimant under the sustainable forest incentive program for a minimum of four years may notify the commissioner of the intent to terminate enrollment. Within 90 days of receipt of notice to terminate enrollment, the commissioner shall inform the claimant in writing, acknowledging receipt of this notice and indicating the effective date of termination from the sustainable forest incentive program. Termination of enrollment in the sustainable forest incentive program occurs on January 1 of the fifth calendar year that begins after receipt by the commissioner of the termination notice. After the commissioner issues an effective date of termination, a claimant wishing to continue the land's enrollment in the sustainable forest incentive program beyond the termination date must apply for enrollment as prescribed in section 290C.04. A claimant who withdraws a parcel of land from this program may not reenroll the parcel for a period of three years. Within 90 days after the termination date, the commissioner shall execute and acknowledge a document releasing the land from the covenant required under this chapter. The document must be mailed to the claimant and is entitled to be recorded. The commissioner may allow early withdrawal from the Sustainable Forest Incentive Act without penalty when the



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state of Minnesota, any local government unit, or any other entity which has the power of eminent domain acquires title or possession to the land for a public purpose notwithstanding the provisions of this section. In the case of such acquisition, the commissioner shall execute and acknowledge a document releasing the land acquired by the state, local government unit, or other entity from the covenant. All other enrolled land must remain in the program.

#### **290C.11 PENALTIES FOR REMOVAL.**

(a) If the commissioner determines that land enrolled in the sustainable forest incentive program is in violation of the conditions for enrollment as specified in section 290C.03, the commissioner shall notify the claimant of the intent to remove all enrolled land from the sustainable forest incentive program. The claimant has 60 days to appeal this determination under the provisions of section 290C.13.

(b) If the commissioner determines the land is to be removed from the sustainable forest incentive program, the claimant is liable for payment to the commissioner in the amount equal to the payments received under this chapter for the previous four-year period, plus interest. The claimant has 90 days to satisfy the payment for removal of land from the sustainable forest incentive program under this section. If the penalty is not paid within the 90-day period under this paragraph, the commissioner shall certify the amount to the county auditor for collection as a part of the general ad valorem real property taxes on the land in the following taxes payable year.

#### **290C.12 DEATH OF CLAIMANT.**

Within one year after the death of the claimant, the claimant's heir, devisee, or estate must either:

(1) notify the commissioner of election to terminate enrollment in the sustainable forest incentive program; or

(2) make an application under this chapter to continue enrollment of the land in the program.

Upon notification under clause (1), the commissioner shall terminate the enrollment and issue a document releasing the land from the covenant as provided in section 290C.04, paragraph (c). Penalties under section 290C.11 shall not apply. If the application under clause (2) is approved, the land is enrolled in the program without a break. If the commissioner does not receive notification within one year after the date of death, enrollment in the program shall be terminated and penalties under section 290C.11 shall not apply.

#### **290C.13 APPEALS.**

Subdivision 1. **Claimant right to reconsideration.** A claimant may obtain reconsideration by the commissioner of a determination removing enrolled land from the sustainable forest incentive program, a determination denying an application to enroll land in the program, or a denial of part or all of an incentive payment by filing an administrative appeal under subdivision 4. A claimant cannot obtain reconsideration under this section if the action taken by the commissioner is the outcome of an administrative appeal.

Subd. 2. **Appeal by claimant.** A claimant who wishes to seek administrative review must follow the procedures in subdivision 4.

Subd. 3. **Notice date.** For purposes of this section, the term "notice date" means the date of the determination removing enrolled land or the date of the notice denying an application to enroll land or denying part or all of an incentive payment.

Subd. 4. **Time and content for administrative appeal.** Within 60 days after the notice date, the claimant must file a written appeal with the commissioner. The appeal need not be in any particular form but must contain the following information:

- (1) name and address of the claimant;
- (2) if a corporation, the state of incorporation of the claimant, and the principal place of business of the corporation;
- (3) the Minnesota or federal business identification number or Social Security number of the claimant;
- (4) the date;
- (5) the periods involved and the amount of payment involved for each year or period;
- (6) the findings in the notice that the claimant disputes;
- (7) a summary statement that the claimant relies on for each exception; and
- (8) the claimant's signature or signature of the claimant's duly authorized agent.

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Subd. 5. **Extensions.** When requested in writing and within the time allowed for filing an administrative appeal, the commissioner may extend the time for filing an appeal for a period not more than 30 days from the expiration of the 60 days from the notice date.

Subd. 6. **Determination of appeal.** On the basis of applicable law and available information, the commissioner shall determine the validity, if any, in whole or in part, of the appeal and notify the claimant of the decision. This notice must be in writing and contain the basis for the determination.

Subd. 7. **Agreement determining issues under appeal.** When it appears to be in the best interests of the state, the commissioner may settle the amount of any incentive payments, payments owed by the claimant under section 290C.11, paragraph (b), penalties, or interest that the commissioner has under consideration by virtue of an appeal filed under this section. An agreement must be in writing and signed by the commissioner and the claimant, or the claimant's representative authorized by the claimant to enter into an agreement. The agreement is final and conclusive and, except upon a showing of fraud or malfeasance, or misrepresentation of a material fact, the case must not be reopened as to the matters agreed upon.

Subd. 8. **Appeal to Tax Court.** Within 60 days after the commissioner denies an appeal, or within 120 days after the commissioner received a written appeal if the commissioner has not made a determination in that time, the claimant may appeal to Tax Court under chapter 271 as if the appeal is from an order of the commissioner.

Subd. 9. **Exemption from Administrative Procedure Act.** This section is not subject to chapter 14.

#### **473F.001 CITATION.**

This chapter shall be cited as the "Charles R. Weaver Metropolitan Revenue Distribution Act."

#### **473F.01 PURPOSE; USE OF PROCEEDS.**

Subdivision 1. **Purpose.** The legislature finds it desirable to improve the revenue raising and distribution system in the seven-county Twin Cities area to accomplish the following objectives:

(1) to provide a way for local governments to share in the resources generated by the growth of the area, without removing any resources which local governments already have;

(2) to increase the likelihood of orderly urban development by reducing the impact of fiscal considerations on the location of business and residential growth and of highways, transit facilities and airports;

(3) to establish incentives for all parts of the area to work for the growth of the area as a whole;

(4) to provide a way whereby the area's resources can be made available within and through the existing system of local governments and local decision making;

(5) to help communities in different stages of development by making resources increasingly available to communities at those early stages of development and redevelopment when financial pressures on them are the greatest; and

(6) to encourage protection of the environment by reducing the impact of fiscal considerations so that flood plains can be protected and land for parks and open space can be preserved.

Subd. 2. **Use of proceeds.** Except as provided in section 473F.08, subdivision 3a, the proceeds from the areawide tax imposed under this chapter must be used by a local governmental unit in the same manner and for the same purposes as the proceeds from other ad valorem taxes levied by the local governmental unit.

#### **473F.02 DEFINITIONS.**

Subdivision 1. **Terms.** The terms defined in this section shall have the meanings therein ascribed to them for purposes of sections 473F.01 to 473F.13 unless context otherwise requires.

Subd. 2. **Area.** "Area" means the territory included within the boundaries of Anoka, Carver, Dakota excluding the city of Northfield, Hennepin, Ramsey, Scott excluding the city of New Prague, and Washington Counties, excluding lands constituting a major or an intermediate airport as defined under section 473.625.

Subd. 3. **Commercial-industrial property.** "Commercial-industrial property" means the following categories of property, as defined in section 273.13, excluding that portion of such property (1) which may, by law, constitute the tax base for a tax increment pledged under section

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469.042 or 469.162, certification of which was requested prior to August 1, 1979, to the extent and while such tax increment is so pledged; or (2) which is exempt from taxation under section 272.02:

(a) That portion of class 3 property defined in Minnesota Statutes 1971, section 273.13, consisting of stocks of merchandise and furniture and fixtures used therewith; manufacturers' materials and manufactured articles; and tools, implements and machinery, whether fixtures or otherwise.

(b) That portion of class 4 property defined in Minnesota Statutes 1971, section 273.13, which is either used or zoned for use for any commercial or industrial purpose, except for such property which is, or, in the case of property under construction, will when completed be used exclusively for residential occupancy and the provision of services to residential occupants thereof. Property shall be considered as used exclusively for residential occupancy only if each of not less than 80 percent of its occupied residential units is, or, in the case of property under construction, will when completed be occupied under an oral or written agreement for occupancy over a continuous period of not less than 30 days.

If the classification of property prescribed by section 273.13 is modified by legislative amendment, the references in this subdivision shall be to such successor class or classes of property, or portions thereof, as embrace the kinds of property designated in this subdivision.

**Subd. 4. Residential property.** "Residential property" means the following categories of property, as defined in section 273.13, excluding that portion of such property exempt from taxation pursuant to section 272.02:

(a) class 1, 1b, 2a, 4a, 4b, 4c, and 4d property except resorts and property classified under section 273.13, subdivision 25, paragraph (c), clause (6);

(b) and that portion of class 3a, 3b, and 5 property used exclusively for residential occupancy.

**Subd. 5. Governmental unit.** "Governmental unit" means a county, city, town, school district, or other taxing unit or body which levies ad valorem taxes in whole or in part within the area.

**Subd. 6. Administrative auditor.** "Administrative auditor" means the person selected pursuant to section 473F.03.

**Subd. 7. Population.** "Population" means the most recent estimate of the population of a municipality made by the Metropolitan Council under section 473.24 and filed with the commissioner of revenue as of July 15 of the year in which a municipality's distribution net tax capacity is calculated.

**Subd. 8. Municipality.** "Municipality" means a city, town, or township located in whole or part within the area, but not the cities of New Prague or Northfield. If a municipality is located partly within and partly without the area, the references in sections 473F.01 to 473F.13 to property or any portion thereof subject to taxation or taxing jurisdiction within the municipality are to such property or portion thereof as is located in that portion of the municipality within the area, except that the fiscal capacity of such a municipality shall be computed upon the basis of the valuation and population of the entire municipality.

A municipality shall be excluded from the area if its municipal comprehensive zoning and planning policies conscientiously exclude most commercial-industrial development, for reasons other than preserving an agricultural use. The Metropolitan Council and the commissioner of revenue shall jointly make this determination annually and shall notify those municipalities that are ineligible to participate in the tax base sharing program provided in this chapter for the following year.

**Subd. 10. County.** "County" means each county in which a governmental unit is located in whole or in part.

**Subd. 12. Market value.** "Market value" of real and personal property within a municipality means the assessor's estimated market value of all real and personal property, including the value of manufactured housing, within the municipality. For purposes of sections 473F.01 to 473F.13, the commissioner of revenue shall annually make determinations and reports with respect to each municipality which are comparable to those it makes for school districts under section 127A.48, subdivisions 1 to 6, in the same manner and at the same times as are prescribed by the subdivisions. The commissioner of revenue shall annually determine, for each municipality, information comparable to that required by section 475.53, subdivision 4, for school districts, as soon as practicable after it becomes available. The commissioner of revenue shall then compute the equalized market value of property within each municipality using the aggregate sales ratios from the Department of Revenue's sales ratio study.

**Subd. 13. Valuation.** "Valuation" means the market value of real and personal property within a municipality as defined in subdivision 12.

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Subd. 14. **Fiscal capacity.** "Fiscal capacity" of a municipality means its valuation, determined as of January 2 of any year, divided by its population, determined as of a date in the same year.

Subd. 15. **Average fiscal capacity.** "Average fiscal capacity" of municipalities means the sum of the valuations of all municipalities, determined as of January 2 of any year, divided by the sum of their populations, determined as of a date in the same year.

Subd. 21. **Metropolitan Council.** "Metropolitan Council" or "council" means the Metropolitan Council created by section 473.123.

Subd. 22. **Levy.** "Levy" means the amount certified to the county auditor pursuant to chapter 275, less all reductions made by the auditor pursuant to any provision of law in determining the amount to be spread against taxable property.

Subd. 23. **Net tax capacity.** "Net tax capacity" means the market value of real and personal property multiplied by its net tax capacity rates in section 273.13.

Subd. 24. **Local tax rate.** "Local tax rate" means a governmental unit's levy, including any portion levied against market value under section 126C.17, subdivision 10, divided by its net tax capacity.

#### **473F.03 ADMINISTRATIVE AUDITOR.**

Subdivision 1. **Election of administrative auditor.** On or before July 1 of 1972 and each subsequent even-numbered year the auditors of the counties within the area shall meet at the call of the auditor of Hennepin County and elect from among their number one auditor to serve as administrative auditor for a period of two years and until a successor is elected. If a majority is unable to agree upon a person to serve as administrative auditor, the commissioner of management and budget shall appoint one from among the auditors of the counties in the area. If the administrative auditor ceases to serve as a county auditor within the area during the term for which elected or appointed, a successor shall be chosen in the same manner as is provided herein for the original selection, to serve for the unexpired term.

Subd. 2. **Staff; facilities; reimbursement.** The administrative auditor shall utilize the staff and facilities of the auditor's office of the county served to perform the functions imposed by sections 473F.01 to 473F.13. The administrative auditor's county shall be reimbursed for the marginal expenses incurred by its county auditor and auditor's staff hereunder by contributions from each other county in the area in an amount which bears the same proportion to the total expenses as the population of the other county bears to the total population of the area. The administrative auditor shall annually, on or before February 1, certify the amounts of total expense for the preceding calendar year, and the share of each county, to the treasurer of each other county. Payment shall be made by the treasurer of each other county to the treasurer of the county incurring expense on or before the succeeding March 1.

#### **473F.05 NET TAX CAPACITY.**

On or before August 5 of each year, the assessors within each county in the area shall determine and certify to the county auditor the net tax capacity in that year of commercial-industrial property subject to taxation within each municipality in the county, determined without regard to section 469.177, subdivision 3.

#### **473F.06 INCREASE IN NET TAX CAPACITY.**

On or before July 15 of each year, the auditor of each county in the area shall determine the amount, if any, by which the net tax capacity determined in the preceding year under section 473F.05, of commercial-industrial property subject to taxation within each municipality in the auditor's county exceeds the net tax capacity in 1971 of commercial-industrial property subject to taxation within that municipality. If a municipality is located in two or more counties within the area, the auditors of those counties shall certify the data required by section 473F.05 to the county auditor who is responsible under other provisions of law for allocating the levies of that municipality between or among the affected counties. That county auditor shall determine the amount of the net excess, if any, for the municipality under this section, and certify that amount under section 473F.07. Notwithstanding any other provision of sections 473F.01 to 473F.13 to the contrary, in the case of a municipality which is designated on July 24, 1971, as a redevelopment area under section 401(a)(4) of the Public Works and Economic Development Act of 1965, Public Law 89-136, the increase in its net tax capacity of commercial-industrial property for purposes of this section shall be determined in each year by using as a base the net tax capacity of commercial-industrial property in that municipality in the 1989 assessment year,

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rather than the net tax capacity of such property in 1971. The increase in total net tax capacity determined by this section shall be reduced by the amount of any decreases in net tax capacity of commercial-industrial property resulting from any court decisions, court related stipulation agreements, or abatements for a prior year, and only in the amount of such decreases made during the 12-month period ending on May 1 of the current assessment year, where such decreases, if originally reflected in the determination of a prior year's net tax capacity under section 473F.05, would have resulted in a smaller contribution from the municipality in that year. An adjustment for such decreases shall be made only if the municipality made a contribution in a prior year based on the higher net tax capacity of the commercial-industrial property.

#### **473F.07 COMPUTATION OF AREAWIDE TAX BASE.**

Subdivision 1. **Areawide net tax capacity.** Each county auditor shall certify the determinations under sections 473F.05 and 473F.06 to the administrative auditor on or before August 1 of each year.

The administrative auditor shall determine an amount equal to 40 percent of the sum of the amounts certified under section 473F.06. The resulting amount shall be known as the "areawide net tax capacity for .....(year)."

Subd. 2. **Certification by commissioner.** The commissioner of revenue shall certify to the administrative auditor, on or before August 10 of each year, the population of each municipality for the preceding year, the proportion of that population which resides within the area, the average fiscal capacity of all municipalities in the area for the preceding year, and the fiscal capacity of each municipality in the area for the preceding year.

Subd. 3. **Areawide tax base distribution index.** The administrative auditor shall determine, for each municipality, the product of (a) its population, and (b) the proportion which the average fiscal capacity of municipalities for the preceding year bears to the fiscal capacity of that municipality for the preceding year. The product shall be the areawide tax base distribution index for that municipality. If a municipality is located partly within and partly without the area its index shall be that which is otherwise determined hereunder, multiplied by the proportion which its population residing within the area bears to its total population as of the preceding year.

Subd. 4. **Distribution net tax capacity.** The administrative auditor shall determine the proportion which the index of each municipality bears to the sum of the indices of all municipalities and shall then multiply this proportion in the case of each municipality, by the areawide net tax capacity.

Subd. 5. **Certification to county auditor.** The result of the procedure prescribed by subdivision 4 shall be known as the "areawide net tax capacity for .....(year) attributable to .....(municipality)." The administrative auditor shall certify such product to the auditor of the county in which the municipality is located on or before August 15.

#### **473F.08 NET TAX CAPACITY.**

Subdivision 1. **County auditor to determine.** The county auditor shall determine the net tax capacity of each governmental unit within the auditor's county in the manner prescribed by this section.

Subd. 2. **Computation of net tax capacity.** The net tax capacity of a governmental unit is its net tax capacity, as determined in accordance with other provisions of law including section 469.177, subdivision 3, subject to the following adjustments:

(a) There shall be subtracted from its net tax capacity, in each municipality in which the governmental unit exercises ad valorem taxing jurisdiction, an amount which bears the same proportion to 40 percent of the amount certified in that year under sections 473F.06 and 473F.07 for the municipality as the total preceding year's net tax capacity of commercial-industrial property which is subject to the taxing jurisdiction of the governmental unit within the municipality, determined without regard to section 469.177, subdivision 3, bears to the total preceding year's net tax capacity of commercial-industrial property within the municipality, determined without regard to section 469.177, subdivision 3;

(b) There shall be added to its net tax capacity, in each municipality in which the governmental unit exercises ad valorem taxing jurisdiction, an amount which bears the same proportion to the areawide net tax capacity for the year attributable to that municipality as the total preceding year's net tax capacity of residential property which is subject to the taxing jurisdiction of the governmental unit within the municipality bears to the total preceding year's net tax capacity of residential property of the municipality.

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Subd. 3. **Apportionment of levy.** The county auditor shall apportion the levy of each governmental unit in the auditor's county in the manner prescribed by this subdivision. The auditor shall:

(a) by August 20, determine the areawide portion of the levy for each governmental unit by multiplying the local tax rate of the governmental unit for the preceding levy year times the distribution value set forth in subdivision 2, clause (b);

(b) by September 5, determine the local portion of the current year's levy by subtracting the resulting amount from clause (a) from the governmental unit's current year's levy;

(c) for determinations made under clause (a) in the case of school districts, for taxes payable in 2002, exclude the general education tax rate and the portion of the referendum tax rate attributable to the first \$415 per pupil unit from the local tax rate for the preceding levy year;

(d) for determinations made under clause (a) in the case of the Metropolitan Council, for taxes payable in 2002, exclude the transit operating tax rate from the local tax rate for the preceding levy year; and

(e) for determinations made under clause (a) in the case of transit opt-out cities, for taxes payable in 2002, exclude the opt-out transit rate from the local tax rate for the preceding levy year.

Subd. 3a. **Bloomington computation.** Beginning in 1987 and each subsequent year through 1998, the city of Bloomington shall determine the interest payments for that year for the bonds which have been sold for the highway improvements pursuant to Laws 1986, chapter 391, section 2, paragraph (g). Effective for property taxes payable in 1988 through property taxes payable in 1999, after the Hennepin County auditor has computed the areawide portion of the levy for the city of Bloomington pursuant to subdivision 3, clause (a), the auditor shall annually add a dollar amount to the city of Bloomington's areawide portion of the levy equal to the amount which has been certified to the auditor by the city of Bloomington for the interest payments for that year for the bonds which were sold for highway improvements. The total areawide portion of the levy for the city of Bloomington including the additional amount for interest repayment certified pursuant to this subdivision shall be certified by the Hennepin County auditor to the administrative auditor pursuant to subdivision 5. The Hennepin County auditor shall distribute to the city of Bloomington the additional areawide portion of the levy computed pursuant to this subdivision at the same time that payments are made to the other counties pursuant to subdivision 7a. For property taxes payable from the year 2009 through 2018, the Hennepin County auditor shall adjust Bloomington's contribution to the areawide gross tax capacity upward each year by a value equal to ten percent of the total additional areawide levy distributed to Bloomington under this subdivision from 1988 to 1999, divided by the areawide tax rate for taxes payable in the previous year.

Subd. 3b. **Livable communities fund.** (a) The Hennepin County auditor shall certify the city of Bloomington's interest payments for 1987 for the bonds which were sold for highway improvements pursuant to Laws 1986, chapter 391, section 2, paragraph (g), and which were certified as an addition to the city of Bloomington's areawide levy for taxes payable in 1988.

(b) For taxes payable in 1996 through taxes payable in 1999, the Hennepin County auditor shall certify the amount calculated by subtracting the amount certified under subdivision 3a from the amount in paragraph (a). For taxes payable in 2000 and subsequent years, the Hennepin County auditor shall certify the amount calculated in paragraph (a).

(c) The Metropolitan Council may annually certify to the Ramsey County auditor the amount calculated under paragraph (b), or a lesser amount, but not to exceed \$5,000,000, to be used to provide funds for the cleanup of polluted lands in the metropolitan area.

(d) The amount certified under paragraph (c) shall be certified annually by the Ramsey County auditor to the administrative auditor as an addition to the Metropolitan Council's areawide levy under subdivision 5.

Subd. 4. **Tax rate; noncommercial property.** In 1972 and subsequent years, the county auditor shall divide that portion of the levy determined pursuant to subdivision 3, clause (b), by the net tax capacity of the governmental unit, taking section 469.177, subdivision 3, into account, less that portion subtracted from net tax capacity pursuant to subdivision 2, clause (a). The resulting tax rate shall apply to all taxable property except commercial-industrial property, which shall be taxed in accordance with subdivision 6.

Subd. 5. **Areawide tax rate.** On or before August 25 of each year, the county auditor shall certify to the administrative auditor that portion of the levy of each governmental unit determined under subdivisions 3, clause (a), 3a, and 3b. The administrative auditor shall then determine the areawide tax rate sufficient to yield an amount equal to the sum of such levies from the areawide net tax capacity. On or before September 1 of each year, the administrative auditor shall certify the areawide tax rate to each of the county auditors.

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Subd. 5a. **Governmental unit in two or more counties.** If a governmental unit is located in two or more counties, the computations and certifications required by subdivisions 3 to 5 with respect to it shall be made by the county auditor who is responsible under other provisions of law for allocating its levies between or among the affected counties.

Subd. 6. **Application to commercial-industrial property.** The areawide tax rate determined in accordance with subdivision 5 shall apply to each commercial-industrial property subject to taxation within a municipality, including property located within any tax increment financing district, as defined in section 469.174, subdivision 9, to that portion of the net tax capacity of the item which bears the same proportion to its total net tax capacity as 40 percent of the amount determined under sections 473F.06 and 473F.07 is to the amount determined under section 473F.05. The tax rate determined in accordance with subdivision 4 shall apply in the taxation of the remainder of the net tax capacity of the item.

Subd. 7a. **Certification of values; payment.** The administrative auditor shall determine for each county the difference between the total levy on distribution value pursuant to subdivisions 3, clause (a), 3a, and 3b, within the county and the total tax on contribution value pursuant to subdivision 6, within the county. On or before May 16 of each year, the administrative auditor shall certify the differences so determined to each county auditor. In addition, the administrative auditor shall certify to those county auditors for whose county the total tax on contribution value exceeds the total levy on distribution value the settlement the county is to make to the other counties of the excess of the total tax on contribution value over the total levy on distribution value in the county. On or before June 15 and November 15 of each year, each county treasurer in a county having a total tax on contribution value in excess of the total levy on distribution value shall pay one-half of the excess to the other counties in accordance with the administrative auditors certification.

Subd. 8a. **Fiscal disparities adjustment.** In any year in which the highest class rate for class 3a property changes from the rate in the previous year, the following adjustments shall be made to the procedures described in sections 473F.06 to 473F.08.

(1) An initial contribution tax capacity shall be determined for each municipality based on the previous year's class rates.

(2) Each jurisdiction's distribution tax capacity shall be determined based upon the areawide tax base determined by summing the tax capacities computed under clause (1) for all municipalities and apportioning the resulting sum pursuant to section 473F.07, subdivision 5.

(3) Each jurisdiction's distribution levy shall be determined by applying the procedures described in subdivision 3, clause (a), to the distribution tax capacity determined pursuant to clause (2).

(4) Each municipality's final contribution tax capacity shall be determined equal to its initial contribution tax capacity multiplied by the ratio of the new highest class rate for class 3a property to the previous year's highest class rate for class 3a property.

(5) For the purposes of computing education aids and any other state aids requiring the addition of the fiscal disparities distribution tax capacity to the local tax capacity, each municipality's final distribution tax capacity shall be determined equal to its initial distribution tax capacity multiplied by the ratio of the new highest class rate for class 3a property to the previous year's highest class rate for class 3a property.

(6) The areawide tax rate shall be determined by dividing the sum of the amounts determined in clause (3) by the sum of the values determined in clause (4).

(7) The final contribution tax capacity determined in clause (4) shall also be used to determine the portion of each commercial/industrial property's tax capacity subject to the areawide tax rate pursuant to subdivision 6.

Subd. 10. **Adjustment of value or net tax capacity.** For the purpose of computing the amount or rate of any salary, aid, tax, or debt authorized, required, or limited by any provision of any law or charter, where such authorization, requirement, or limitation is related in any manner to any value or valuation of taxable property within any governmental unit, such value or net tax capacity shall be adjusted to reflect the adjustments to net tax capacity effected by subdivision 2, provided that: (1) in determining the market value of commercial-industrial property or any class thereof within a governmental unit for any purpose other than section 473F.07, (a) the reduction required by this subdivision shall be that amount which bears the same proportion to the amount subtracted from the governmental unit's net tax capacity pursuant to subdivision 2, clause (a), as the market value of commercial-industrial property, or such class thereof, located within the governmental unit bears to the net tax capacity of commercial-industrial property, or such class thereof, located within the governmental unit, and (b) the increase required by this subdivision shall be that amount which bears the same proportion to the amount added to the governmental unit's net tax capacity pursuant to subdivision 2, clause (b), as the market value of

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commercial-industrial property, or such class thereof, located within the governmental unit bears to the net tax capacity of commercial-industrial property, or such class thereof, located within the governmental unit; and (2) in determining the market value of real property within a municipality for purposes of section 473F.07, the adjustment prescribed by clause (1)(a) hereof shall be made and that prescribed by clause (1)(b) hereof shall not be made.

#### **473F.09 ADJUSTMENTS IN DATES.**

If, by reason of the enactment of any other law, the date by which the commissioner of revenue is required to certify to the county auditors the records of proceedings affecting the net tax capacity of property is advanced to a date earlier than June 30, the dates specified in sections 473F.07 and 473F.10 may be modified in the years to which such other law applies in the manner and to the extent prescribed by the administrative auditor.

#### **473F.10 REASSESSMENTS AND OMITTED PROPERTY.**

Subdivision 1. **Reassessment orders.** If the commissioner of revenue orders a reassessment of all or any portion of the property in a municipality other than in the form of a mathematically prescribed adjustment of valuation, or if omitted property is placed upon the tax rolls, and the reassessment has not been completed or the property placed upon the rolls, as the case may be, by November 15, the net tax capacity of the affected property shall, for purposes of sections 473F.03 to 473F.08, be determined from the abstracts filed by the county auditor with the commissioner of revenue.

Subd. 2. **Adjustment in succeeding year.** If the reassessment, when completed and incorporated in the commissioner of revenue's certification of the net tax capacity of the municipality, or the listing of omitted property, when placed on the rolls, results in an increase in the net tax capacity of commercial-industrial property in the municipality which differs from that used, pursuant to subdivision 1, for purposes of sections 473F.03 to 473F.08, the increase in the net tax capacity of commercial-industrial property in that municipality in the succeeding year, as otherwise computed under section 473F.06, shall be adjusted in a like amount, by an increase if the reassessment or listing discloses a larger increase than was used for purposes of sections 473F.03 to 473F.08, or by a decrease if the reassessment or listing discloses a smaller increase than was used for those purposes, provided that no adjustment shall reduce the amount determined under section 473F.06 to an amount less than zero.

Subd. 3. **Application.** Subdivisions 1 and 2 shall not apply to the determination of the tax rate under section 473F.08, subdivision 4, or to the determination of the net tax capacity of commercial-industrial property and each item thereof for purposes of section 473F.08, subdivision 6.

#### **473F.11 LATE LEVIES.**

Subdivision 1. **Failure to certify levy.** If a governmental unit does not certify its levy to the county auditor by November 25, then for purposes of section 473F.08, subdivision 3, clause (a), and section 473F.08, subdivision 5, its levy shall be deemed to equal its levy in the preceding year.

Subd. 2. **Change in levy.** If a governmental unit certifies its levy to the county auditor on or before November 25, no change in its levy subsequent to that date shall be recognized for purposes of section 473F.08, subdivision 3, clause (a), and section 473F.08, subdivision 5.

Subd. 3. **Application.** Subdivisions 1 and 2 shall not apply to section 473F.08, subdivision 3, clause (b), and section 473F.08, subdivision 4.

Subd. 4. **Adjustment in succeeding year.** If, in any year, the levy employed in respect to a governmental unit, for purposes of section 473F.08, subdivision 3, clause (a), and section 473F.08, subdivision 5, is determined under subdivision 1 or subdivision 2, and its actual levy as determined subsequent to November 25 is a different amount, then its levy as otherwise determined in the succeeding year shall, for purposes of those provisions, be increased in the amount of the difference if the actual levy was greater than that employed for purposes of those provisions, or decreased in the amount of the difference if the actual levy was less than that employed for purposes of those provisions.

#### **473F.13 CHANGE IN STATUS OF MUNICIPALITY.**

Subdivision 1. **Certification of change in status.** If a municipality is dissolved, is consolidated with all or part of another municipality, annexes territory, has a portion of its



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territory detached from it, or is newly incorporated, the secretary of state shall immediately certify that fact to the commissioner of revenue. The secretary of state shall also certify to the commissioner of revenue the current population of the new, enlarged, or successor municipality, if determined by the chief administrative law judge of the state Office of Administrative Hearings incident to consolidation, annexation, or incorporation proceedings. The population so certified shall govern for purposes of sections 473F.01 to 473F.13 until the Metropolitan Council files its first population estimate as of a later date with the commissioner of revenue. If an annexation of unincorporated land occurs without proceedings before the chief administrative law judge, the population of the annexing municipality as previously determined shall continue to govern for purposes of sections 473F.01 to 473F.13 until the Metropolitan Council files its first population estimate as of a later date with the commissioner of revenue.

#### **477A.145 INFLATION ADJUSTMENT.**

In 2001 and each year thereafter, the amounts required to be adjusted for inflation in sections 477A.12 and 477A.14 shall be increased to an amount equal to: (1) the amount before the inflation adjustment multiplied by (2) one plus the percentage increase in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the period indicated below:

(i) the period starting with the first quarter of 1994 and ending with the third quarter of the calendar year prior to the year in which aid is paid, provided that lands acquired by the state under chapter 84A that are designated as state parks, state recreation areas, scientific and natural areas, or wildlife management areas are included in the definition of acquired natural resource land under section 477A.11 for calculating payments in calendar year 2001 and thereafter;

(ii) otherwise the period starting with the first quarter of 1987 and ending with the third quarter of the calendar year prior to the year in which the aid is paid.

These adjusted amounts must be rounded to the nearest one-tenth of a cent.