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## State of Minnesota

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## HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH  
SESSION

HOUSE FILE No. **1219**

March 21, 2011

Authored by Davids

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

May 13, 2011

Committee Recommendation and Adoption of Report:

To Pass as Amended

Read Second Time

A bill for an act

relating to taxation; omnibus policy bill; making policy, technical, administrative, and clarifying changes to income, withholding, estate, property, sales and use, mortgage registry, lodging, insurance, minerals, gasoline, and other various taxes and tax-related provisions; making changes to provisions related to horses, certain aids, payments, delinquent tax liabilities, and tax-forfeited lands; providing for inclusion of property in a tax increment financing district; providing a property tax exemption for certain fairgrounds property; amending Minnesota Statutes 2010, sections 17.459, subdivision 2; 69.031, subdivision 1; 116J.8737, subdivisions 1, 2, 4; 270.87; 270A.03, subdivision 7; 270C.13, subdivision 2; 270C.30; 270C.32, subdivision 3, by adding a subdivision; 270C.34, subdivision 1; 270C.64; 270C.7101, subdivision 2; 270C.711; 272.029, by adding a subdivision; 273.1231, subdivision 4; 273.124, subdivisions 1, 8, 14; 273.13, subdivisions 22, 23; 273.33, subdivision 2; 273.37, subdivision 2; 273.3711; 274.175; 278.05, subdivision 6; 282.01, subdivisions 1a, 1c, 1d; 282.014; 282.12; 287.05, subdivision 2; 289A.08, subdivisions 1, 7; 289A.12, by adding a subdivision; 289A.18, subdivision 3; 289A.25, subdivisions 1, 6, by adding a subdivision; 289A.26, subdivision 1; 289A.35; 289A.50, subdivision 10; 289A.60, subdivision 31; 290.01, subdivisions 19a, 19b; 290.06, subdivision 2c; 290.091, subdivision 2; 290.0922, subdivisions 2, 3; 290.095, subdivision 11; 290.92, subdivision 26; 291.03, subdivision 1b; 296A.083, by adding a subdivision; 296A.18, subdivision 7, by adding a subdivision; 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.71, subdivision 23; 297A.89, subdivision 2; 297B.08; 297I.15, by adding a subdivision; 298.28, subdivision 2; 383C.16, subdivision 1; 469.319, subdivision 5; Laws 1986, chapter 462, section 31, as amended; Laws 2010, chapter 389, article 1, section 12; proposing coding for new law in Minnesota Statutes, chapters 270C; 383C; repealing Minnesota Statutes 2010, sections 17.459, subdivision 3; 272.02, subdivision 34; 273.124, subdivision 10; 281.37; 290.06, subdivision 10; 290A.27; 296A.18, subdivision 9.

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

## ARTICLE 1

## INDIVIDUAL INCOME AND WITHHOLDING TAXES

Section 1. Minnesota Statutes 2010, section 270C.34, subdivision 1, is amended to read:

Subdivision 1. **Authority.** (a) The commissioner may abate, reduce, or refund any penalty or interest that is imposed by a law administered by the commissioner, or imposed by section 270.0725, subdivision 1 or 2, as a result of the late payment of tax or late filing of a return, or any part of an additional tax charge under section 289A.25, subdivision 2, or 289A.26, subdivision 4, if the failure to timely pay the tax or failure to timely file the return is due to reasonable cause, or if the taxpayer is located in a presidentially declared disaster or in a presidentially declared state of emergency area or in an area declared to be in a state of emergency by the governor under section 12.31.

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

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

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

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

Sec. 2. Minnesota Statutes 2010, section 289A.08, subdivision 1, is amended to read:

Subdivision 1. **Generally; individuals.** (a) A taxpayer must file a return for each taxable year the taxpayer is required to file a return under section 6012 of the Internal Revenue Code, except that:

(1) an individual who is not a Minnesota resident for any part of the year is not required to file a Minnesota income tax return if the individual's gross income derived from Minnesota sources as determined under sections 290.081, paragraph (a), and 290.17, is less than the filing requirements for a single individual who is a full year resident of Minnesota; and

(2) an individual who is a Minnesota resident is not required to file a Minnesota income tax return if the individual's gross income derived from Minnesota sources as determined under section 290.17, less the ~~amount of the individual's gross income that consists of compensation paid to members of the armed forces of the United States or~~

~~United Nations for active duty performed outside Minnesota~~ subtraction allowed under section 290.01, subdivision 19b, clauses (11) and (14), is less than the filing requirements for a single individual who is a full-year resident of Minnesota.

(b) The decedent's final income tax return, and other income tax returns for prior years where the decedent had gross income in excess of the minimum amount at which an individual is required to file and did not file, must be filed by the decedent's personal representative, if any. If there is no personal representative, the return or returns must be filed by the transferees, as defined in section 270C.58, subdivision 3, who receive property of the decedent.

(c) The term "gross income," as it is used in this section, has the same meaning given it in section 290.01, subdivision 20.

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

Sec. 3. Minnesota Statutes 2010, section 289A.08, subdivision 7, is amended to read:

Subd. 7. **Composite income tax returns for nonresident partners, shareholders, and beneficiaries.** (a) The commissioner may allow a partnership with nonresident partners to file a composite return and to pay the tax on behalf of nonresident partners who have no other Minnesota source income. This composite return must include the names, addresses, Social Security numbers, income allocation, and tax liability for the nonresident partners electing to be covered by the composite return.

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

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

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

other Minnesota source income, filing of the composite return is a return for purposes of subdivision 1.

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

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

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

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

(i) Estates and trusts distributing current income only and the nonresident individual beneficiaries of the estates or trusts may make an election under this paragraph. The provisions covering the partnership apply to the estate or trust. The provisions applying to the partner apply to the beneficiary.

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

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

Sec. 4. Minnesota Statutes 2010, section 289A.12, is amended by adding a subdivision to read:



Subd. 17. **Third-party payers of sick pay benefits.** (a) A third-party payer of sick pay benefits who withholds income tax from the sick pay of an employee as agent for the employer of the employee, and who remits that withholding tax to the commissioner must file an annual report on a form prescribed by the commissioner. The report must include the name and tax identification number of each employer for whom the payer has made sick pay payments and the name, Social Security number, amount of sick pay paid, and amount of tax withheld for each employee.

(b) The report must be filed with the commissioner on or before February 28 of the year following the year in which the sick pay benefits were paid.

(c) The report required by this subdivision does not need to be filed if the third-party payer, rather than the employer, has provided to the employee the annual statement required under section 289A.09, subdivision 2, that includes the sick pay benefits paid and the tax withheld.

**EFFECTIVE DATE.** This section is effective for benefits paid after December 31, 2010.

Sec. 5. Minnesota Statutes 2010, section 289A.25, subdivision 1, is amended to read:

Subdivision 1. **Requirements to pay.** An individual, trust, S corporation, or partnership must, when prescribed in subdivision 3, paragraph (b), make payments of estimated tax. For individuals, the term "estimated tax" means the amount the taxpayer estimates is the sum of the taxes imposed by chapter 290 for the taxable year. For trusts, S corporations, and partnerships, the term estimated tax means the amount the taxpayer estimates is the sum of the taxes for the taxable year imposed by chapter 290 and the composite income tax imposed by section 289A.08, subdivision 7. If the individual is an infant or incompetent person, the payments must be made by the individual's guardian. If joint payments on estimated tax are made but a joint return is not made for the taxable year, the estimated tax for that year may be treated as the estimated tax of either the husband or the wife or may be divided between them.

Notwithstanding the provisions of this section, no payments of estimated tax are required if the estimated tax, as defined in this subdivision, less the credits allowed against the tax, is less than \$500.

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

Sec. 6. Minnesota Statutes 2010, section 289A.25, subdivision 6, is amended to read:

Subd. 6. **Exception to addition to tax.** (a) For individuals, no addition to the tax shall be imposed under this section for any taxable year if:

- (1) the taxpayer did not have liability for tax for the preceding taxable year,
- (2) the preceding taxable year was a taxable year of 12 months, and
- (3) the individual or trust was a resident of Minnesota throughout the preceding taxable year.

(b) For trusts, S corporations, and partnerships, if in any previous taxable year the entity was subject to taxation under chapter 290 or composite income tax is elected under section 289A.08, subdivision 7, then an addition to the tax is imposed under this section. In all other taxable years, no addition to tax is imposed under this section.

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

Sec. 7. Minnesota Statutes 2010, section 289A.25, is amended by adding a subdivision to read:

**Subd. 14. Short taxable year.** (a) A trust, S corporation, or partnership with a short taxable year of less than 12 months, but at least four months, must pay estimated tax in equal installments on or before the 15th day of the third, sixth, ninth, and final month of the short taxable year, to the extent applicable based on the number of months in the short taxable year.

(b) A trust, S corporation, or partnership is not required to make estimated tax payments for a short taxable year unless its tax liability before the first day of the last month of the taxable year can reasonably be expected to exceed \$500.

(c) No payment is required by a trust, S corporation, or partnership for a short taxable year of less than four months.

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

Sec. 8. Minnesota Statutes 2010, section 289A.26, subdivision 1, is amended to read:

Subdivision 1. **Minimum liability.** A corporation subject to taxation under chapter 290 (excluding section 290.92 and an S corporation under section 290.9725) or an entity subject to taxation under section 290.05, subdivision 3, must make payment of estimated tax for the taxable year if its tax liability so computed can reasonably be expected to exceed \$500, or in accordance with rules prescribed by the commissioner for an affiliated group of corporations filing one return under section 289A.08, subdivision 3.

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

7.3 Sec. 9. Minnesota Statutes 2010, section 289A.50, subdivision 10, is amended to read:

7.4 Subd. 10. **Limitation on refund.** (a) If an addition to federal taxable income under  
7.5 section 290.01, subdivision 19a, clause (1), is judicially determined to discriminate  
7.6 against interstate commerce with respect to obligations of a certain character or type, the  
7.7 legislature intends that the discrimination be remedied by adding to federal taxable income  
7.8 interest on comparable obligations of Minnesota governmental units and Indian tribes ~~to~~  
7.9 ~~federal taxable income.~~ For purposes of this subdivision, "comparable obligation" means  
7.10 obligations of the character or type that the court found to be unconstitutionally favored by  
7.11 section 290.01, subdivision 19a, clause (1), whether based on the security for payment,  
7.12 use of the proceeds, or any other factor identified as determinative by the court.

7.13 (b) This subdivision applies beginning with the taxable years that begin during the  
7.14 calendar year in which the court's decision is final. Other remedies apply for previous  
7.15 taxable years.

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

7.17 Sec. 10. Minnesota Statutes 2010, section 290.01, subdivision 19a, is amended to read:

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

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

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

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

7.28 (B) the portion of the exempt-interest dividends derived from interest income  
7.29 on obligations of the state of Minnesota or its political or governmental subdivisions,  
7.30 municipalities, governmental agencies or instrumentalities, but only if the portion of the  
7.31 exempt-interest dividends from such Minnesota sources paid to all shareholders represents  
7.32 95 percent or more of the exempt-interest dividends, including any dividends exempt  
7.33 under subitem (A), that are paid by the regulated investment company as defined in section

851(a) of the Internal Revenue Code, or the fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code, making the payment; and

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

(2) the amount of income, sales and use, motor vehicle sales, or excise taxes paid or accrued within the taxable year under this chapter and the amount of taxes based on net income paid, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code, disregarding the amounts allowed under sections 63(c)(1)(C) and 63(c)(1)(E) of the Internal Revenue Code. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income, sales and use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed;

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

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

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

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

(7) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the

9.1 amount of the loss from the activity that is not allowed in the taxable year. In succeeding  
9.2 taxable years when the losses not allowed in the taxable year are allowed, the depreciation  
9.3 under section 168(k) is allowed;

9.4 (8) 80 percent of the amount by which the deduction allowed by section 179 of the  
9.5 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal  
9.6 Revenue Code of 1986, as amended through December 31, 2003;

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

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

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

9.12 (12) the amount deducted for qualified tuition and related expenses under section  
9.13 222 of the Internal Revenue Code, to the extent deducted from gross income;

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

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

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

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

9.23 (17) the amount of unemployment compensation exempt from tax under section  
9.24 85(c) of the Internal Revenue Code; and

9.25 (18) changes to federal taxable income attributable to a net operating loss that the  
9.26 taxpayer elected to carry back for more than two years for federal purposes but for which  
9.27 the losses can be carried back for only two years under section 290.095, subdivision  
9.28 11, paragraph (c).

9.29 **EFFECTIVE DATE.** This section is effective retroactively for losses generated in  
9.30 taxable years beginning after December 31, 2007.

9.31 Sec. 11. Minnesota Statutes 2010, section 290.01, subdivision 19b, is amended to read:

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

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

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

10.7 (3) the amount paid to others, less the amount used to claim the credit allowed under  
10.8 section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten  
10.9 to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and  
10.10 transportation of each qualifying child in attending an elementary or secondary school  
10.11 situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a  
10.12 resident of this state may legally fulfill the state's compulsory attendance laws, which  
10.13 is not operated for profit, and which adheres to the provisions of the Civil Rights Act  
10.14 of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or  
10.15 tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause,  
10.16 "textbooks" includes books and other instructional materials and equipment purchased  
10.17 or leased for use in elementary and secondary schools in teaching only those subjects  
10.18 legally and commonly taught in public elementary and secondary schools in this state.  
10.19 Equipment expenses qualifying for deduction includes expenses as defined and limited in  
10.20 section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional  
10.21 books and materials used in the teaching of religious tenets, doctrines, or worship, the  
10.22 purpose of which is to instill such tenets, doctrines, or worship, nor does it include books  
10.23 or materials for, or transportation to, extracurricular activities including sporting events,  
10.24 musical or dramatic events, speech activities, driver's education, or similar programs. No  
10.25 deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or  
10.26 the qualifying child's vehicle to provide such transportation for a qualifying child. For  
10.27 purposes of the subtraction provided by this clause, "qualifying child" has the meaning  
10.28 given in section 32(c)(3) of the Internal Revenue Code;

10.29 (4) income as provided under section 290.0802;

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

10.32 (6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E)  
10.33 of the Internal Revenue Code in determining federal taxable income by an individual  
10.34 who does not itemize deductions for federal income tax purposes for the taxable year, an  
10.35 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable

11.1 as a deduction for the taxable year under section 170(a) of the Internal Revenue Code,  
11.2 under the provisions of Public Law 109-1 and Public Law 111-126;

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

11.11 (8) in each of the five tax years immediately following the tax year in which an  
11.12 addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case  
11.13 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth  
11.14 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means  
11.15 the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or  
11.16 subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the  
11.17 positive value of any net operating loss under section 172 of the Internal Revenue Code  
11.18 generated for the tax year of the addition. The resulting delayed depreciation cannot be  
11.19 less than zero;

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

11.21 (10) to the extent included in federal taxable income, the amount of compensation  
11.22 paid to members of the Minnesota National Guard or other reserve components of the  
11.23 United States military for active service ~~performed in Minnesota~~, excluding compensation  
11.24 for services performed under the Active Guard Reserve (AGR) program. For purposes of  
11.25 this clause, "active service" means (i) state active service as defined in section 190.05,  
11.26 subdivision 5a, clause (1); or (ii) federally funded state active service as defined in  
11.27 section 190.05, subdivision 5b; ~~or (iii) federal active service as defined in section 190.05,~~  
11.28 ~~subdivision 5c~~, but "active service" excludes service performed in accordance with section  
11.29 190.08, subdivision 3;

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

11.35 (12) an amount, not to exceed \$10,000, equal to qualified expenses related to a  
11.36 qualified donor's donation, while living, of one or more of the qualified donor's organs

12.1 to another person for human organ transplantation. For purposes of this clause, "organ"  
12.2 means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;  
12.3 "human organ transplantation" means the medical procedure by which transfer of a human  
12.4 organ is made from the body of one person to the body of another person; "qualified  
12.5 expenses" means unreimbursed expenses for both the individual and the qualified donor  
12.6 for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses  
12.7 may be subtracted under this clause only once; and "qualified donor" means the individual  
12.8 or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An  
12.9 individual may claim the subtraction in this clause for each instance of organ donation for  
12.10 transplantation during the taxable year in which the qualified expenses occur;

12.11 (13) in each of the five tax years immediately following the tax year in which an  
12.12 addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a  
12.13 shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the  
12.14 addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the  
12.15 case of a shareholder of a corporation that is an S corporation, minus the positive value of  
12.16 any net operating loss under section 172 of the Internal Revenue Code generated for the  
12.17 tax year of the addition. If the net operating loss exceeds the addition for the tax year, a  
12.18 subtraction is not allowed under this clause;

12.19 (14) to the extent included in the federal taxable income of a nonresident of  
12.20 Minnesota, compensation paid to a service member as defined in United States Code, title  
12.21 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief  
12.22 Act, Public Law 108-189, section 101(2);

12.23 (15) international economic development zone income as provided under section  
12.24 469.325;

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

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

12.34 (18) the amount of the net operating loss allowed under section 290.095, subdivision  
12.35 11, paragraph (c).



13.1           **EFFECTIVE DATE.** The changes to clauses (10), (11), and (14) are effective the  
13.2 day following final enactment. Clause (18) is effective retroactively for losses generated  
13.3 in taxable years beginning after December 31, 2007.

13.4           Sec. 12. Minnesota Statutes 2010, section 290.06, subdivision 2c, is amended to read:

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

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

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

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

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

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

- 13.23           (1) On the first \$21,630, 5.35 percent;  
13.24           (2) On all over \$21,630, but not over \$86,910, 7.05 percent;  
13.25           (3) On all over \$86,910, 7.85 percent.

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

13.33           (e) An individual who is not a Minnesota resident for the entire year must compute  
13.34 the individual's Minnesota income tax as provided in this subdivision. After the

14.1 application of the nonrefundable credits provided in this chapter, the tax liability must  
 14.2 then be multiplied by a fraction in which:

14.3 (1) the numerator is the individual's Minnesota source federal adjusted gross income  
 14.4 as defined in section 62 of the Internal Revenue Code and increased by the additions  
 14.5 required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12),  
 14.6 (13), and (16), and (17) to (18), and reduced by the Minnesota assignable portion of  
 14.7 the subtraction for United States government interest under section 290.01, subdivision  
 14.8 19b, clause (1), and the subtractions under section 290.01, subdivision 19b, clauses (8),  
 14.9 (9), (13), (14), (15), ~~and (17)~~, and (18), after applying the allocation and assignability  
 14.10 provisions of section 290.081, clause (a), or 290.17; and

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

14.16 **EFFECTIVE DATE.** This section is effective retroactively for losses generated in  
 14.17 taxable years beginning after December 31, 2007.

14.18 Sec. 13. Minnesota Statutes 2010, section 290.091, subdivision 2, is amended to read:

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

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

14.23 (1) the taxpayer's federal alternative minimum taxable income as defined in section  
 14.24 55(b)(2) of the Internal Revenue Code;

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

14.27 (i) the charitable contribution deduction under section 170 of the Internal Revenue  
 14.28 Code;

14.29 (ii) the medical expense deduction;

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

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

14.32 (3) for depletion allowances computed under section 613A(c) of the Internal  
 14.33 Revenue Code, with respect to each property (as defined in section 614 of the Internal  
 14.34 Revenue Code), to the extent not included in federal alternative minimum taxable income,  
 14.35 the excess of the deduction for depletion allowable under section 611 of the Internal

15.1 Revenue Code for the taxable year over the adjusted basis of the property at the end of the  
15.2 taxable year (determined without regard to the depletion deduction for the taxable year);

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

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

15.8 (6) the amount of addition required by section 290.01, subdivision 19a, clauses (7)  
15.9 to (9), (12), (13), and (16), ~~and (17)~~ to (18);

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

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

15.12 (2) an overpayment of state income tax as provided by section 290.01, subdivision  
15.13 19b, clause (2), to the extent included in federal alternative minimum taxable income;

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

15.18 (4) amounts subtracted from federal taxable income as provided by section 290.01,  
15.19 subdivision 19b, clauses (6), (8) to (15), and (17); and

15.20 (5) the amount of the net operating loss allowed under section 290.095, subdivision  
15.21 11, paragraph (c).

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

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

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

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

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

15.32 **EFFECTIVE DATE.** This section is effective retroactively for losses generated in  
15.33 taxable years beginning after December 31, 2007.

15.34 Sec. 14. Minnesota Statutes 2010, section 290.0922, subdivision 2, is amended to read:

Subd. 2. **Exemptions.** The following entities are exempt from the tax imposed by this section:

(1) corporations exempt from tax under section 290.05;  
(2) real estate investment trusts;  
(3) regulated investment companies or a fund thereof; and  
(4) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code;

(5) town and farmers' mutual insurance companies;  
(6) cooperatives organized under chapter 308A or 308B that provide housing exclusively to persons age 55 and over and are classified as homesteads under section 273.124, subdivision 3;

(7) ~~an entity~~ a qualified business as defined under section 469.310, subdivision 11, if for the taxable year all of its property is located in a job opportunity building zone designated under section 469.314 and all of its payroll is a job opportunity building zone payroll under section 469.310; and

(8) an entity, if for the taxable year all of its property is located in an international economic development zone designated under section 469.322, and all of its payroll is international economic development zone payroll under section 469.321. The exemption under this clause applies to taxable years beginning during the duration of the international economic development zone.

Entities not specifically exempted by this subdivision are subject to tax under this section, notwithstanding section 290.05.

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

Sec. 15. Minnesota Statutes 2010, section 290.0922, subdivision 3, is amended to read:

Subd. 3. **Definitions.** (a) "Minnesota sales or receipts" means the total sales apportioned to Minnesota pursuant to section 290.191, subdivision 5, the total receipts attributed to Minnesota pursuant to section 290.191, subdivisions 6 to 8, and/or the total sales or receipts apportioned or attributed to Minnesota pursuant to any other apportionment formula applicable to the taxpayer.

(b) "Minnesota property" means total Minnesota tangible property as provided in section 290.191, subdivisions 9 to 11, any other tangible property located in Minnesota, but does not include: (1) the property of a qualified business as defined under section 469.310, subdivision 11, that is located in a job opportunity building zone designated under section 469.314, (2) property of a qualified business located in a biotechnology and health sciences industry zone designated under section 469.334, or (3) for taxable years

17.1 beginning during the duration of the zone, property of a qualified business located in the  
17.2 international economic development zone designated under section 469.322. Intangible  
17.3 property shall not be included in Minnesota property for purposes of this section.  
17.4 Taxpayers who do not utilize tangible property to apportion income shall nevertheless  
17.5 include Minnesota property for purposes of this section. On a return for a short taxable  
17.6 year, the amount of Minnesota property owned, as determined under section 290.191,  
17.7 shall be included in Minnesota property based on a fraction in which the numerator is the  
17.8 number of days in the short taxable year and the denominator is 365.

17.9 (c) "Minnesota payrolls" means total Minnesota payrolls as provided in section  
17.10 290.191, subdivision 12, but does not include: (1) the job opportunity building zone  
17.11 payrolls payroll under section 469.310, subdivision 8, of a qualified business as defined  
17.12 under section 469.310, subdivision 11, (2) biotechnology and health sciences industry  
17.13 zone payrolls under section 469.330, subdivision 8, or (3) for taxable years beginning  
17.14 during the duration of the zone, international economic development zone payrolls under  
17.15 section 469.321, subdivision 9. Taxpayers who do not utilize payrolls to apportion income  
17.16 shall nevertheless include Minnesota payrolls for purposes of this section.

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

17.18 Sec. 16. Minnesota Statutes 2010, section 290.095, subdivision 11, is amended to read:

17.19 Subd. 11. **Carryback or carryover adjustments.** (a) Except as provided in  
17.20 paragraph (c), for individuals, estates, and trusts the amount of a net operating loss  
17.21 that may be carried back or carried over shall be the same dollar amount allowable in  
17.22 the determination of federal taxable income, provided that, notwithstanding any other  
17.23 provision, estates and trusts must apply the following adjustments to the amount of the net  
17.24 operating loss that may be carried back or carried over:

17.25 (1) Nonassignable income or losses as required by section 290.17.

17.26 (2) Deductions not allocable to Minnesota under section 290.17.

17.27 (b) The net operating loss carryback or carryover applied as a deduction in the taxable  
17.28 year to which the net operating loss is carried back or carried over shall be equal to the  
17.29 net operating loss carryback or carryover applied in the taxable year in arriving at federal  
17.30 taxable income provided that trusts and estates must apply the following modifications:

17.31 (1) Increase the amount of carryback or carryover applied in the taxable year by  
17.32 the amount of losses and interest, taxes and other expenses not assignable or allowable  
17.33 to Minnesota incurred in the taxable year.

17.34 (2) Decrease the amount of carryback or carryover applied in the taxable year by  
17.35 the amount of income not assignable to Minnesota earned in the taxable year. For estates

and trusts, the net operating loss carryback or carryover to the next consecutive taxable year shall be the net operating loss carryback or carryover as calculated in clause (b) less the amount applied in the earlier taxable year(s). No additional net operating loss carryback or carryover shall be allowed to estates and trusts if the entire amount has been used to offset Minnesota income in a year earlier than was possible on the federal return. However, if a net operating loss carryback or carryover was allowed to offset federal income in a year earlier than was possible on the Minnesota return, an estate or trust shall still be allowed to offset Minnesota income but only if the loss was assignable to Minnesota in the year the loss occurred.

(c) This paragraph does not apply to eligible small businesses that make a valid election to carry back their losses for federal purposes under section 172(b)(1)(H) of the Internal Revenue Code as amended through March 31, 2009.

(1) A net operating loss of an individual, estate, or trust that is allowed under this subdivision and for which the taxpayer elects to carry back for more than two years under section 172(b)(1)(H) of the Internal Revenue Code is a net operating loss carryback to each of the two taxable years preceding the loss, and unused portions may be carried forward for 20 taxable years after the loss.

(2) The entire amount of the net operating loss for any taxable year must be carried to the earliest of the taxable years to which the loss may be carried. The portion of the loss which may be carried to each of the other taxable years is the excess, if any, of the amount of the loss over the greater of the taxable net income or alternative minimum taxable income for each of the taxable years to which the loss may be carried.

**EFFECTIVE DATE.** This section is effective retroactively for losses generated in taxable years beginning after December 31, 2007.

Sec. 17. Minnesota Statutes 2010, section 290.92, subdivision 26, is amended to read:

Subd. 26. **Extension of withholding to certain payments where identifying number not furnished or inaccurate.** (a) If, in the case of any reportable payment, (1) the payee fails to furnish the payee's Social Security account number to the payor, (2) the payee is subject to federal backup withholding on the reportable payment under section 3406 of the Internal Revenue Code, or (3) the commissioner notifies the payor that the Social Security account number furnished by the payee is incorrect, then the payor shall deduct and withhold from the payment a tax equal to the amount of the payment multiplied by the highest rate used in determining the income tax liability of an individual under section 290.06, subdivision 2c.

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

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

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

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

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

19.17 (c) The provisions of section 3406 of the Internal Revenue Code shall apply and  
19.18 shall govern when withholding shall be required and the definition of terms. The term  
19.19 "reportable payment" shall include only those payments for personal services, including  
19.20 payments subject to withholding under subdivision 31. No tax shall be deducted or  
19.21 withheld under this subdivision with respect to any amount for which withholding is  
19.22 otherwise required under this section. For purposes of this section, payments which are  
19.23 subject to withholding under this subdivision shall be treated as if they were wages paid  
19.24 by an employer to an employee and amounts deducted and withheld under this subdivision  
19.25 shall be treated as if deducted and withheld under subdivision 2a.

19.26 (d) Whenever the commissioner notifies a payor under this subdivision that the  
19.27 Social Security account number furnished by any payee is incorrect, the commissioner  
19.28 shall at the same time furnish a copy of the notice to the payor, and the payor shall  
19.29 promptly furnish the copy to the payee. If the commissioner notifies a payor under this  
19.30 subdivision that the Social Security account number furnished by any payee is incorrect  
19.31 and the payee subsequently furnishes another Social Security account number to the  
19.32 payor, the payor shall promptly notify the commissioner of the other Social Security  
19.33 account number furnished.

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

**ARTICLE 2****ESTATE TAXES**

Section 1. Minnesota Statutes 2010, section 289A.18, subdivision 3, is amended to read:

Subd. 3. **Estate tax returns.** An estate tax return must be filed with the commissioner within nine months after the decedent's death. Except in the case of the estate of a decedent dying after December 31, 2009, and before December 17, 2010, then an estate tax return must be filed with the commissioner within nine months after the decedent's death; within the time provided by Minnesota Statutes, section 289A.19, subdivision 4; or before September 20, 2011; whichever is later.

**EFFECTIVE DATE.** This section is effective for estates of decedents dying after December 31, 2009.

Sec. 2. Minnesota Statutes 2010, section 289A.35, is amended to read:

**289A.35 ASSESSMENTS ON RETURNS.**

(a) The commissioner may audit and adjust the taxpayer's computation of federal taxable income, items of federal tax preferences, or federal credit amounts to make them conform with the provisions of chapter 290 or section 298.01. If a return has been filed, the commissioner shall enter the liability reported on the return and may make any audit or investigation that is considered necessary.

(b) The commissioner may audit and adjust the taxpayer's computation of tax under chapter 291. In the case of a return filed pursuant to section 289A.10, the commissioner shall notify the estate no later than six months after the filing date, as provided by section 289A.38, subdivision 2, whether the return is under examination or the return has been processed as filed.

**EFFECTIVE DATE.** This section is effective for estates of decedents dying after December 31, 2010.

Sec. 3. Minnesota Statutes 2010, section 291.03, subdivision 1b, is amended to read:

Subd. 1b. **Qualified terminable interest property.** For estates of decedents dying after December 31, 2009, and before January 1, 2011, if ~~no federal estate tax return is filed~~ a federal election under section 301(c) of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Public Law 111-312, is made, the executor may make a qualified terminable interest property election, as defined in section 2056(b)(7)



21.1 of the Internal Revenue Code, for purposes of computing the tax under this chapter. The  
21.2 election may not reduce the taxable estate under this chapter below \$3,500,000. The  
21.3 election must be made on the tax return under this chapter and is irrevocable. All tax under  
21.4 this chapter must be determined using the qualified terminable interest property election  
21.5 made on the Minnesota return. For purposes of applying sections 2044 and 2207A of  
21.6 the Internal Revenue Code when computing the tax under this chapter for the estate of  
21.7 the decedent's surviving spouse, regardless of the date of death of the surviving spouse,  
21.8 amounts for which a qualified terminable interest property election has been made under  
21.9 this section must be treated as though a valid federal qualified terminable interest property  
21.10 election under section 2056(b)(7) of the Internal Revenue Code has been made.

21.11 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after  
21.12 December 31, 2009.

### 21.13 **ARTICLE 3**

### 21.14 **PROPERTY TAXES**

21.15 Section 1. Minnesota Statutes 2010, section 17.459, subdivision 2, is amended to read:

21.16 Subd. 2. **Agricultural pursuit.** Raising horses and other equines is agricultural  
21.17 production and an agricultural pursuit. Horse breeding farms, horse training farms, horse  
21.18 boarding farms, or farms combining those purposes, are an intensive agricultural use that  
21.19 may be accomplished on limited acreage. These intensive agricultural uses are necessary  
21.20 for horses in order to control the feeding, safety, and overall condition of the animals.

21.21 Sec. 2. Minnesota Statutes 2010, section 270.87, is amended to read:

#### 21.22 **270.87 CERTIFICATION TO COUNTY ASSESSORS.**

21.23 After making an annual determination of the equalized fair market value of the  
21.24 operating property of each company in each of the respective counties, and in the taxing  
21.25 districts therein, the commissioner shall certify the equalized fair market value to the  
21.26 county assessor on or before June 30. The equalized fair market value of the operating  
21.27 property of the railroad company in the county and the taxing districts therein is the value  
21.28 on which taxes must be levied and collected in the same manner as on the commercial and  
21.29 industrial property of such county and the taxing districts therein. If the commissioner  
21.30 determines that the equalized fair market value certified on or before June 30 is in error,  
21.31 the commissioner may issue a corrected certification on or before August 31.

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

22.3 Sec. 3. Minnesota Statutes 2010, section 272.029, is amended by adding a subdivision  
22.4 to read:

22.5 **Subd. 4a. Correction of errors.** If the commissioner of revenue determines that  
22.6 the amount of production tax has been erroneously calculated, the commissioner may  
22.7 correct the error. The commissioner must notify the owner of the wind energy conversion  
22.8 system of the correction and the amount of tax due to each county and must certify the  
22.9 correction to the county auditor of each county in which the system is located on or before  
22.10 April 1 of the current year.

22.11 **EFFECTIVE DATE.** This section is effective beginning with certifications due  
22.12 February 28, 2012.

22.13 Sec. 4. Minnesota Statutes 2010, section 273.1231, subdivision 4, is amended to read:

22.14 **Subd. 4. Homestead property.** "Homestead property" means a homestead dwelling  
22.15 that is classified as class 1a, 1b, ~~1c~~, or 2a property or a manufactured home or sectional  
22.16 home used as a homestead and taxed pursuant to section 273.125, subdivision 8, paragraph  
22.17 (b), (c), or (d).

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

22.19 Sec. 5. Minnesota Statutes 2010, section 273.124, subdivision 1, is amended to read:

22.20 **Subdivision 1. General rule.** (a) Residential real estate that is occupied and used  
22.21 for the purposes of a homestead by its owner, who must be a Minnesota resident, is  
22.22 a residential homestead.

22.23 Agricultural land, as defined in section 273.13, subdivision 23, that is occupied and  
22.24 used as a homestead by its owner, who must be a Minnesota resident, is an agricultural  
22.25 homestead.

22.26 Dates for establishment of a homestead and homestead treatment provided to  
22.27 particular types of property are as provided in this section.

22.28 Property held by a trustee under a trust is eligible for homestead classification if the  
22.29 requirements under this chapter are satisfied.

22.30 The assessor shall require proof, as provided in subdivision 13, of the facts upon  
22.31 which classification as a homestead may be determined. Notwithstanding any other law,  
22.32 the assessor may at any time require a homestead application to be filed in order to verify

23.1 that any property classified as a homestead continues to be eligible for homestead status.  
23.2 Notwithstanding any other law to the contrary, the Department of Revenue may, upon  
23.3 request from an assessor, verify whether an individual who is requesting or receiving  
23.4 homestead classification has filed a Minnesota income tax return as a resident for the most  
23.5 recent taxable year for which the information is available.

23.6 When there is a name change or a transfer of homestead property, the assessor may  
23.7 reclassify the property in the next assessment unless a homestead application is filed to  
23.8 verify that the property continues to qualify for homestead classification.

23.9 (b) For purposes of this section, homestead property shall include property which  
23.10 is used for purposes of the homestead but is separated from the homestead by a road,  
23.11 street, lot, waterway, or other similar intervening property. The term "used for purposes  
23.12 of the homestead" shall include but not be limited to uses for gardens, garages, or other  
23.13 outbuildings commonly associated with a homestead, but shall not include vacant land  
23.14 held primarily for future development. In order to receive homestead treatment for  
23.15 the noncontiguous property, the owner must use the property for the purposes of the  
23.16 homestead, and must apply to the assessor, both by the deadlines given in subdivision  
23.17 9. After initial qualification for the homestead treatment, additional applications for  
23.18 subsequent years are not required.

23.19 (c) Residential real estate that is occupied and used for purposes of a homestead by a  
23.20 relative of the owner is a homestead but only to the extent of the homestead treatment  
23.21 that would be provided if the related owner occupied the property. For purposes of this  
23.22 paragraph and paragraph (g), "relative" means a parent, stepparent, child, stepchild,  
23.23 grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece. This relationship  
23.24 may be by blood or marriage. Property that has been classified as seasonal residential  
23.25 recreational property at any time during which it has been owned by the current owner or  
23.26 spouse of the current owner will not be reclassified as a homestead unless it is occupied as  
23.27 a homestead by the owner; this prohibition also applies to property that, in the absence of  
23.28 this paragraph, would have been classified as seasonal residential recreational property at  
23.29 the time when the residence was constructed. Neither the related occupant nor the owner  
23.30 of the property may claim a property tax refund under chapter 290A for a homestead  
23.31 occupied by a relative. In the case of a residence located on agricultural land, only the  
23.32 house, garage, and immediately surrounding one acre of land shall be classified as a  
23.33 homestead under this paragraph, except as provided in paragraph (d).

23.34 (d) Agricultural property that is occupied and used for purposes of a homestead by  
23.35 a relative of the owner, is a homestead, only to the extent of the homestead treatment

24.1 that would be provided if the related owner occupied the property, and only if all of the  
24.2 following criteria are met:

24.3 (1) the relative who is occupying the agricultural property is a ~~son, daughter, brother,~~  
24.4 ~~sister, grandson, granddaughter, father, or mother~~ grandchild, child, sibling, or parent of  
24.5 the owner of the agricultural property or a ~~son, daughter, brother, sister, grandson, or~~  
24.6 ~~granddaughter~~ of the spouse of the owner of the agricultural property;

24.7 (2) the owner of the agricultural property must be a Minnesota resident;

24.8 (3) the owner of the agricultural property must not receive homestead treatment on  
24.9 any other agricultural property in Minnesota; and

24.10 (4) the owner of the agricultural property is limited to only one agricultural  
24.11 homestead per family under this paragraph.

24.12 Neither the related occupant nor the owner of the property may claim a property  
24.13 tax refund under chapter 290A for a homestead occupied by a relative qualifying under  
24.14 this paragraph. For purposes of this paragraph, "agricultural property" means the house,  
24.15 garage, other farm buildings and structures, and agricultural land.

24.16 Application must be made to the assessor by the owner of the agricultural property to  
24.17 receive homestead benefits under this paragraph. The assessor may require the necessary  
24.18 proof that the requirements under this paragraph have been met.

24.19 (e) In the case of property owned by a property owner who is married, the assessor  
24.20 must not deny homestead treatment in whole or in part if only one of the spouses occupies  
24.21 the property and the other spouse is absent due to: (1) marriage dissolution proceedings,  
24.22 (2) legal separation, (3) employment or self-employment in another location, or (4) other  
24.23 personal circumstances causing the spouses to live separately, not including an intent to  
24.24 obtain two homestead classifications for property tax purposes. To qualify under clause  
24.25 (3), the spouse's place of employment or self-employment must be at least 50 miles distant  
24.26 from the other spouse's place of employment, and the homesteads must be at least 50 miles  
24.27 distant from each other. ~~Homestead treatment, in whole or in part, shall not be denied to~~  
24.28 ~~the owner's spouse who previously occupied the residence with the owner if the absence~~  
24.29 ~~of the owner is due to one of the exceptions provided in this paragraph.~~

24.30 (f) The assessor must not deny homestead treatment in whole or in part if:

24.31 (1) in the case of a property owner who is not married, the owner is absent due to  
24.32 residence in a nursing home, boarding care facility, or an elderly assisted living facility  
24.33 property as defined in section 273.13, subdivision 25a, and the property is not otherwise  
24.34 occupied; or

24.35 (2) in the case of a property owner who is married, the owner or the owner's spouse  
24.36 or both are absent due to residence in a nursing home, boarding care facility, or an elderly

25.1 assisted living facility property as defined in section 273.13, subdivision 25a, and the  
25.2 property is not occupied or is occupied only by the owner's spouse.

25.3 (g) If an individual is purchasing property with the intent of claiming it as a  
25.4 homestead and is required by the terms of the financing agreement to have a relative  
25.5 shown on the deed as a co-owner, the assessor shall allow a full homestead classification.  
25.6 This provision only applies to first-time purchasers, whether married or single, or to a  
25.7 person who had previously been married and is purchasing as a single individual for the  
25.8 first time. The application for homestead benefits must be on a form prescribed by the  
25.9 commissioner and must contain the data necessary for the assessor to determine if full  
25.10 homestead benefits are warranted.

25.11 (h) If residential or agricultural real estate is occupied and used for purposes of a  
25.12 homestead by a child of a deceased owner and the property is subject to jurisdiction of  
25.13 probate court, the child shall receive relative homestead classification under paragraph (c)  
25.14 or (d) to the same extent they would be entitled to it if the owner was still living, until  
25.15 the probate is completed. For purposes of this paragraph, "child" includes a relationship  
25.16 by blood or by marriage.

25.17 (i) If a single-family home, duplex, or triplex classified as either residential  
25.18 homestead or agricultural homestead is also used to provide licensed child care, the  
25.19 portion of the property used for licensed child care must be classified as a part of the  
25.20 homestead property.

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

25.23 Sec. 6. Minnesota Statutes 2010, section 273.124, subdivision 8, is amended to read:

25.24 Subd. 8. **Homestead owned by or leased to family farm corporation, joint farm**  
25.25 **venture, limited liability company, or partnership.** (a) Each family farm corporation;  
25.26 each joint family farm venture; and each limited liability company or partnership which  
25.27 operates a family farm; is entitled to class 1b under section 273.13, subdivision 22,  
25.28 paragraph (b), or class 2a assessment for one homestead occupied by a shareholder,  
25.29 member, or partner thereof who is residing on the land, and actively engaged in farming of  
25.30 the land owned by the family farm corporation, joint family farm venture, limited liability  
25.31 company, or partnership. Homestead treatment applies even if legal title to the property is  
25.32 in the name of the family farm corporation, joint family farm venture, limited liability  
25.33 company, or partnership, and not in the name of the person residing on it.

25.34 "Family farm corporation," "family farm," and "partnership operating a family  
25.35 farm" have the meanings given in section 500.24, except that the number of allowable

26.1 shareholders, members, or partners under this subdivision shall not exceed 12. "Limited  
 26.2 liability company" has the meaning contained in sections 322B.03, subdivision 28, and  
 26.3 500.24, subdivision 2, paragraphs (l) and (m). "Joint family farm venture" means a  
 26.4 cooperative agreement among two or more farm enterprises authorized to operate a family  
 26.5 farm under section 500.24.

26.6 (b) In addition to property specified in paragraph (a), any other residences owned  
 26.7 by family farm corporations, joint family farm ventures, limited liability companies,  
 26.8 or partnerships described in paragraph (a) which are located on agricultural land and  
 26.9 occupied as homesteads by its shareholders, members, or partners who are actively  
 26.10 engaged in farming on behalf of that corporation, joint farm venture, limited liability  
 26.11 company, or partnership must also be assessed as class 2a property or as class 1b property  
 26.12 under section 273.13.

26.13 (c) Agricultural property that is owned by a member, partner, or shareholder of a  
 26.14 family farm corporation or joint family farm venture, limited liability company operating  
 26.15 a family farm, or by a partnership operating a family farm and leased to the family farm  
 26.16 corporation, limited liability company, partnership, or joint farm venture, as defined in  
 26.17 paragraph (a), is eligible for classification as class 1b or class 2a under section 273.13, if  
 26.18 the owner is actually residing on the property, and is actually engaged in farming the land  
 26.19 on behalf of that corporation, joint farm venture, limited liability company, or partnership.  
 26.20 This paragraph applies without regard to any legal possession rights of the family farm  
 26.21 corporation, joint family farm venture, limited liability company, or partnership under  
 26.22 the lease.

26.23 (d) Nonhomestead agricultural property that ~~(1)~~ is owned by a family farm  
 26.24 corporation, joint farm venture, limited liability company, or partnership; ~~and (2)~~  
 26.25 ~~is contiguous to a class 2a homestead under section 273.13, subdivision 23, or if~~  
 26.26 ~~noncontiguous, is located in the same township or city, or not farther than four townships~~  
 26.27 ~~or cities, or combination thereof from a class 2a homestead, and the class 2a homestead is~~  
 26.28 ~~owned by one of the shareholders, members, or partners~~ agricultural land that is owned,  
 26.29 and used for the purposes of a homestead by an individual who is a shareholder, member,  
 26.30 or partner of the corporation, venture, company, or partnership; is entitled to receive the  
 26.31 first tier homestead class rate ~~up to the first tier maximum market value~~ on any remaining  
 26.32 market value ~~not received on~~ in the first homestead class tier that is in excess of the  
 26.33 market value of the shareholder's, member's, or partner's homestead class 2a 2 agricultural  
 26.34 homestead property; ~~if the owner must notify,~~ or someone acting on the owner's behalf  
 26.35 notifies the county assessor by July 1 that ~~a portion of the market value~~ the property may  
 26.36 be eligible under this subdivision ~~may be eligible for homestead classification~~ paragraph

27.1 for the current assessment year, for taxes payable in the following year. As used in this  
27.2 paragraph, "agricultural property" means property classified as 2a under section 273.13,  
27.3 along with any contiguous property classified as 2b under section 273.13, if the contiguous  
27.4 2a and 2b properties are under the same ownership.

27.5 **EFFECTIVE DATE.** This section is effective retroactively for taxes payable in  
27.6 2011 and thereafter.

27.7 Sec. 7. Minnesota Statutes 2010, section 273.124, subdivision 14, is amended to read:

27.8 Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than  
27.9 ten acres that is the homestead of its owner must be classified as class 2a under section  
27.10 273.13, subdivision 23, paragraph (a), if:

27.11 (1) the parcel on which the house is located is contiguous on at least two sides to (i)  
27.12 agricultural land, (ii) land owned or administered by the United States Fish and Wildlife  
27.13 Service, or (iii) land administered by the Department of Natural Resources on which in  
27.14 lieu taxes are paid under sections 477A.11 to 477A.14;

27.15 (2) its owner also owns a noncontiguous parcel of agricultural land that is at least  
27.16 20 acres;

27.17 (3) the noncontiguous land is located not farther than four townships or cities, or a  
27.18 combination of townships or cities from the homestead; and

27.19 (4) the agricultural use value of the noncontiguous land and farm buildings is equal  
27.20 to at least 50 percent of the market value of the house, garage, and one acre of land.

27.21 Homesteads initially classified as class 2a under the provisions of this paragraph shall  
27.22 remain classified as class 2a, irrespective of subsequent changes in the use of adjoining  
27.23 properties, as long as the homestead remains under the same ownership, the owner owns a  
27.24 noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use  
27.25 value qualifies under clause (4). Homestead classification under this paragraph is limited  
27.26 to property that qualified under this paragraph for the 1998 assessment.

27.27 (b)(i) Agricultural property shall be classified as the owner's homestead, to the same  
27.28 extent as other agricultural homestead property, if all of the following criteria are met:

27.29 (1) the agricultural property consists of at least 40 acres including undivided  
27.30 government lots and correctional 40's;

27.31 (2) the owner, the owner's spouse, ~~the son or daughter of the owner or owner's~~  
27.32 ~~spouse, the brother or sister of the owner or owner's spouse, or the grandson or~~  
27.33 ~~granddaughter~~ or a grandchild, child, sibling, or parent of the owner or of the owner's  
27.34 spouse, is actively farming the agricultural property, either on the person's own behalf  
27.35 as an individual or on behalf of a partnership operating a family farm, family farm

28.1 corporation, joint family farm venture, or limited liability company of which the person is  
28.2 a partner, shareholder, or member;

28.3 (3) both the owner of the agricultural property and the person who is actively  
28.4 farming the agricultural property under clause (2), are Minnesota residents;

28.5 (4) neither the owner nor the spouse of the owner claims another agricultural  
28.6 homestead in Minnesota; and

28.7 (5) neither the owner nor the person actively farming the agricultural property lives  
28.8 farther than four townships or cities, or a combination of four townships or cities, from the  
28.9 agricultural property, except that if the owner or the owner's spouse is required to live in  
28.10 employer-provided housing, the owner or owner's spouse, whichever is actively farming  
28.11 the agricultural property, may live more than four townships or cities, or combination of  
28.12 four townships or cities from the agricultural property.

28.13 The relationship under this paragraph may be either by blood or marriage.

28.14 (ii) ~~Real~~ Agricultural property held by a trustee under a trust is eligible for  
28.15 agricultural homestead classification under this paragraph if the qualifications in clause (i)  
28.16 are met, except that "owner" means the grantor of the trust.

28.17 (iii) Property containing the residence of an owner who owns qualified property  
28.18 under clause (i) shall be classified as part of the owner's agricultural homestead, if that  
28.19 property is also used for noncommercial storage or drying of agricultural crops.

28.20 (iv) As used in this paragraph, "agricultural property" means class 2a property and  
28.21 any class 2b property that is contiguous to and under the same ownership as the class 2a  
28.22 property.

28.23 (c) Noncontiguous land shall be included as part of a homestead under section  
28.24 273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a  
28.25 and the detached land is located in the same township or city, or not farther than four  
28.26 townships or cities or combination thereof from the homestead. Any taxpayer of these  
28.27 noncontiguous lands must notify the county assessor that the noncontiguous land is part of  
28.28 the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer  
28.29 must also notify the assessor of the other county.

28.30 (d) Agricultural land used for purposes of a homestead and actively farmed by a  
28.31 person holding a vested remainder interest in it must be classified as a homestead under  
28.32 section 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a,  
28.33 any other dwellings on the land used for purposes of a homestead by persons holding  
28.34 vested remainder interests who are actively engaged in farming the property, and up to  
28.35 one acre of the land surrounding each homestead and reasonably necessary for the use of  
28.36 the dwelling as a home, must also be assessed class 2a.



29.1 (e) Agricultural land and buildings that were class 2a homestead property under  
29.2 section 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain  
29.3 classified as agricultural homesteads for subsequent assessments if:

29.4 (1) the property owner abandoned the homestead dwelling located on the agricultural  
29.5 homestead as a result of the April 1997 floods;

29.6 (2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman,  
29.7 or Wilkin;

29.8 (3) the agricultural land and buildings remain under the same ownership for the  
29.9 current assessment year as existed for the 1997 assessment year and continue to be used  
29.10 for agricultural purposes;

29.11 (4) the dwelling occupied by the owner is located in Minnesota and is within 30  
29.12 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

29.13 (5) the owner notifies the county assessor that the relocation was due to the 1997  
29.14 floods, and the owner furnishes the assessor any information deemed necessary by the  
29.15 assessor in verifying the change in dwelling. Further notifications to the assessor are not  
29.16 required if the property continues to meet all the requirements in this paragraph and any  
29.17 dwellings on the agricultural land remain uninhabited.

29.18 (f) Agricultural land and buildings that were class 2a homestead property under  
29.19 section 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain  
29.20 classified agricultural homesteads for subsequent assessments if:

29.21 (1) the property owner abandoned the homestead dwelling located on the agricultural  
29.22 homestead as a result of damage caused by a March 29, 1998, tornado;

29.23 (2) the property is located in the county of Blue Earth, Brown, Cottonwood,  
29.24 LeSueur, Nicollet, Nobles, or Rice;

29.25 (3) the agricultural land and buildings remain under the same ownership for the  
29.26 current assessment year as existed for the 1998 assessment year;

29.27 (4) the dwelling occupied by the owner is located in this state and is within 50 miles  
29.28 of one of the parcels of agricultural land that is owned by the taxpayer; and

29.29 (5) the owner notifies the county assessor that the relocation was due to a March 29,  
29.30 1998, tornado, and the owner furnishes the assessor any information deemed necessary by  
29.31 the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the  
29.32 owner must notify the assessor by December 1, 1998. Further notifications to the assessor  
29.33 are not required if the property continues to meet all the requirements in this paragraph  
29.34 and any dwellings on the agricultural land remain uninhabited.

29.35 (g) Agricultural property of a family farm corporation, joint family farm venture,  
29.36 family farm limited liability company, or partnership operating a family farm as described

30.1 under subdivision 8 shall be classified homestead, to the same extent as other agricultural  
30.2 homestead property, if all of the following criteria are met:

30.3 (1) the property consists of at least 40 acres including undivided government lots  
30.4 and correctional 40's;

30.5 (2) a shareholder, member, or partner of that entity is actively farming the  
30.6 agricultural property;

30.7 (3) that shareholder, member, or partner who is actively farming the agricultural  
30.8 property is a Minnesota resident;

30.9 (4) neither that shareholder, member, or partner, nor the spouse of that shareholder,  
30.10 member, or partner claims another agricultural homestead in Minnesota; and

30.11 (5) that shareholder, member, or partner does not live farther than four townships or  
30.12 cities, or a combination of four townships or cities, from the agricultural property.

30.13 Homestead treatment applies under this paragraph for property leased to a family  
30.14 farm corporation, joint farm venture, limited liability company, or partnership operating a  
30.15 family farm if legal title to the property is in the name of an individual who is a member,  
30.16 shareholder, or partner in the entity.

30.17 (h) To be eligible for the special agricultural homestead under this subdivision, an  
30.18 initial full application must be submitted to the county assessor where the property is  
30.19 located. Owners and the persons who are actively farming the property shall be required  
30.20 to complete only a one-page abbreviated version of the application in each subsequent  
30.21 year provided that none of the following items have changed since the initial application:

30.22 (1) the day-to-day operation, administration, and financial risks remain the same;

30.23 (2) the owners and the persons actively farming the property continue to live within  
30.24 the four townships or city criteria and are Minnesota residents;

30.25 (3) the same operator of the agricultural property is listed with the Farm Service  
30.26 Agency;

30.27 (4) a Schedule F or equivalent income tax form was filed for the most recent year;

30.28 (5) the property's acreage is unchanged; and

30.29 (6) none of the property's acres have been enrolled in a federal or state farm program  
30.30 since the initial application.

30.31 The owners and any persons who are actively farming the property must include  
30.32 the appropriate Social Security numbers, and sign and date the application. If any of the  
30.33 specified information has changed since the full application was filed, the owner must  
30.34 notify the assessor, and must complete a new application to determine if the property  
30.35 continues to qualify for the special agricultural homestead. The commissioner of revenue  
30.36 shall prepare a standard reapplication form for use by the assessors.

31.1 (i) Agricultural land and buildings that were class 2a homestead property under  
31.2 section 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain  
31.3 classified agricultural homesteads for subsequent assessments if:

31.4 (1) the property owner abandoned the homestead dwelling located on the agricultural  
31.5 homestead as a result of damage caused by the August 2007 floods;

31.6 (2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted,  
31.7 Steele, Wabasha, or Winona;

31.8 (3) the agricultural land and buildings remain under the same ownership for the  
31.9 current assessment year as existed for the 2007 assessment year;

31.10 (4) the dwelling occupied by the owner is located in this state and is within 50 miles  
31.11 of one of the parcels of agricultural land that is owned by the taxpayer; and

31.12 (5) the owner notifies the county assessor that the relocation was due to the August  
31.13 2007 floods, and the owner furnishes the assessor any information deemed necessary by  
31.14 the assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the  
31.15 owner must notify the assessor by December 1, 2008. Further notifications to the assessor  
31.16 are not required if the property continues to meet all the requirements in this paragraph  
31.17 and any dwellings on the agricultural land remain uninhabited.

31.18 (j) Agricultural land and buildings that were class 2a homestead property under  
31.19 section 273.13, subdivision 23, paragraph (a), for the 2008 assessment shall remain  
31.20 classified as agricultural homesteads for subsequent assessments if:

31.21 (1) the property owner abandoned the homestead dwelling located on the agricultural  
31.22 homestead as a result of the March 2009 floods;

31.23 (2) the property is located in the county of Marshall;

31.24 (3) the agricultural land and buildings remain under the same ownership for the  
31.25 current assessment year as existed for the 2008 assessment year and continue to be used  
31.26 for agricultural purposes;

31.27 (4) the dwelling occupied by the owner is located in Minnesota and is within 50  
31.28 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

31.29 (5) the owner notifies the county assessor that the relocation was due to the 2009  
31.30 floods, and the owner furnishes the assessor any information deemed necessary by the  
31.31 assessor in verifying the change in dwelling. Further notifications to the assessor are not  
31.32 required if the property continues to meet all the requirements in this paragraph and any  
31.33 dwellings on the agricultural land remain uninhabited.

31.34 **EFFECTIVE DATE.** This section is effective the day following final enactment  
31.35 except that the change in paragraph (b), clause (i), item (2), is effective for taxes payable  
31.36 in 2012 and thereafter.

32.1 Sec. 8. Minnesota Statutes 2010, section 273.13, subdivision 22, is amended to read:

32.2 Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b)  
32.3 and (c), real estate which is residential and used for homestead purposes is class 1a. In the  
32.4 case of a duplex or triplex in which one of the units is used for homestead purposes, the  
32.5 entire property is deemed to be used for homestead purposes. The market value of class 1a  
32.6 property must be determined based upon the value of the house, garage, and land.

32.7 The first \$500,000 of market value of class 1a property has a net class rate of  
32.8 one percent of its market value; and the market value of class 1a property that exceeds  
32.9 \$500,000 has a class rate of 1.25 percent of its market value.

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

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

32.14 (2) any person who is permanently and totally disabled or by the disabled person and  
32.15 the disabled person's spouse; or

32.16 (3) the surviving spouse of a permanently and totally disabled veteran homesteading  
32.17 a property classified under this paragraph for taxes payable in 2008.

32.18 Property is classified and assessed under clause (2) only if the government agency or  
32.19 income-providing source certifies, upon the request of the homestead occupant, that the  
32.20 homestead occupant satisfies the disability requirements of this paragraph, and that the  
32.21 property is not eligible for the valuation exclusion under subdivision 34.

32.22 Property is classified and assessed under paragraph (b) only if the commissioner  
32.23 of revenue or the county assessor certifies that the homestead occupant satisfies the  
32.24 requirements of this paragraph.

32.25 Permanently and totally disabled for the purpose of this subdivision means a  
32.26 condition which is permanent in nature and totally incapacitates the person from working  
32.27 at an occupation which brings the person an income. The first \$50,000 market value of  
32.28 class 1b property has a net class rate of .45 percent of its market value. The remaining  
32.29 market value of class 1b property has a class rate using the rates for class 1a or class 2a  
32.30 property, whichever is appropriate, of similar market value.

32.31 (c) Class 1c property is commercial use real and personal property that abuts public  
32.32 water as defined in section 103G.005, subdivision 15, and is devoted to temporary and  
32.33 seasonal residential occupancy for recreational purposes but not devoted to commercial  
32.34 purposes for more than 250 days in the year preceding the year of assessment, and that  
32.35 includes a portion used as a homestead by the owner, which includes a dwelling occupied  
32.36 as a homestead by a shareholder of a corporation that owns the resort, a partner in a

33.1 partnership that owns the resort, or a member of a limited liability company that owns  
 33.2 the resort even if the title to the homestead is held by the corporation, partnership, or  
 33.3 limited liability company. For purposes of this paragraph, property is devoted to a  
 33.4 commercial purpose on a specific day if any portion of the property, excluding the portion  
 33.5 used exclusively as a homestead, is used for residential occupancy and a fee is charged  
 33.6 for residential occupancy. Class 1c property must contain three or more rental units. A  
 33.7 "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual  
 33.8 camping site equipped with water and electrical hookups for recreational vehicles. Class  
 33.9 1c property must provide recreational activities such as the rental of ice fishing houses,  
 33.10 boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina  
 33.11 services, launch services, or guide services; or sell bait and fishing tackle. Any unit in  
 33.12 which the right to use the property is transferred to an individual or entity by deeded  
 33.13 interest, or the sale of shares or stock, no longer qualifies for class 1c even though it may  
 33.14 remain available for rent. A camping pad offered for rent by a property that otherwise  
 33.15 qualifies for class 1c is also class 1c, regardless of the term of the rental agreement, as long  
 33.16 as the use of the camping pad does not exceed 250 days. ~~If an owner of property that had~~  
 33.17 ~~been classified as class 1c ceases to use that property as a homestead but retains ownership~~  
 33.18 ~~of that property and continues to operate it as a resort, and begins to occupy a second~~  
 33.19 ~~property that is~~ If the same owner owns two separate parcels that are located in the same  
 33.20 township as the original class 1c property, and one of those properties is classified as a  
 33.21 class 1c property and the other would be eligible to be classified as a class 1c property if it  
 33.22 was used as the homestead of the owner, both properties will be assessed as a single class  
 33.23 1c property, provided that the second property would separately qualify to be assessed  
 33.24 as class 1c property; for purposes of this sentence, properties are deemed to be owned  
 33.25 by the same owner if each of them is owned by a limited liability company, and both  
 33.26 limited liability companies have the same membership. The portion of the property used  
 33.27 as a homestead is class 1a property under paragraph (a). The remainder of the property is  
 33.28 classified as follows: the first \$600,000 of market value is tier I, the next \$1,700,000 of  
 33.29 market value is tier II, and any remaining market value is tier III. The class rates for class  
 33.30 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners of real and  
 33.31 personal property devoted to temporary and seasonal residential occupancy for recreation  
 33.32 purposes in which all or a portion of the property was devoted to commercial purposes for  
 33.33 not more than 250 days in the year preceding the year of assessment desiring classification  
 33.34 as class 1c, must submit a declaration to the assessor designating the cabins or units  
 33.35 occupied for 250 days or less in the year preceding the year of assessment by January 15 of  
 33.36 the assessment year. Those cabins or units and a proportionate share of the land on which

they are located must be designated as class 1c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located must be designated as class 3a commercial. The owner of property desiring designation as class 1c property must provide guest registers or other records demonstrating that the units for which class 1c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

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

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

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

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

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

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

**EFFECTIVE DATE.** This section is effective for taxes levied in 2011, payable in 2012, and thereafter.

Sec. 9. Minnesota Statutes 2010, section 273.13, subdivision 23, is amended to read:

Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural land that is homesteaded, along with any class 2b rural vacant land that is contiguous to the class 2a land under the same ownership. The market value of the house and garage and immediately surrounding one acre of land has the same class rates as class 1a or 1b property under subdivision 22. The value of the remaining land including improvements up to the first tier valuation limit of agricultural homestead property has a net class rate of 0.5 percent of market value. The remaining property over the first tier has a class rate of one percent of market value. For purposes of this subdivision, the "first tier valuation limit of agricultural homestead property" and "first tier" means the limit certified under section 273.11, subdivision 23.

35.1 (b) Class 2a agricultural land consists of parcels of property, or portions thereof, that  
35.2 are agricultural land and buildings. Class 2a property has a net class rate of one percent of  
35.3 market value, unless it is part of an agricultural homestead under paragraph (a). Class  
35.4 2a property must also include any property that would otherwise be classified as 2b,  
35.5 but is interspersed with class 2a property, including but not limited to sloughs, wooded  
35.6 wind shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback  
35.7 requirement, and other similar land that is impractical for the assessor to value separately  
35.8 from the rest of the property or that is unlikely to be able to be sold separately from  
35.9 the rest of the property.

35.10 An assessor may classify the part of a parcel described in this subdivision that is used  
35.11 for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

35.12 (c) Class 2b rural vacant land consists of parcels of property, or portions thereof,  
35.13 that are unplatted real estate, rural in character and not used for agricultural purposes,  
35.14 including land used for growing trees for timber, lumber, and wood and wood products,  
35.15 that is not improved with a structure. The presence of a minor, ancillary nonresidential  
35.16 structure as defined by the commissioner of revenue does not disqualify the property from  
35.17 classification under this paragraph. Any parcel of 20 acres or more improved with a  
35.18 structure that is not a minor, ancillary nonresidential structure must be split-classified, and  
35.19 ten acres must be assigned to the split parcel containing the structure. Class 2b property  
35.20 has a net class rate of one percent of market value unless it is part of an agricultural  
35.21 homestead under paragraph (a), or qualifies as class 2c under paragraph (d).

35.22 (d) Class 2c managed forest land consists of no less than 20 and no more than 1,920  
35.23 acres statewide per taxpayer that is being managed under a forest management plan that  
35.24 meets the requirements of chapter 290C, but is not enrolled in the sustainable forest  
35.25 resource management incentive program. It has a class rate of .65 percent, provided that  
35.26 the owner of the property must apply to the assessor in order for the property to initially  
35.27 qualify for the reduced rate and provide the information required by the assessor to verify  
35.28 that the property qualifies for the reduced rate. If the assessor receives the application  
35.29 and information before May 1 in an assessment year, the property qualifies beginning  
35.30 with that assessment year. If the assessor receives the application and information after  
35.31 April 30 in an assessment year, the property may not qualify until the next assessment  
35.32 year. The commissioner of natural resources must concur that the land is qualified. The  
35.33 commissioner of natural resources shall annually provide county assessors verification  
35.34 information on a timely basis. The presence of a minor, ancillary nonresidential structure  
35.35 as defined by the commissioner of revenue does not disqualify the property from  
35.36 classification under this paragraph.

36.1 (e) Agricultural land as used in this section means contiguous acreage of which:

36.2 (1) of ten acres or more; were used during the preceding year for agricultural  
 36.3 purposes; or

36.4 (2) less than ten acres are used for an intensive livestock confinement operation, but  
 36.5 land used only for pasturing or grazing does not qualify under this clause.

36.6 "Agricultural purposes" as used in this section means the raising, cultivation, drying, or  
 36.7 storage of agricultural products for sale, or the storage of machinery or equipment used in  
 36.8 support of agricultural production by the same farm entity. For a property to be classified  
 36.9 as agricultural based only on the drying or storage of agricultural products, the products  
 36.10 being dried or stored must have been produced by the same farm entity as the entity  
 36.11 operating the drying or storage facility. "Agricultural purposes" also includes enrollment  
 36.12 in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal  
 36.13 Conservation Reserve Program as contained in Public Law 99-198 or a similar state  
 36.14 or federal conservation program if the property was classified as agricultural (i) under  
 36.15 this subdivision for the assessment year 2002 or (ii) in the year prior to its enrollment.  
 36.16 Agricultural classification shall not be based upon the market value of any residential  
 36.17 structures on the ~~parcel or contiguous parcels under the same ownership tract.~~

36.18 (f) ~~Real estate of less than ten acres, which is~~ Agricultural land under this section  
 36.19 also includes:

36.20 (1) any tract that is less than ten acres in size, and does not contain a residence, if  
 36.21 the tract is used exclusively or intensively used for raising or cultivating agricultural  
 36.22 products, shall be considered as agricultural land. To qualify under this paragraph,  
 36.23 property that includes a residential structure must be used intensively for one of the  
 36.24 following purposes; or

36.25 (2) any tract that contains a residence if, after excluding the house, garage, and one  
 36.26 acre of surrounding land, the tract is less than ten acres in size and the portion excluding  
 36.27 the house, garage, and surrounding one acre is used intensively for one or more of the  
 36.28 following purposes:

36.29 (i) for drying or storage of grain or storage of machinery or equipment used to  
 36.30 support agricultural activities on other ~~parcels~~ tracts of property operated by the same  
 36.31 farming entity;

36.32 (ii) as a nursery, provided that only those acres used to produce nursery stock are  
 36.33 considered agricultural land; or

36.34 ~~(iii) for livestock or poultry confinement, provided that land that is used only for~~  
 36.35 ~~pasturing and grazing does not qualify; or~~



37.1 ~~(iv)~~ (iii) for market farming; for purposes of this paragraph, "market farming"  
37.2 means the cultivation of one or more fruits or vegetables or production of animal or other  
37.3 agricultural products for sale to local markets by the farmer or an organization with which  
37.4 the farmer is affiliated.

37.5 (g) Land shall be classified as agricultural even if all or a portion of the agricultural  
37.6 use of that property is the leasing to, or use by another person for agricultural purposes.

37.7 Classification under this subdivision is not determinative for qualifying under  
37.8 section 273.111.

37.9 (h) The property classification under this section supersedes, for property tax  
37.10 purposes only, any locally administered agricultural policies or land use restrictions that  
37.11 define minimum or maximum farm acreage.

37.12 (i) The term "agricultural products" as used in this subdivision includes production  
37.13 for sale of:

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

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

37.19 (3) the commercial boarding of horses, which may include related horse training and  
37.20 riding instruction, if the boarding is done on property that is also used for raising pasture  
37.21 to graze horses or raising or cultivating other agricultural products as defined in clause (1);

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

37.24 (5) game birds and waterfowl bred and raised on a game farm licensed under section  
37.25 97A.105 or for use on a shooting preserve licensed under section 97A.115;

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

37.27 (7) trees, grown for sale as a crop, including short rotation woody crops, and not  
37.28 sold for timber, lumber, wood, or wood products; and

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

37.31 (j) If a parcel used for agricultural purposes is also used for commercial or industrial  
37.32 purposes, including but not limited to:

37.33 (1) wholesale and retail sales;

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

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

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

38.3 the assessor shall classify the part of the parcel used for agricultural purposes as class  
38.4 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its  
38.5 use. The grading, sorting, and packaging of raw agricultural products for first sale is  
38.6 considered an agricultural purpose. A greenhouse or other building where horticultural  
38.7 or nursery products are grown that is also used for the conduct of retail sales must be  
38.8 classified as agricultural if it is primarily used for the growing of horticultural or nursery  
38.9 products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of  
38.10 those products. Use of a greenhouse or building only for the display of already grown  
38.11 horticultural or nursery products does not qualify as an agricultural purpose.

38.12 (k) The assessor shall determine and list separately on the records the market value  
38.13 of the homestead dwelling and the one acre of land on which that dwelling is located. If  
38.14 any farm buildings or structures are located on this homesteaded acre of land, their market  
38.15 value shall not be included in this separate determination.

38.16 (l) Class 2d airport landing area consists of a landing area or public access area of  
38.17 a privately owned public use airport. It has a class rate of one percent of market value.  
38.18 To qualify for classification under this paragraph, a privately owned public use airport  
38.19 must be licensed as a public airport under section 360.018. For purposes of this paragraph,  
38.20 "landing area" means that part of a privately owned public use airport properly cleared,  
38.21 regularly maintained, and made available to the public for use by aircraft and includes  
38.22 runways, taxiways, aprons, and sites upon which are situated landing or navigational aids.  
38.23 A landing area also includes land underlying both the primary surface and the approach  
38.24 surfaces that comply with all of the following:

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

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

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

38.30 The land contained in a landing area under this paragraph must be described and certified  
38.31 by the commissioner of transportation. The certification is effective until it is modified,  
38.32 or until the airport or landing area no longer meets the requirements of this paragraph.  
38.33 For purposes of this paragraph, "public access area" means property used as an aircraft  
38.34 parking ramp, apron, or storage hangar, or an arrival and departure building in connection  
38.35 with the airport.

(m) Class 2e consists of land with a commercial aggregate deposit that is not actively being mined and is not otherwise classified as class 2a or 2b, provided that the land is not located in a county that has elected to opt-out of the aggregate preservation program as provided in section 273.1115, subdivision 6. It has a class rate of one percent of market value. To qualify for classification under this paragraph, the property must be at least ten contiguous acres in size and the owner of the property must record with the county recorder of the county in which the property is located an affidavit containing:

(1) a legal description of the property;

(2) a disclosure that the property contains a commercial aggregate deposit that is not actively being mined but is present on the entire parcel enrolled;

(3) documentation that the conditional use under the county or local zoning ordinance of this property is for mining; and

(4) documentation that a permit has been issued by the local unit of government or the mining activity is allowed under local ordinance. The disclosure must include a statement from a registered professional geologist, engineer, or soil scientist delineating the deposit and certifying that it is a commercial aggregate deposit.

For purposes of this section and section 273.1115, "commercial aggregate deposit" means a deposit that will yield crushed stone or sand and gravel that is suitable for use as a construction aggregate; and "actively mined" means the removal of top soil and overburden in preparation for excavation or excavation of a commercial deposit.

(n) When any portion of the property under this subdivision or subdivision 22 begins to be actively mined, the owner must file a supplemental affidavit within 60 days from the day any aggregate is removed stating the number of acres of the property that is actively being mined. The acres actively being mined must be (1) valued and classified under subdivision 24 in the next subsequent assessment year, and (2) removed from the aggregate resource preservation property tax program under section 273.1115, if the land was enrolled in that program. Copies of the original affidavit and all supplemental affidavits must be filed with the county assessor, the local zoning administrator, and the Department of Natural Resources, Division of Land and Minerals. A supplemental affidavit must be filed each time a subsequent portion of the property is actively mined, provided that the minimum acreage change is five acres, even if the actual mining activity constitutes less than five acres.

(o) The definitions prescribed by the commissioner under paragraphs (c) and (d) are not rules and are exempt from the rulemaking provisions of chapter 14, and the provisions in section 14.386 concerning exempt rules do not apply.

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

Sec. 10. Minnesota Statutes 2010, section 273.33, subdivision 2, is amended to read:

Subd. 2. **Listing and assessment by commissioner.** The personal property, consisting of the pipeline system of mains, pipes, and equipment attached thereto, of pipeline companies and others engaged in the operations or business of transporting natural gas, gasoline, crude oil, or other petroleum products by pipelines, shall be listed with and assessed by the commissioner of revenue and the values provided to the city or county assessor by order. This subdivision shall not apply to the assessment of the products transported through the pipelines nor to the lines of local commercial gas companies engaged primarily in the business of distributing gas to consumers at retail nor to pipelines used by the owner thereof to supply natural gas or other petroleum products exclusively for such owner's own consumption and not for resale to others. If more than 85 percent of the natural gas or other petroleum products actually transported over the pipeline is used for the owner's own consumption and not for resale to others, then this subdivision shall not apply; provided, however, that in that event, the pipeline shall be assessed in proportion to the percentage of gas actually transported over such pipeline that is not used for the owner's own consumption. On or before August 1, the commissioner shall certify to the auditor of each county, the amount of such personal property assessment against each company in each district in which such property is located. If the commissioner determines that the amount of personal property assessment certified on or before August 1 is in error, the commissioner may issue a corrected certification on or before October 1.

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

Sec. 11. Minnesota Statutes 2010, section 273.37, subdivision 2, is amended to read:

Subd. 2. **Listing and assessment by commissioner.** Transmission lines of less than 69 kv, transmission lines of 69 kv and above located in an unorganized township, and distribution lines, and equipment attached thereto, having a fixed situs outside the corporate limits of cities except distribution lines taxed as provided in sections 273.40 and 273.41, shall be listed with and assessed by the commissioner of revenue in the county where situated and the values provided to the city or county assessor by order. The commissioner shall assess such property at the percentage of market value fixed by law; and, on or before August 1, shall certify to the auditor of each county in which such property is located the amount of the assessment made against each company and person owning such property. If the commissioner determines that the amount of the assessment certified on or before August 1 is in error, the commissioner may issue a corrected certification on or before October 1.

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

41.3 Sec. 12. Minnesota Statutes 2010, section 273.3711, is amended to read:

41.4 **273.3711 RECOMMENDED AND ORDERED VALUES.**

41.5 For purposes of sections 273.33, 273.35, 273.36, 273.37, 273.371, and 273.372,  
41.6 all values not required to be listed and assessed by the commissioner of revenue are  
41.7 recommended values. If the commissioner provides recommended values, the values must  
41.8 be certified to the auditor of each county in which the property is located on or before  
41.9 August 1. If the commissioner determines that the certified recommended value is in error  
41.10 the commissioner may issue a corrected certification on or before October 1.

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

41.13 Sec. 13. Minnesota Statutes 2010, section 274.175, is amended to read:

41.14 **274.175 VALUES FINALIZED.**

41.15 The assessments recorded by the county assessor and the county auditor under  
41.16 sections 273.124, subdivision 9; 274.16; 274.17; or other law for real and personal  
41.17 property are final on July 1 of the assessment year, except for property added to the  
41.18 assessment rolls under section 272.02, subdivision 38, and assessments certified to the  
41.19 auditor under sections 270.87; 273.33, subdivision 2, ~~and~~; 273.37, subdivision 2; and  
41.20 273.3711 or deleted because of tax forfeiture pursuant to chapter 281. No changes in value  
41.21 may be made after July 1 of the assessment year, except for corrections permitted in  
41.22 sections 273.01 and 274.01, or assessments certified to the auditor under sections 270.87;  
41.23 273.33, subdivision 2, ~~and~~; 273.37, subdivision 2; and 273.3711.

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

41.26 Sec. 14. Minnesota Statutes 2010, section 278.05, subdivision 6, is amended to read:

41.27 Subd. 6. **Dismissal of petition; exclusion of certain evidence.** (a) In cases where  
41.28 the petitioner contests the valuation of income-producing property, ~~information, including~~  
41.29 ~~income and expense figures in the form of~~ the following information must be provided to  
41.30 the county assessor no later than August 1 of the taxes payable year:

41.31 (1) a year-end financial statements statement for the year prior to the assessment  
41.32 date;

- 42.1 (2) a year-end financial statements statement for the year of the assessment date, ~~and;~~
- 42.2 (3) a rent rolls roll on or near the assessment date ~~including listing the~~ tenant name,
- 42.3 lease start and end dates, ~~option terms,~~ base rent, square footage leased and vacant space;
- 42.4 ~~verified net rentable areas in the form of net rentable square footage of the building or~~
- 42.5 ~~buildings, and anticipated income and expenses in the form of proposed budgets for~~
- 42.6 ~~the year subsequent to the year of the assessment date, must be provided to the county~~
- 42.7 ~~assessor no later than 60 days after the applicable filing deadline contained in section~~
- 42.8 ~~278.01, subdivision 1 or 4;~~
- 42.9 (4) identification of all lease agreements not disclosed on a rent roll in the response
- 42.10 to clause (3), listing the tenant name, lease start and end dates, base rent, and square
- 42.11 footage leased;
- 42.12 (5) net rentable square footage of the building or buildings; and
- 42.13 (6) anticipated income and expenses in the form of a proposed budget for the year
- 42.14 subsequent to the year of the assessment date.
- 42.15 (b) The information required to be provided to the county assessor under paragraph
- 42.16 (a) does not include leases. Failure to provide the information required in ~~this~~ paragraph (a)
- 42.17 shall result in the dismissal of the petition, unless (1) the failure to provide it was due to the
- 42.18 unavailability of the ~~evidence~~ information at the time that the information was due, or (2)
- 42.19 the petitioner was not aware of or informed of the requirement to provide the information.
- 42.20 If the petitioner proves that the requirements under clause (2) are met, the petitioner has
- 42.21 an additional 30 days to provide the information from the time the petitioner became
- 42.22 aware of or was informed of the requirement to provide the information, otherwise the
- 42.23 petition shall be dismissed.
- 42.24 (c) If, after the August 1 deadline set in paragraph (a), a county assessor determines
- 42.25 that the actual leases in effect on the assessment date are necessary to properly evaluate
- 42.26 the income-producing property, then a county assessor may require that the petitioner
- 42.27 submit the leases. The petitioner must provide the requested information to the county
- 42.28 assessor within 60 days of a county assessor's request. The tax court shall hear and decide
- 42.29 any issues relating to subsequent information requests by a county assessor. Failure to
- 42.30 provide the information required in this paragraph shall be addressed under Rules of
- 42.31 Civil Procedure, rule 37.
- 42.32 ~~(b)~~ (d) Provided that the information as contained in paragraph (a) is timely
- 42.33 submitted to the county assessor, the county assessor shall furnish the petitioner at least
- 42.34 five days before the hearing under this chapter with the property's appraisal, if any,
- 42.35 which will be presented to the court at the hearing. The petitioner shall furnish to the
- 42.36 county assessor at least five days before the hearing under this chapter with the property's

appraisal, if any, which will be presented to the court at the hearing. An appraisal of the petitioner's property done by or for the county shall not be admissible as evidence if the county assessor does not comply with the provisions in this paragraph. The petition shall be dismissed if the petitioner does not comply with the provisions in this paragraph.

**EFFECTIVE DATE.** This section is effective for petitions contesting the 2010 assessment and assessments made after that date.

Sec. 15. Minnesota Statutes 2010, section 282.01, subdivision 1a, is amended to read:

Subd. 1a. **Conveyance to public entities.** (a) Upon written request from a state agency or a governmental subdivision of the state, a parcel of unsold tax-forfeited land must be withheld from sale or lease to others for a maximum of six months. The request must be submitted to the county auditor. Upon receipt, the county auditor must withhold the parcel from sale or lease to any other party for six months, and must confirm the starting date of the six-month withholding period to the requesting agency or subdivision. If the request is from a governmental subdivision of the state, the governmental subdivision must pay the maintenance costs incurred by the county during the period the parcel is withheld. The county board may approve a sale or conveyance to the requesting party during the withholding period. A conveyance of the property to the requesting party terminates the withholding period.

A governmental subdivision of the state must not make, and a county auditor must not act upon, a second request to withhold a parcel from sale or lease within 18 months of a previous request for that parcel. A county may reject a request made under this paragraph if the request is made more than 30 days after the county has given notice to the requesting state agency or governmental subdivision of the state that the county intends to sell or otherwise dispose of the property.

(b) Nonconservation tax-forfeited lands may be sold by the county board, for their market value as determined by the county board, to an organized or incorporated governmental subdivision of the state for any public purpose for which the subdivision is authorized to acquire property. When the term "market value" is used in this section, it means an estimate of the full and actual market value of the parcel as determined by the county board, but in making this determination, the board and the persons employed by or under contract with the board in order to perform, conduct, or assist in the determination, are exempt from the licensure requirements of chapter 82B.

(c) Nonconservation tax-forfeited lands may be released from the trust in favor of the taxing districts on application to the county board by a state agency for an authorized use at not less than their market value as determined by the county board.

(d) Nonconservation tax-forfeited lands may be sold by the county board to an organized or incorporated governmental subdivision of the state or state agency for less than their market value if:

(1) the county board determines that a sale at a reduced price is in the public interest because a reduced price is necessary to provide an incentive to correct the blighted conditions that make the lands undesirable in the open market, or the reduced price will lead to the development of affordable housing; and

(2) the governmental subdivision or state agency has documented its specific plans for correcting the blighted conditions or developing affordable housing, and the specific law or laws that empower it to acquire real property in furtherance of the plans.

If the sale under this paragraph is to a governmental subdivision of the state, the commissioner of revenue must convey the property on behalf of the state by quit claim deed. If the sale under this paragraph is to a state agency, the commissioner must issue a conveyance document that releases the property from the trust in favor of the taxing districts.

(e) Nonconservation tax-forfeited land held in trust in favor of the taxing districts may be conveyed by the commissioner of revenue in the name of the state to a governmental subdivision for an authorized public use, if an application is submitted to the commissioner which includes a statement of facts as to the use to be made of the tract and the favorable recommendation of the county board. For the purposes of this paragraph, "authorized public use" means a use that allows an indefinite segment of the public to physically use and enjoy the property in numbers appropriate to its size and use, or is for a public service facility. Authorized public uses as defined in this paragraph are limited to:

(1) a road, or right-of-way for a road;

(2) a park that is both available to, and accessible by, the public that contains ~~amenities~~ improvements such as campgrounds, playgrounds, athletic fields, trails, or shelters;

(3) trails for walking, bicycling, snowmobiling, or other recreational purposes, along with a reasonable amount of surrounding land maintained in its natural state;

(4) transit facilities for buses, light rail transit, commuter rail or passenger rail, including transit ways, park-and-ride lots, transit stations, maintenance and garage facilities, and other facilities related to a public transit system;

(5) public beaches or boat launches;

(6) public parking;

(7) civic recreation or conference facilities; and



45.1 (8) public service facilities such as fire halls, police stations, lift stations, water  
45.2 towers, sanitation facilities, water treatment facilities, and administrative offices.

45.3 No monetary compensation or consideration is required for the conveyance, except as  
45.4 provided in subdivision 1g, but the conveyance is subject to the conditions provided in  
45.5 law, including, but not limited to, the reversion provisions of subdivisions 1c and 1d.

45.6 (f) The commissioner of revenue shall convey a parcel of nonconservation  
45.7 tax-forfeited land to a local governmental subdivision of the state by quit claim deed  
45.8 on behalf of the state upon the favorable recommendation of the county board if the  
45.9 governmental subdivision has certified to the board that prior to forfeiture the subdivision  
45.10 was entitled to the parcel under a written development agreement or instrument, but  
45.11 the conveyance failed to occur prior to forfeiture. No compensation or consideration is  
45.12 required for, and no conditions attach to, the conveyance.

45.13 (g) The commissioner of revenue shall convey a parcel of nonconservation  
45.14 tax-forfeited land to the association of a common interest community by quit claim deed  
45.15 upon the favorable recommendation of the county board if the association certifies to the  
45.16 board that prior to forfeiture the association was entitled to the parcel under a written  
45.17 agreement, but the conveyance failed to occur prior to forfeiture. No compensation or  
45.18 consideration is required for, and no conditions attach to, the conveyance.

45.19 (h) Conservation tax-forfeited land may be sold to a governmental subdivision of  
45.20 the state for less than its market value for either: (1) creation or preservation of wetlands;  
45.21 (2) drainage or storage of storm water under a storm water management plan; or (3)  
45.22 preservation, or restoration and preservation, of the land in its natural state. The deed must  
45.23 contain a restrictive covenant limiting the use of the land to one of these purposes for  
45.24 30 years or until the property is reconveyed back to the state in trust. At any time, the  
45.25 governmental subdivision may reconvey the property to the state in trust for the taxing  
45.26 districts. The deed of reconveyance is subject to approval by the commissioner of revenue.  
45.27 No part of a purchase price determined under this paragraph shall be refunded upon a  
45.28 reconveyance, but the amount paid for a conveyance under this paragraph may be taken  
45.29 into account by the county board when setting the terms of a future sale of the same  
45.30 property to the same governmental subdivision under paragraph (b) or (d). If the lands  
45.31 are unplatted and located outside of an incorporated municipality and the commissioner  
45.32 of natural resources determines there is a mineral use potential, the sale is subject to the  
45.33 approval of the commissioner of natural resources.

45.34 (i) A park and recreation board in a city of the first class is a governmental  
45.35 subdivision for the purposes of this section.

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

46.2 Sec. 16. Minnesota Statutes 2010, section 282.01, subdivision 1c, is amended to read:

46.3 Subd. 1c. **Deed of conveyance; form; approvals.** The deed of conveyance for  
 46.4 conveying property conveyed for an authorized public use under the authorities in  
 46.5 subdivision 1a, paragraph (c) this section, must be on a form approved by the attorney  
 46.6 general and must be conditioned on continued use of the property for the purpose stated in  
 46.7 the application as provided in this section. ~~These~~ All deeds conveying property for an  
 46.8 authorized public use, regardless of when executed, are conditional use deeds that convey  
 46.9 a defeasible estate. Reversion of the estate occurs by operation of law and without the  
 46.10 requirement for any affirmative act by or on behalf of the state when there is a failure to  
 46.11 put the property to the approved authorized public use for which it was conveyed, or an  
 46.12 abandonment of that use, except as provided in subdivision 1d.

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

46.14 Sec. 17. Minnesota Statutes 2010, section 282.01, subdivision 1d, is amended to read:

46.15 Subd. 1d. **Reverter for failure to use; conveyance to state.** (a) ~~If~~ After three years  
 46.16 from the date of ~~the~~ any conveyance of tax-forfeited land to a governmental subdivision  
 46.17 ~~to which tax-forfeited land has been conveyed~~ for an authorized public use as provided  
 46.18 in ~~subdivision 1a, paragraph (c), fails~~ this section, regardless of when the deed for the  
 46.19 authorized public use was executed, if the governmental subdivision has failed to put the  
 46.20 land to that use, or abandons that use, the governing body of the subdivision must: (1)  
 46.21 with the approval of the county board, purchase the property for an authorized public  
 46.22 purpose at the present market value as determined by the county board, or (2) authorize  
 46.23 the proper officers to convey the land, or the part of the land not required for an authorized  
 46.24 public use, to the state of Minnesota in trust for the taxing districts. If the governing  
 46.25 body purchases the property under clause (1), the commissioner of revenue shall, upon  
 46.26 proper application submitted by the county auditor, convey the property on behalf of the  
 46.27 state by quit claim deed to the subdivision free of a use restriction and the possibility of  
 46.28 reversion or defeasement. If the governing body decides to reconvey the property to the  
 46.29 state under this clause, the officers shall execute a deed of conveyance immediately. The  
 46.30 conveyance is subject to the approval of the commissioner and its form must be approved  
 46.31 by the attorney general. ~~For the purposes of this paragraph~~ 15 years from the date of  
 46.32 the conveyance, there is no failure to put the land to the authorized public use and no  
 46.33 abandonment of that use if a formal plan of the governmental subdivision, including, but

not limited to, a comprehensive plan or land use plan ~~that~~<sub>2</sub> shows an intended future use of the land for the authorized public use.

(b) Property held by a governmental subdivision of the state under a conditional use deed executed under ~~subdivision 1a, paragraph (c), this section~~ by the commissioner of revenue on or after January 1, 2007, may be acquired by that governmental subdivision after 15 years from the date of the conveyance if the commissioner determines upon written application from the subdivision that the subdivision has in fact put the property to the authorized public use for which it was conveyed, and the subdivision has made a finding that it has no current plans to change the use of the lands. Prior to conveying the property, the commissioner shall inquire whether the county board where the land is located objects to a conveyance of the property to the subdivision without conditions and without further act by or obligation of the subdivision. If the county does not object within 60 days, and the commissioner makes a favorable determination, the commissioner shall issue a quit claim deed on behalf of the state unconditionally conveying the property to the governmental subdivision. For purposes of this paragraph, demonstration of an intended future use for the authorized public use in a formal plan of the governmental subdivision does not constitute use for that authorized public use.

(c) Property held by a governmental subdivision of the state under a conditional use deed executed under ~~subdivision 1a, paragraph (c), this section~~ by the commissioner of revenue before January 1, 2007, is released from the use restriction and possibility of reversion on January 1, 2022, if the county board records a resolution describing the land and citing this paragraph. The county board may authorize the county treasurer to deduct the amount of the recording fees from future settlements of property taxes to the subdivision.

(d) ~~All~~ Property conveyed under a conditional use deed executed under ~~subdivision 1a, paragraph (c), this section~~ by the commissioner of revenue, regardless of when the deed for the authorized public use was executed, is released from the use restriction and reverter, and any use restriction or reverter for which no declaration of reversion has been recorded with the county recorder or registrar of titles, as appropriate, is nullified on the later of: (1) January 1, 2015; (2) 30 years from the date the deed was acknowledged; or (3) final resolution of an appeal to district court under subdivision 1e, if a lis pendens related to the appeal is recorded in the office of the county recorder or registrar of titles, as appropriate, prior to January 1, 2015.

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

48.1 Sec. 18. Minnesota Statutes 2010, section 282.014, is amended to read:

48.2 **282.014 COMPLETION OF SALE, FEE, CONVEYANCE RECORDED.**

48.3 (a) Upon compliance by the purchaser with the provisions of this chapter and with  
48.4 the terms and conditions of the sale, and upon full payment for the land, plus a \$25 fee  
48.5 in addition to the sale price, the sale shall be complete and a conveyance of the land  
48.6 shall be issued to the purchaser as provided by the appropriate statutes according to the  
48.7 status of the land upon forfeiture.

48.8 The conveyance must be forwarded to the county auditor who shall have the  
48.9 conveyance recorded before issuing it to the purchaser.

48.10 (b) In order for the commissioner of revenue to issue a conveyance of tax-forfeited  
48.11 land under any provision of this chapter other than section 282.01, subdivision 1a,  
48.12 paragraph (e), or 282.33, and that is not covered by paragraph (a), the grantee must pay  
48.13 the fee provided in paragraph (a).

48.14 The conveyance must be forwarded to the county auditor who shall have the  
48.15 conveyance recorded before issuing it to the grantee.

48.16 **EFFECTIVE DATE.** This section is effective for deeds executed by the  
48.17 commissioner of revenue after June 30, 2011.

48.18 Sec. 19. Minnesota Statutes 2010, section 282.12, is amended to read:

48.19 **282.12 ALL MINERALS RESERVED.**

48.20 Any ~~sale of such~~ conveyance of forfeited lands shall be subject to exceptions and  
48.21 reservations in this state, in trust for the taxing districts of all minerals and mineral rights.

48.22 **EFFECTIVE DATE.** This section is effective retroactively from July 1, 2010.

48.23 Sec. 20. Minnesota Statutes 2010, section 383C.16, subdivision 1, is amended to read:

48.24 Subdivision 1. **Appropriation.** The St. Louis County Board may annually  
48.25 appropriate not to exceed \$2,000 to assist in ~~the~~ maintaining ~~of a~~ one or more county  
48.26 ~~fair~~ fairs, which ~~fair~~ shall be under the management and control of a county agricultural  
48.27 society or another entity designated by the board. ~~Such~~ The appropriation shall be made  
48.28 either to the treasurer of such society or to some other suitable person, but before such  
48.29 money is paid to such treasurer or other person, the payee shall file with the county auditor  
48.30 a satisfactory bond in double the sum of said appropriation, conditioned upon a faithful  
48.31 disbursing and accounting for all of said funds so appropriated. Said funds so appropriated  
48.32 shall be used solely for the purpose of obtaining, preparing, and arranging exhibits and  
48.33 paying premiums to exhibitors. The treasurer or other person to whom said appropriation

is paid shall within four months after the holding of any such aided annual fair, file with the county auditor a verified and detailed report showing the name and address of every person to whom any of said money was paid, together with the date of payment and a full description of the purposes for which the money was so paid and shall attach thereto receipts and subvouchers for each payment so made and shall return to the county treasurer all of the unexpended portion thereof. After said report and receipts and subvouchers have been audited by the county board and found to be correct, they may by resolution release said treasurer or other person and sureties from all further liabilities under such bond.

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

Sec. 21. **[383C.164] FAIRGROUNDS; EXEMPT FROM TAXATION.**

Land and buildings used exclusively as the site for a county or community fair under section 383C.16 or 383C.161 are exempt from property taxation.

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

Sec. 22. Laws 2010, chapter 389, article 1, section 12, the effective date, is amended to read:

**EFFECTIVE DATE.** This section is effective for assessment years 2010 and 2011, for taxes payable in 2011 and 2012, and thereafter.

Sec. 23. **REPEALER.**

(a) Minnesota Statutes 2010, sections 272.02, subdivision 34; 273.124, subdivision 10; and 281.37, are repealed.

(b) Minnesota Statutes 2010, section 17.459, subdivision 3, is repealed.

**EFFECTIVE DATE.** Paragraph (a) is effective the day following final enactment. Paragraph (b) is effective for taxes payable in 2012 and thereafter.

## ARTICLE 4

### SALES AND USE TAXES

Section 1. Minnesota Statutes 2010, section 289A.60, subdivision 31, is amended to read:

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:

(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 the monthly sales tax ~~liabilities~~ liability, 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 the sales tax ~~liabilities~~ liability for the month in which the taxable event occurs equal to 67 percent of the ~~liabilities~~ liability 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: (1) 67 percent of the liability of the same month in the previous calendar year as the month in which the taxable event occurred; or (2) an amount equal to the liability for the month in which the taxable event occurred.

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

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

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

(b) Sale and purchase include:

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

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

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

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

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

51.12 (1) prepared food sold by the retailer;

51.13 (2) soft drinks;

51.14 (3) candy;

51.15 (4) dietary supplements; and

51.16 (5) all food sold through vending machines.

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

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

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

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

51.26 (2) lodging and related services by a hotel, rooming house, resort, campground,  
51.27 motel, or trailer camp, including furnishing the guest of the facility with access to  
51.28 telecommunication services, and the granting of any similar license to use real property  
51.29 in a specific facility, other than the renting or leasing of it for a continuous period of  
51.30 30 days or more under an enforceable written agreement that may not be terminated  
51.31 without prior notice;

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

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

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

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

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

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

52.14 (6) services as provided in this clause:

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

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

52.22 (iii) building and residential cleaning, maintenance, and disinfecting services and  
52.23 pest control and exterminating services;

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

52.30 (v) pet grooming services;

52.31 (vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting  
52.32 and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor  
52.33 plant care; tree, bush, shrub, and stump removal, except when performed as part of a land  
52.34 clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for  
52.35 public utility lines. Services performed under a construction contract for the installation of  
52.36 shrubbery, plants, sod, trees, bushes, and similar items are not taxable;



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

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

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

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

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

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

53.24 (i) A sale and a purchase includes the furnishing for a consideration of  
53.25 telecommunications services, ancillary services associated with telecommunication  
53.26 services, cable television services, direct satellite services, and ring tones.  
53.27 Telecommunication services include, but are not limited to, the following services,  
53.28 as defined in section 297A.669: air-to-ground radiotelephone service, mobile  
53.29 telecommunication service, postpaid calling service, prepaid calling service, prepaid  
53.30 wireless calling service, and private communication services. The services in this  
53.31 paragraph are taxed to the extent allowed under federal law.

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

53.35 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer  
53.36 to a customer when (1) the vehicle is rented by the customer for a consideration, or (2)

54.1 the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section  
54.2 59B.02, subdivision 11.

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

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

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

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

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

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

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

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

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

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

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

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

54.28 **Subd. 7. Advertising and promotional direct mail.** (a) Notwithstanding other  
54.29 subdivisions of this section, the provisions in paragraphs (b) to (e) apply to the sale of  
54.30 advertising and promotional direct mail. "Advertising and promotional direct mail" means  
54.31 printed material that is direct mail as defined in section 297A.61, subdivision 35, the  
54.32 primary purpose of which is to attract public attention to a product, person, business, or

55.1 organization, or to attempt to sell, popularize, or secure financial support for a person,  
 55.2 business, organization, or product. "Product" includes tangible personal property, a digital  
 55.3 product transferred electronically, or a service.

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

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

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

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

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

55.22 ~~(2) Upon receipt of~~ (d) If the purchaser provides the seller information from the  
 55.23 ~~purchaser~~ showing the jurisdictions to which the advertising and promotional direct mail  
 55.24 is to be delivered to recipients, the seller shall source the sale to the jurisdictions to which  
 55.25 the advertising and promotional direct mail is to be delivered and shall collect and remit  
 55.26 the applicable tax according to the delivery information provided by the purchaser. In  
 55.27 the absence of bad faith, the seller is relieved of any further obligation to collect any  
 55.28 additional tax on any transaction for which the sale of advertising and promotional direct  
 55.29 mail where the seller has collected tax pursuant sourced the sale according to the delivery  
 55.30 information provided by the purchaser.

55.31 ~~(b) (e) If the purchaser of direct mail does not have a direct pay permit and does~~  
 55.32 ~~not provide the seller with either a direct mail form or delivery information, as required~~  
 55.33 ~~by paragraph (a), the seller shall collect the tax according to any of the items listed in~~  
 55.34 paragraph (b), the sale shall be sourced under subdivision 2, paragraph (f). Nothing in  
 55.35 this paragraph limits a purchaser's obligation for sales or use tax to any state to which the  
 55.36 direct mail is delivered.

56.1 ~~(e) If a purchaser of direct mail provides the seller with documentation of direct~~  
56.2 ~~pay authority, the purchaser is not required to provide a direct mail form or delivery~~  
56.3 ~~information to the seller.~~

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

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

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

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

56.15 Subd. 7a. **Other direct mail.** (a) Notwithstanding other subdivisions of this section,  
56.16 the provisions in paragraphs (b) and (c) apply to the sale of other direct mail. "Other direct  
56.17 mail" means printed material that is direct mail as defined in section 297A.61, subdivision  
56.18 35, but is not advertising and promotional direct mail as described in subdivision 7,  
56.19 regardless of whether advertising and promotional direct mail is included in the same  
56.20 mailing. Other direct mail includes, but is not limited to:

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

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

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

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

56.32 (b) A purchaser of other direct mail may provide the seller with either a fully  
56.33 completed exemption certificate as described in section 297A.72 indicating that the  
56.34 purchaser is authorized to pay any sales or use tax due on purchases made by the purchaser  
56.35 directly to the commissioner under section 297A.89, or a fully completed exemption

57.1 certificate claiming an exemption for direct mail. If the purchaser provides one of the  
 57.2 exemption certificates listed, then the seller, in the absence of bad faith, is relieved of all  
 57.3 obligations to collect, pay, or remit the tax on any transaction involving other direct mail  
 57.4 to which the certificate applies. The purchaser shall source the sale to the jurisdictions to  
 57.5 which the other direct mail is to be delivered to the recipients of the mail, and shall report  
 57.6 and pay any applicable tax due.

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

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

57.12 Sec. 7. Minnesota Statutes 2010, section 297A.71, subdivision 23, is amended to read:

57.13 Subd. 23. **Construction materials for qualified low-income housing projects.** (a)  
 57.14 Purchases of materials and supplies used or consumed in and equipment incorporated into  
 57.15 the construction, improvement, or expansion of qualified low-income housing projects are  
 57.16 exempt from the tax imposed under this chapter if the owner of the qualified low-income  
 57.17 housing project is:

57.18 (1) the public housing agency or housing and redevelopment authority of a political  
 57.19 subdivision;

57.20 (2) an entity exercising the powers of a housing and redevelopment authority within  
 57.21 a political subdivision;

57.22 (3) a limited partnership in which the sole or managing general partner is an  
 57.23 authority under clause (1) or an entity under clause (2), (4), or (5);

57.24 (4) a nonprofit corporation subject to the provisions of chapter 317A, and qualifying  
 57.25 under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended;

57.26 (5) a limited liability company if it consists of a sole member that is an entity under  
 57.27 clause (4); or

57.28 (6) an owner entity, as defined in Code of Federal Regulations, title 24, part 941.604,  
 57.29 for a qualified low-income housing project described in paragraph (b), clause (5).

57.30 This exemption applies regardless of whether the purchases are made by the owner  
 57.31 of the facility or a contractor.

57.32 (b) For purposes of this exemption, "qualified low-income housing project" means:

57.33 (1) a housing or mixed use project in which at least 20 percent of the residential units  
 57.34 are qualifying low-income rental housing units as defined in section ~~273.126~~ 273.128;

58.1 (2) a federally assisted low-income housing project financed by a mortgage insured  
58.2 or held by the United States Department of Housing and Urban Development under  
58.3 United States Code, title 12, section 1701s, 1715l(d)(3), 1715l(d)(4), or 1715z-1; United  
58.4 States Code, title 42, section 1437f; the Native American Housing Assistance and  
58.5 Self-Determination Act, United States Code, title 25, section 4101 et seq.; or any similar  
58.6 successor federal low-income housing program;

58.7 (3) a qualified low-income housing project as defined in United States Code, title  
58.8 26, section 42(g), meeting all of the requirements for a low-income housing credit under  
58.9 section 42 of the Internal Revenue Code regardless of whether the project actually applies  
58.10 for or receives a low-income housing credit;

58.11 (4) a project that will be operated in compliance with Internal Revenue Service  
58.12 revenue procedure 96-32; or

58.13 (5) a housing or mixed use project in which all or a portion of the residential units  
58.14 are subject to the requirements of section 5 of the United States Housing Act of 1937.

58.15 (c) For a project, a portion of which is not used for low-income housing units,  
58.16 the amount of purchases that are exempt under this subdivision must be determined by  
58.17 multiplying the total purchases, as specified in paragraph (a), by the ratio of:

58.18 (1) the total gross square footage of units subject to the income limits under section  
58.19 ~~273.126~~ 273.128, the financing for the project, the federal low-income housing tax credit,  
58.20 revenue procedure 96-32, or section 5 of the United States Housing Act of 1937, as  
58.21 applicable to the project; and

58.22 (2) the total gross square footage of all units in the project.

58.23 (d) The tax must be imposed and collected as if the rate under section 297A.62,  
58.24 subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

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

58.26 Sec. 8. Minnesota Statutes 2010, section 297A.89, subdivision 2, is amended to read:

58.27 Subd. 2. **Retailer does not collect.** The retailer shall not collect the tax from a  
58.28 purchaser who furnishes to the retailer a ~~copy of a~~ fully completed exemption certificate  
58.29 ~~issued by the commissioner authorizing as described in section 297A.72, indicating that~~  
58.30 the purchaser is authorized to pay any sales or use tax due on purchases made by the  
58.31 purchaser directly to the commissioner under subdivision 1.

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

59.1 Sec. 9. Minnesota Statutes 2010, section 297B.08, is amended to read:

59.2 **297B.08 TAX PAID IN OTHER STATE; CREDIT, RECIPROCITY.**

59.3 If any motor vehicle has been or is subject to a tax by any other state in respect to  
59.4 its sale or use, in an amount less than the tax imposed by this chapter ~~and chapter 297A~~,  
59.5 the provisions of this chapter ~~and chapter 297A~~, shall apply, but at a rate measured by  
59.6 the difference only between the rate fixed in this chapter ~~297A~~, and the rate by which the  
59.7 previous tax paid in the other state upon the sale or use was computed. If the rate of  
59.8 tax imposed in such other state is the same or more than the rate of tax imposed by this  
59.9 chapter ~~297A~~, then no tax shall be due on such motor vehicle. The provisions of this  
59.10 section shall apply only if such other state allows a credit with respect to the excise tax  
59.11 imposed by this chapter ~~and chapter 297A~~, which is substantially similar in effect to  
59.12 the credit allowed by this section.

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

59.14 Sec. 10. Laws 1986, chapter 462, section 31, as amended by Laws 1991, chapter 291,  
59.15 article 8, section 24, is amended to read:

59.16 Sec. 31. **AUTHORITY FOR TAXATION.**

59.17 Notwithstanding Minnesota Statutes, section 477A.016, or any other law, and  
59.18 supplemental to the tax imposed by Laws 1982, chapter 523, article 25, section 1, the city  
59.19 of St. Paul may impose, by ordinance, a tax, at a rate not greater than three percent, on the  
59.20 gross receipts from the furnishing for consideration of lodging and related services at a  
59.21 hotel, rooming house, tourist court, motel, or resort, other than the renting or leasing of  
59.22 space for a continuous period of 30 days or more. The tax does not apply to the furnishing  
59.23 of lodging and related services by a business having less than 50 lodging rooms. The tax  
59.24 shall be collected by and its proceeds paid to the city. Ninety-five percent of the revenues  
59.25 generated by this tax shall be used to fund a convention bureau to market and promote  
59.26 the city as a tourist or convention center.

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

59.29 **ARTICLE 5**

59.30 **SPECIAL TAXES**

59.31 Section 1. Minnesota Statutes 2010, section 296A.083, is amended by adding a  
59.32 subdivision to read:

60.1            Subd. 4. **Apportionment.** The surcharge under this section is subject to the  
60.2 apportionment provisions of section 296A.18.

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

60.4            Sec. 2. Minnesota Statutes 2010, section 296A.18, is amended by adding a subdivision  
60.5 to read:

60.6            Subd. 6a. **Computation of nonhighway use amounts.** The nonhighway use  
60.7 amounts determined in subdivisions 2 to 6 must be transferred from the highway user tax  
60.8 distribution fund to the accounts as provided for in sections 84.794, 84.803, 84.83, 84.927,  
60.9 and 86B.706. These amounts, together with interest and penalties for delinquency in  
60.10 payment, paid or collected pursuant to the provisions of this chapter, must be computed  
60.11 for each six-month period ending June 30 and December 31 and must be transferred on  
60.12 November 1 and June 1 following each six-month period.

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

60.14            Sec. 3. Minnesota Statutes 2010, section 296A.18, subdivision 7, is amended to read:

60.15            Subd. 7. **Forest road.** Approximately 0.116 percent of the total annual unrefunded  
60.16 revenue from the gasoline fuel tax on all gasoline and special fuel received in, produced,  
60.17 or brought into this state, except gasoline and special fuel used for aviation purposes, is  
60.18 derived from the operation of motor vehicles on state forest roads and county forest access  
60.19 roads. This revenue, together with interest and penalties for delinquency in payment, paid  
60.20 or collected pursuant to the provisions of this chapter, is appropriated from the highway  
60.21 user tax distribution fund and must be transferred and credited in equal installments on  
60.22 July 1 and January 1 to the state forest road account established in section 89.70. Of this  
60.23 amount, 0.0605 percent is annually derived from motor vehicles operated on state forest  
60.24 roads and 0.0555 percent is annually derived from motor vehicles operated on county  
60.25 forest access roads in this state. An amount equal to 0.0555 percent of the unrefunded  
60.26 revenue must be annually transferred to counties for the management and maintenance of  
60.27 county forest roads.

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

60.29            Sec. 4. Minnesota Statutes 2010, section 297I.15, is amended by adding a subdivision  
60.30 to read:

60.31            Subd. 12. **Federal Employees Health Benefits Program.** Premiums received  
60.32 under the Federal Employees Health Benefits Act, United States Code, title 5, section



61.1 8909(f), as amended by the Omnibus Reconciliation Act of 1990, are exempt from the  
61.2 taxes and surcharges imposed under this chapter.

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

61.4 Sec. 5. Minnesota Statutes 2010, section 298.28, subdivision 2, is amended to read:

61.5 Subd. 2. **City or town where quarried or produced.** (a) 4.5 cents per gross ton of  
61.6 merchantable iron ore concentrate, hereinafter referred to as "taxable ton," plus the amount  
61.7 provided in paragraph (c), must be allocated to the city or town in the county in which  
61.8 the lands from which taconite was mined or quarried were located or within which the  
61.9 concentrate was produced. If the mining, quarrying, and concentration, or different steps  
61.10 in either thereof are carried on in more than one taxing district, the commissioner shall  
61.11 apportion equitably the proceeds of the part of the tax going to cities and towns among  
61.12 such subdivisions upon the basis of attributing 50 percent of the proceeds of the tax to  
61.13 the operation of mining or quarrying the taconite, and the remainder to the concentrating  
61.14 plant and to the processes of concentration, and with respect to each thereof giving due  
61.15 consideration to the relative extent of such operations performed in each such taxing  
61.16 district. The commissioner's order making such apportionment shall be subject to review  
61.17 by the Tax Court at the instance of any of the interested taxing districts, in the same  
61.18 manner as other orders of the commissioner.

61.19 (b) Four cents per taxable ton shall be allocated to cities and organized townships  
61.20 affected by mining because their boundaries are within three miles of a taconite mine pit  
61.21 that has been actively mined in at least one of the prior three years. If a city or town is  
61.22 located near more than one mine meeting these criteria, the city or town is eligible to  
61.23 receive aid calculated from only the mine producing the largest taxable tonnage. When  
61.24 more than one municipality qualifies for aid based on one company's production, the aid  
61.25 must be apportioned among the municipalities in proportion to their populations. Of the  
61.26 amounts distributed under this paragraph to each municipality, one-half must be used for  
61.27 infrastructure improvement projects, and one-half must be used for projects in which two  
61.28 or more municipalities cooperate. Each municipality that receives a distribution under this  
61.29 paragraph must report annually to the Iron Range Resources and Rehabilitation Board and  
61.30 the commissioner of Iron Range resources and rehabilitation on the projects involving  
61.31 cooperation with other municipalities.

61.32 (c) The amount that would have been computed for the current year under Minnesota  
61.33 Statutes 2008, section 126C.21, subdivision 4, for a school district ~~within which the~~  
61.34 ~~taconite was mined or quarried or within which the concentrate is produced is added to~~  
61.35 ~~the amount to be distributed to the cities and towns located within that school district as~~

62.1 ~~provided in paragraph (a)~~ shall be distributed to the cities and townships within the school  
62.2 district in the proportion that their taxable net tax capacity within the school district bears  
62.3 to the taxable net tax capacity of the school district for property taxes payable in the  
62.4 year prior to distribution.

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

62.6 Sec. 6. **REPEALER.**

62.7 Minnesota Statutes 2010, section 296A.18, subdivision 9, is repealed.

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

62.9 **ARTICLE 6**

62.10 **MISCELLANEOUS**

62.11 Section 1. Minnesota Statutes 2010, section 69.031, subdivision 1, is amended to read:

62.12 Subdivision 1. **Commissioner's warrant.** (a) The commissioner of management  
62.13 and budget shall issue to the Public Employees Retirement Association on behalf of  
62.14 a municipality or independent nonprofit firefighting corporation that is a member of the  
62.15 voluntary statewide lump-sum volunteer firefighter retirement plan under chapter 353G  
62.16 or to the county, municipality, or independent nonprofit firefighting corporation certified  
62.17 to the commissioner of management and budget by the commissioner a warrant for an  
62.18 amount equal to the amount of fire state aid or police state aid, whichever applies, certified  
62.19 for the applicable state aid recipient by the commissioner under section 69.021.

62.20 (b) The amount of state aid due and not paid by October 1 accrues interest at the rate  
62.21 of one percent for each month or part of a month the amount remains unpaid, ~~beginning~~  
62.22 ~~the preceding July 1~~ after October 1.

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

62.24 Sec. 2. Minnesota Statutes 2010, section 116J.8737, subdivision 1, is amended to read:

62.25 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms  
62.26 have the meanings given.

62.27 (b) "Qualified small business" means a business that has been certified by the  
62.28 commissioner under subdivision 2.

62.29 (c) "Qualified investor" means an investor who has been certified by the  
62.30 commissioner under subdivision 3.

(d) "Qualified fund" means a pooled angel investment network fund that has been certified by the commissioner under subdivision 4.

(e) "Qualified investment" means a cash investment in a qualified small business of a minimum of:

(1) \$10,000 in a calendar year by a qualified investor; or

(2) \$30,000 in a calendar year by a qualified fund.

A qualified investment must be made in exchange for common stock, a partnership or membership interest, preferred stock, debt with mandatory conversion to equity, or an equivalent ownership interest as determined by the commissioner.

(f) "Family" means a family member within the meaning of the Internal Revenue Code, section 267(c)(4).

(g) "Pass-through entity" means a corporation that for the applicable taxable year is treated as an S corporation or a general partnership, limited partnership, limited liability partnership, trust, or limited liability company and which for the applicable taxable year is not taxed as a corporation under chapter 290.

(h) "Intern" means a student of an accredited institution of higher education, or a former student who has graduated in the past six months from an accredited institution of higher education, who is employed by a qualified small business in a nonpermanent position for a duration of nine months or less that provides training and experience in the primary business activity of the business.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2011.

Sec. 3. Minnesota Statutes 2010, section 116J.8737, subdivision 2, is amended to read:

Subd. 2. **Certification of qualified small businesses.** (a) Businesses may apply to the commissioner for certification as a qualified small business for a calendar year. The application must be in the form and be made under the procedures specified by the commissioner, accompanied by an application fee of \$150. Application fees are deposited in the small business investment tax credit administration account in the special revenue fund. The application for certification for 2010 must be made available on the department's Web site by August 1, 2010. Applications for subsequent years' certification must be made available on the department's Web site by November 1 of the preceding year.

(b) Within 30 days of receiving an application for certification under this subdivision, the commissioner must either certify the business as satisfying the conditions required of a qualified small business, request additional information from the business, or reject the application for certification. If the commissioner requests additional information from the business, the commissioner must either certify the business or reject the application within

30 days of receiving the additional information. If the commissioner neither certifies the business nor rejects the application within 30 days of receiving the original application or within 30 days of receiving the additional information requested, whichever is later, then the application is deemed rejected, and the commissioner must refund the \$150 application fee. A business that applies for certification and is rejected may reapply.

(c) To receive certification, a business must satisfy all of the following conditions:

(1) the business has its headquarters in Minnesota;

(2) at least 51 percent of the business's employees are employed in Minnesota, and 51 percent of the business's total payroll is paid or incurred in the state;

(3) the business is engaged in, or is committed to engage in, innovation in Minnesota in one of the following as its primary business activity:

(i) using proprietary technology to add value to a product, process, or service in a qualified high-technology field;

(ii) researching or developing a proprietary product, process, or service in a qualified high-technology field; or

(iii) researching, developing, or producing a new proprietary technology for use in the fields of agriculture, tourism, forestry, mining, manufacturing, or transportation;

(4) other than the activities specifically listed in clause (3), the business is not engaged in real estate development, insurance, banking, lending, lobbying, political consulting, information technology consulting, wholesale or retail trade, leisure, hospitality, transportation, construction, ethanol production from corn, or professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants;

(5) the business has fewer than 25 employees;

(6) the business must pay its employees annual wages of at least 175 percent of the federal poverty guideline for the year for a family of four and must pay its interns annual wages of at least 175 percent of the federal minimum wage used for federally covered employers, except that this requirement must be reduced proportionately for employees and interns who work less than full-time, and does not apply to an executive, officer, or member of the board of the business, or to any employee who owns, controls, or holds power to vote more than 20 percent of the outstanding securities of the business;

(7) the business has not been in operation for more than ten years;

(8) the business has not previously received private equity investments of more than ~~\$2,000,000~~ \$4,000,000; and

(9) the business is not an entity disqualified under section 80A.50, paragraph (b), clause (3).

65.1 (d) In applying the limit under paragraph (c), clause (5), the employees in all  
65.2 members of the unitary business, as defined in section 290.17, subdivision 4, must be  
65.3 included.

65.4 (e) In order for a qualified investment in a business to be eligible for tax credits, the  
65.5 business must have applied for and received certification for the calendar year in which  
65.6 the investment was made prior to the date on which the qualified investment was made.

65.7 (f) The commissioner must maintain a list of businesses certified under this  
65.8 subdivision for the calendar year and make the list accessible to the public on the  
65.9 department's Web site.

65.10 (g) For purposes of this subdivision, the following terms have the meanings given:

65.11 (1) "qualified high-technology field" includes aerospace, agricultural processing,  
65.12 renewable energy, energy efficiency and conservation, environmental engineering, food  
65.13 technology, cellulosic ethanol, information technology, materials science technology,  
65.14 nanotechnology, telecommunications, biotechnology, medical device products,  
65.15 pharmaceuticals, diagnostics, biologicals, chemistry, veterinary science, and similar  
65.16 fields; and

65.17 (2) "proprietary technology" means the technical innovations that are unique and  
65.18 legally owned or licensed by a business and includes, without limitation, those innovations  
65.19 that are patented, patent pending, a subject of trade secrets, or copyrighted.

65.20 **EFFECTIVE DATE.** This section is effective retroactively from January 1, 2011.

65.21 Sec. 4. Minnesota Statutes 2010, section 116J.8737, subdivision 4, is amended to read:

65.22 Subd. 4. **Certification of qualified funds.** (a) A pass-through entity may apply to  
65.23 the commissioner for certification as a qualified fund for a calendar year. The application  
65.24 must be in the form and be made under the procedures specified by the commissioner,  
65.25 accompanied by an application fee of \$1,000. Application fees are deposited in the small  
65.26 business investment tax credit administration account in the special revenue fund. The  
65.27 application for certification for 2010 of qualified funds must be made available on the  
65.28 department's Web site by August 1, 2010. Applications for subsequent years' certification  
65.29 must be made available by November 1 of the preceding year.

65.30 (b) Within 30 days of receiving an application for certification under this subdivision,  
65.31 the commissioner must either certify the fund as satisfying the conditions required of a  
65.32 qualified fund, request additional information from the fund, or reject the application  
65.33 for certification. If the commissioner requests additional information from the fund,  
65.34 the commissioner must either certify the fund or reject the application within 30 days  
65.35 of receiving the additional information. If the commissioner neither certifies the fund

nor rejects the application within 30 days of receiving the original application or within 30 days of receiving the additional information requested, whichever is later, then the application is deemed rejected, and the commissioner must refund the \$1,000 application fee. A fund that applies for certification and is rejected may reapply.

(c) To receive certification, a fund must:

(1) invest or intend to invest in qualified small businesses;

(2) be organized as a pass-through entity; and

(3) have at least three separate investors, ~~all~~ of whom at least three whose investment is made in the certified business and who seek a tax credit allocation satisfy the conditions in subdivision 3, paragraph (c).

(d) Investments in the fund may consist of equity investments or notes that pay interest or other fixed amounts, or any combination of both.

(e) In order for a qualified investment in a qualified small business to be eligible for tax credits, a qualified fund that makes the investment must have applied for and received certification for the calendar year prior to making the qualified investment.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2011.

Sec. 5. 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

67.1 section 270A.07, subdivision 2, paragraph (b), serves as the appropriate legal notice  
67.2 to the spouse who does not owe the debt.

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

67.4 Sec. 6. **[270C.101] APPLICATION FOR BUSINESS REGISTRATION;**  
67.5 **CERTAIN INFORMATION NOT REQUIRED.**

67.6 Notwithstanding any law to the contrary, an entity applying for a Minnesota business  
67.7 tax account number is not required to list the names, home addresses, and Social Security  
67.8 numbers of its officers or directors when the entity applying for an account number is an  
67.9 instrumentality of a state, a local, or the federal government, or a tribal government.

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

67.11 Sec. 7. Minnesota Statutes 2010, section 270C.13, subdivision 2, is amended to read:

67.12 Subd. 2. **Bill analyses.** (a) At the request of the chair of the house of representatives  
67.13 Tax Committee or the senate Committee on Taxes and Tax Laws, the commissioner shall  
67.14 prepare an incidence impact analysis of a bill or a proposal to change the tax system which  
67.15 increases, decreases, or redistributes taxes by more than \$20,000,000. To the extent data  
67.16 is available on the changes in the distribution of the tax burden that are affected by the  
67.17 bill or proposal, the analysis shall report on the incidence effects that would result if the  
67.18 bill were enacted. The report may present information using systemwide measures, such  
67.19 as Suits or other similar indexes, by income classes, taxpayer characteristics, or other  
67.20 relevant categories. The report may include analyses of the effect of the bill or proposal  
67.21 on representative taxpayers. The analysis must include a statement of the incidence  
67.22 assumptions that were used in computing the burdens.

67.23 (b) The commissioner shall notify the chairs of the house of representatives and  
67.24 senate committees with primary jurisdiction over taxation when the commissioner  
67.25 receives a request to prepare an analysis of the type described under paragraph (a) and  
67.26 the commissioner has determined to prepare the analysis.

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

67.28 Sec. 8. Minnesota Statutes 2010, section 270C.30, is amended to read:

67.29 **270C.30 RETURNS AND OTHER DOCUMENTS; FORMAT; FURNISHING.**

68.1 The commissioner shall prescribe the content and format of all returns and other  
68.2 forms required to be filed under a law administered by the commissioner, and may furnish  
68.3 them subject to charge on application.

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

68.5 Sec. 9. **[270C.301] ROUNDING OF DOLLAR AMOUNTS REPORTED ON**  
68.6 **TAX FORMS.**

68.7 Where not otherwise provided by law, in computing the dollar amount of items  
68.8 reported on any return or other document, and accompanying schedules, filed with the  
68.9 commissioner, money items may, in the discretion of the commissioner, be rounded off to  
68.10 the nearest whole dollar amount, disregarding amounts less than 50 cents and increasing  
68.11 amounts of 50 cents to 99 cents to the next highest dollar.

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

68.13 Sec. 10. Minnesota Statutes 2010, section 270C.32, subdivision 3, is amended to read:

68.14 Subd. 3. **Third-party subpoena where taxpayer's identity is known.** (a) An  
68.15 examination or investigation may extend to a person that the commissioner determines has  
68.16 access to information that may be relevant to the examination or investigation. When a  
68.17 subpoena requiring the production of records as described in subdivision 1 is served on a  
68.18 third-party record keeper, written notice of the subpoena must be mailed to the taxpayer  
68.19 and to any other person who is identified in the subpoena. The notices must be given  
68.20 within three days of the day on which the subpoena is served. The notice required by this  
68.21 subdivision is sufficient if it is mailed to the last known address of the addressee.

68.22 (b) The provisions of this subdivision regarding notice to the taxpayer or other  
68.23 parties identified in the subpoena do not apply if there is reasonable cause to believe  
68.24 that the giving of notice may lead to attempts to conceal, destroy, or alter records or  
68.25 assets relevant to the examination, to prevent the communication of information from  
68.26 other persons through intimidation, bribery, or collusion, or to flee to avoid prosecution,  
68.27 testifying, or production of records. Notice is not required under this subdivision or under  
68.28 another law if the taxpayer or other parties identified in the subpoena are under criminal  
68.29 investigation, and the subpoena has been issued as part of the criminal investigation.

68.30 (c) A third-party record keeper who is advised that a subpoena has been issued as  
68.31 part of a criminal investigation is prohibited from informing by any means the taxpayer  
68.32 or other parties identified in the subpoena of the receipt of the subpoena, the contents of



69.1 the subpoena, or the fact that the taxpayer or other parties identified may be or are under  
69.2 criminal investigation.

69.3 **EFFECTIVE DATE.** This section is effective for subpoenas served after the day  
69.4 following final enactment.

69.5 Sec. 11. Minnesota Statutes 2010, section 270C.32, is amended by adding a subdivision  
69.6 to read:

69.7 **Subd. 11. Service of subpoenas.** A subpoena authorized by this section may be  
69.8 served by mail or delivery.

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

69.10 Sec. 12. Minnesota Statutes 2010, section 270C.64, is amended to read:

69.11 **270C.64 CREDIT OF OVERPAYMENT OR PAYMENT TO DELINQUENT**  
69.12 **TAX LIABILITIES.**

69.13 Notwithstanding any other provision of law to the contrary, in the case of an  
69.14 overpayment of any tax collected by the commissioner, or any refund, credit, claim, or  
69.15 other payment payable by the commissioner to any person under a law administered by the  
69.16 commissioner, the commissioner may credit the amount of such overpayment or payment  
69.17 against any uncontested delinquent tax liability on the part of the taxpayer person who  
69.18 made is entitled to the overpayment or payment. An overpayment or payment may be  
69.19 credited under this section only if the uncontested delinquent liability has been assessed  
69.20 within ten years of the date on which the overpayment or payment is credited. However,  
69.21 this limitation shall not be applicable if the delinquent liability has been entered into  
69.22 judgment or if legal action is pending for collection of the liability or for renewal of the  
69.23 judgment. An amount paid as tax shall constitute an overpayment even if in fact there was  
69.24 no tax liability with respect to which such amount was paid.

69.25 **EFFECTIVE DATE.** This section is effective for liabilities becoming delinquent  
69.26 after the day of final enactment.

69.27 Sec. 13. Minnesota Statutes 2010, section 270C.7101, subdivision 2, is amended to  
69.28 read:

69.29 **Subd. 2. Notice of sale.** The commissioner shall as soon as practicable after the  
69.30 seizure of the property give notice of sale of the property to the owner, in the manner of  
69.31 service prescribed in subdivision 1. In the case of personal property, the notice shall be

served at least ten days prior to the sale. In the case of real property, the notice shall be served at least four weeks prior to the sale. The commissioner shall also cause public notice of each sale to be made. In the case of personal property, notice shall be posted at least ten days prior to the sale ~~at the county courthouse for the county where the seizure is made, and in not less than two other~~ in not less than three public places. For purposes of this requirement, the Internet is a public place for posting the information. In the case of real property, six weeks' published notice shall be given prior to the sale, in a newspaper published or generally circulated in the county. The notice of sale provided in this subdivision shall specify the property to be sold, and the time, place, manner, and conditions of the sale. Whenever levy is made without regard to the 30-day period provided in section 270C.67, subdivision 3, public notice of sale of the property seized shall not be made within the 30-day period unless section 270C.7102 (relating to sale of perishable goods) is applicable.

**EFFECTIVE DATE.** This section is effective for seizures begun on or after the day following final enactment.

Sec. 14. Minnesota Statutes 2010, section 270C.711, is amended to read:

**270C.711 ACQUISITION AND RESALE OF SEIZED PROPERTY.**

For the purpose of enabling the commissioner to purchase or redeem seized property in which the state of Minnesota has an interest arising from a lien for unpaid taxes, or to provide for the operating costs of collection activities of the department, there is appropriated to the commissioner an amount representing the cost of such purchases, redemptions, or collection activities. Seized property acquired by the state of Minnesota to satisfy unpaid taxes shall be resold by the commissioner. The commissioner shall preserve the value of seized property while controlling it, including but not limited to the procurement of insurance. For the purpose of refunding the proceeds from the sale of levied or redeemed property which are in excess of the actual tax liability plus costs of acquiring the property, there is hereby created a levied and redeemed property refund account in the agency fund. All amounts deposited into this account are appropriated to the commissioner. The commissioner shall report ~~quarterly~~ annually on the status of this program to the chairs and ranking minority members of the ~~house of representatives taxes and Ways and Means Committees and senate Taxes and Tax Laws and Finance Committees~~ legislative committees having jurisdiction over taxes and finance of the house of representatives and senate.

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

71.1 Sec. 15. Minnesota Statutes 2010, section 287.05, subdivision 2, is amended to read:

71.2 Subd. 2. **Supplemental mortgages.** (a) Except for an amendment or a revision to a  
71.3 reverse mortgage as described under subdivision 6, any document that alters an existing  
71.4 mortgage by providing for an increase in the amount of debt secured by real property  
71.5 located in this state, or, in the case of a multistate mortgage described in subdivision 1,  
71.6 paragraph (b), an increase in the percentage of Minnesota real estate as compared to  
71.7 the total real estate that is encumbered by the mortgage, shall be taxed based upon the  
71.8 increase in the amount of the debt determined to be secured by real property located in  
71.9 this state under either subdivision 1 or 1a.

71.10 (b) Except as provided in subdivision 3, any document that alters an existing  
71.11 mortgage to secure debt that was (i) advanced, (ii) repaid in whole or in part, and (iii) then  
71.12 readvanced in whole or in part, shall be taxed based upon the new amounts advanced, even  
71.13 if the maximum debt previously secured by the mortgage is not exceeded.

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

71.15 Sec. 16. Minnesota Statutes 2010, section 469.319, subdivision 5, is amended to read:

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

- 71.23 (1) a natural disaster;  
71.24 (2) unforeseen industry trends; or  
71.25 (3) loss of a major supplier or customer.

71.26 (b)(1) The commissioner shall waive repayment required under subdivision 1a if  
71.27 the commissioner has waived repayment by the operating business under subdivision 1,  
71.28 unless the person that received benefits without having to operate a business in the zone  
71.29 was a contributing factor in the qualified business becoming subject to repayment under  
71.30 subdivision 1;

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

- 71.33 (i) the person that received benefits without having to operate a business in the zone  
71.34 and the business that operated in the zone are not related parties as defined in section  
71.35 267(b) of the Internal Revenue Code of 1986, as amended through December 31, 2007; and

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

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

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

72.9 Sec. 17. **CITY OF SAUK RAPIDS TAX INCREMENT FINANCING DISTRICT;**  
72.10 **INCLUSION OF PARCELS.**

72.11 Minnesota Statutes, section 469.176, subdivision 7, that restricts inclusion of parcels  
72.12 qualifying under Minnesota Statutes, section 273.111, in a tax increment financing district,  
72.13 does not apply to parcels located in the city of Sauk Rapids with the following parcel  
72.14 identification numbers: 19.04173.00, 19.04174.00, and 19.04176.00, if these parcels  
72.15 have been withdrawn from the program under Minnesota Statutes, section 273.111, by  
72.16 June 30, 2011.

72.17 **EFFECTIVE DATE.** This act is effective the day following final enactment after  
72.18 compliance by the governing body of the city of Sauk Rapids with the requirements of  
72.19 Minnesota Statutes, section 645.021, subdivision 3.

72.20 Sec. 18. **REPEALER.**

72.21 Minnesota Statutes 2010, sections 290.06, subdivision 10; and 290A.27, are repealed.

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

APPENDIX  
Article locations in h1219-1

ARTICLE 1	INDIVIDUAL INCOME AND WITHHOLDING TAXES .....	Page.Ln 2.1
ARTICLE 2	ESTATE TAXES .....	Page.Ln 20.1
ARTICLE 3	PROPERTY TAXES .....	Page.Ln 21.13
ARTICLE 4	SALES AND USE TAXES .....	Page.Ln 49.26
ARTICLE 5	SPECIAL TAXES .....	Page.Ln 59.29
ARTICLE 6	MISCELLANEOUS .....	Page.Ln 62.9

**17.459 HORSES.**

Subd. 3. **Nonapplicability for property tax laws.** This section does not apply to the treatment of land used for raising horses under chapter 273.

**272.02 EXEMPT PROPERTY.**

Subd. 34. **Limitations on exemptions.** The exemptions granted by subdivisions 1 to 33 are subject to the limits contained in the other subdivisions of this section, section 272.025, or 273.13, subdivision 25, paragraph (c), clause (1) or (2), or paragraph (d), clause (2).

**273.124 HOMESTEAD DETERMINATION; SPECIAL RULES.**

Subd. 10. **Real estate purchased for occupancy as a homestead.** Real estate purchased for occupancy as a homestead must be classified as class 1 or class 2a if the purchaser is prevented from obtaining possession on January 2 next following the purchase by reason of federal or state rent control laws or regulations.

**281.37 INTEREST WHEN LAND NOT IN LIST.**

When any parcel of land upon which taxes are delinquent is omitted for any year from the list filed by the county auditor with the court administrator of the district court, such delinquent taxes shall bear interest at the rate of 12 percent per annum from the second Monday of May in the year in which the taxes became delinquent.

**290.06 RATES OF TAX; CREDITS.**

Subd. 10. **Computation of tax.** In computing the dollar amount of items on the income tax return and accompanying schedules, such money items may be rounded off to the nearest whole dollar amount, disregarding amounts less than 50 cents and increasing amounts of 50 cents to 99 cents to the next highest dollar.

**290A.27 ROUNDING.**

In computing the dollar amount of items on the property tax refund claim form and accompanying schedules, items may be rounded off to the nearest whole dollar amount, disregarding amounts of less than 50 cents and increasing amounts of 50 cents to 99 cents to the next highest dollar.

**296A.18 APPORTIONMENT OF TAX; DEPOSIT OF PROCEEDS.**

Subd. 9. **Computation of unrefunded tax.** The amount of unrefunded tax shall be a sum equal to 1-1/2 percent of all revenues derived from the excise taxes on gasoline, except on gasoline used for aviation purposes, together with interest thereon and penalties for delinquency in payment, paid or collected pursuant to the provisions of this chapter. The amount of such tax shall be computed for each six-month period and shall be paid into the state treasury on November 1 and June 1 following each six-month period.