

HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. **2337**

02/16/2012 Authored by Davids

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

03/19/2012 Adoption of Report: Pass as Amended and re-referred to the Committee on Ways and Means

03/20/2012 Adoption of Report: Pass as Amended and Read Second Time

03/21/2012 Fiscal Calendar, Amended

Read Third Time as Amended

Passed by the House as Amended and transmitted to the Senate to include Floor Amendments

1.1 A bill for an act
 1.2 relating to financing of state and local government; making changes to individual
 1.3 income, corporate franchise, property, sales and use, mineral, liquor, aggregate
 1.4 materials, local, and other taxes and tax-related provisions; changing and
 1.5 providing income and franchise tax credits, exemptions, and deductions;
 1.6 providing for taxation of foreign operating companies; providing a corporate tax
 1.7 benefit transfer program; changing certain mining tax rates and allocation of tax
 1.8 proceeds; changing property tax interest, credits, and exemptions, and providing
 1.9 for use of a local levy; phasing out the state general levy; modifying the renter
 1.10 property tax refund and providing a supplemental targeting refund; modifying
 1.11 city aid payments; modifying tax increment financing district requirements;
 1.12 authorizing, changing, and extending tax increment financing districts in certain
 1.13 local governments; changing sales and use tax payment requirements and
 1.14 changing and providing exemptions; modifying use of revenues and authorizing
 1.15 extension of certain sales and lodging taxes for certain cities; changing liquor tax
 1.16 reporting and credits; allocating funds to border city enterprise zones; authorizing
 1.17 certain local governments to issue public debt; establishing a truth in taxation
 1.18 task force; establishing a tax reform action committee; establishing a greater
 1.19 Minnesota internship program; requiring reports; requiring a funds transfer
 1.20 appropriating money; amending Minnesota Statutes 2010, sections 116J.8737,
 1.21 subdivisions 5, 8, by adding a subdivision; 273.113; 275.025, subdivisions 1,
 1.22 2, 4; 279.03, subdivisions 1a, 2; 289A.08, subdivision 3; 289A.20, subdivision
 1.23 4; 290.01, subdivisions 19d, 29; 290.06, by adding subdivisions; 290.068,
 1.24 subdivision 1; 290.17, subdivision 4; 290.21, subdivision 4; 290A.04,
 1.25 subdivision 2a, by adding a subdivision; 290A.23, subdivision 1; 290B.07;
 1.26 290B.08, subdivision 2; 297A.68, subdivision 5; 297A.70, subdivision 4, by
 1.27 adding a subdivision; 297A.8155; 297G.04, subdivision 2; 298.018, subdivision
 1.28 1; 298.28, subdivision 4; 298.75, by adding a subdivision; 469.169, by adding
 1.29 a subdivision; 477A.011, subdivision 36; 477A.013, by adding a subdivision;
 1.30 Minnesota Statutes 2011 Supplement, sections 116J.8737, subdivisions 1, 2;
 1.31 290.01, subdivision 19c; 290A.03, subdivisions 11, 13; 290A.04, subdivision
 1.32 4; 298.01, subdivision 3; 298.015, subdivision 1; 298.28, subdivision 2;
 1.33 469.176, subdivisions 4c, 4m; 469.1763, subdivision 2; 477A.013, subdivision
 1.34 9; Laws 1971, chapter 773, section 1, subdivision 2, as amended; Laws 1988,
 1.35 chapter 645, section 3, as amended; Laws 1998, chapter 389, article 8, section
 1.36 43, subdivision 3, as amended; Laws 2002, chapter 377, article 3, section 25,
 1.37 as amended; Laws 2003, chapter 127, article 12, section 28; Laws 2005, First
 1.38 Special Session chapter 3, article 5, section 37, subdivisions 2, 4; Laws 2008,
 1.39 chapter 366, article 5, section 34, as amended; article 7, section 19, subdivision

2.1 3, as amended; Laws 2010, chapter 389, article 1, section 12; proposing coding
2.2 for new law in Minnesota Statutes, chapters 116J; 136A; repealing Minnesota
2.3 Statutes 2010, section 290.0921, subdivision 7; Minnesota Statutes 2011
2.4 Supplement, section 289A.60, subdivision 31; Laws 2009, chapter 88, article 4,
2.5 section 23, as amended.

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

2.7 **ARTICLE 1**

2.8 **PROPERTY TAXES**

2.9 Section 1. Minnesota Statutes 2010, section 273.113, is amended to read:

2.10 **273.113 TAX CREDIT FOR PROPERTY IN ~~PROPOSED~~ BOVINE**
2.11 **TUBERCULOSIS ~~MODIFIED-ACCREDITED~~ MANAGEMENT ZONE.**

2.12 Subdivision 1. **Definitions.** For the purposes of this section, the following terms
2.13 have the meanings given to them:

2.14 (1) "bovine tuberculosis ~~modified-accrued~~ management zone" means the ~~modified~~
2.15 ~~accrued~~ management zone designated by the Board of Animal Health under section
2.16 35.244;

2.17 (2) "located within" means that the herd is kept in the area for at least a part of
2.18 calendar year 2006, 2007, or 2008; and

2.19 (3) "animal" means cattle, bison, goats, and farmed cervidae.

2.20 Subd. 2. **Eligibility; amount of credit.** Agricultural and rural vacant land classified
2.21 under section 273.13, subdivision 23, located within a bovine tuberculosis ~~modified~~
2.22 ~~accrued~~ management zone is eligible for a property tax credit equal to ~~the greater of: (1)~~
2.23 ~~\$5 per acre on the first 160 acres of the property where the herd had been located; or (2) an~~
2.24 ~~amount equal to \$5 per acre times five acres times the highest number of animals tested~~
2.25 ~~on the property for bovine tuberculosis in a whole-herd test as reported by the Board of~~
2.26 ~~Animal Health in 2006, 2007, or 2008~~ the amount of credit received under this section for
2.27 taxes payable in 2011. The amount of the credit cannot exceed the property tax payable on
2.28 the property where the herd had been located, excluding any tax attributable to residential
2.29 structures. ~~To begin to~~ qualify for the tax credit for taxes payable in 2012, the owner shall
2.30 file an application with the county by ~~December 1 of the levy year~~ July 1, 2012. For
2.31 taxes payable in 2012, the credit shall be paid as a direct payment to the property owner,
2.32 issued by the county within 30 days of receipt of the application, provided that there are
2.33 no delinquent taxes on the property. The credit must be given for each subsequent taxes
2.34 payable year until the credit terminates under subdivision 4. For taxes payable in 2013
2.35 and thereafter, the assessor shall indicate the amount of the property tax reduction on the
2.36 property tax statement of each taxpayer receiving a credit under this section. For taxes

payable in 2013 and thereafter, the credit paid pursuant to this section shall be deducted from the tax due on the property as provided in section 273.1393.

Subd. 3. **Reimbursement for lost revenue.** The county auditor shall certify to the commissioner of revenue, as part of the abstracts of tax lists required to be filed with the commissioner under section 275.29, the amount of tax lost to the county from the property tax credit under subdivision 2, except that for taxes payable in 2012 only, the county shall submit the credit amounts to the commissioner of revenue in a separate report, in a form prescribed by the commissioner, prior to August 15, 2012. Any prior year adjustments must also be certified in the abstracts of tax lists. The commissioner of revenue shall review the certifications to determine their accuracy. The commissioner may make the changes in the certification that are considered necessary or return a certification to the county auditor for corrections. The commissioner shall reimburse each taxing district, other than school districts, for the taxes lost. The payments must be made at the time provided in section 473H.10 for payment to taxing jurisdictions in the same proportion that the ad valorem tax is distributed, except that for taxes payable in 2012 the entire reimbursement must be made to the county. Reimbursements to school districts must be made as provided in section 273.1392. The amount necessary to make the reimbursements under this section is annually appropriated from the general fund to the commissioner of revenue.

Subd. 4. **Termination of credit.** The credits provided under this section cease to be available beginning with taxes payable in the year following the date when the Board of Animal Health notifies the commissioner of revenue in writing that the board has ~~certified that the state is free of~~ discontinued all required bovine tuberculosis related activities within the bovine tuberculosis management zone.

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

Sec. 2. Minnesota Statutes 2010, section 275.025, subdivision 1, is amended to read:

Subdivision 1. **Levy amount.** (a) The state general levy is levied against commercial-industrial property and seasonal residential recreational property, as defined in this section.

(b) The state general levy base amount for commercial-industrial property is \$721,752,000. For taxes payable in 2013, the state general levy for commercial-industrial property is equal to the base amount. For taxes payable in 2014 to taxes payable in 2024, the levy is reduced each year from the previous year's levy amount by 8.33 percent of

the base amount. For taxes payable in 2025 and thereafter, the state general levy for commercial-industrial property is \$0.

(c) The state general levy base amount for seasonal recreational property is ~~\$592,000,000 for taxes payable in 2002~~ \$40,871,000. For taxes payable in subsequent years, ~~the levy 2013, the state general levy for seasonal-recreational property is equal to the base amount is increased each year by multiplying the levy base amount for the prior year by the sum of one plus the rate of increase, if any, in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 of the year prior to the year the taxes are payable.~~ For taxes payable in 2014 to taxes payable in 2024, the levy is reduced each year from the previous year's levy amount by 8.33 percent of the base amount. For taxes payable in 2025 and thereafter, the state general levy for seasonal-recreational property is \$0.

(d) The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F.

(e) The commissioner shall increase or decrease the preliminary or final ~~rate~~ rates for a year as necessary to account for errors and tax base changes that affected a preliminary or final rate for either of the two preceding years. Adjustments are allowed to the extent that the necessary information is available to the commissioner at the time the rates for a year must be certified, and for the following reasons:

(1) an erroneous report of taxable value by a local official;

(2) an erroneous calculation by the commissioner; and

(3) an increase or decrease in taxable value for commercial-industrial or seasonal residential recreational property reported on the abstracts of tax lists submitted under section 275.29 that was not reported on the abstracts of assessment submitted under section 270C.89 for the same year.

(f) The commissioner may, but need not, make adjustments if the total difference in the tax levied for the year would be less than \$100,000.

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

Sec. 3. Minnesota Statutes 2010, section 275.025, subdivision 2, is amended to read:

Subd. 2. **Commercial-industrial tax capacity.** For the purposes of this section, "commercial-industrial tax capacity" means the tax capacity of all taxable property classified as class 3 or class 5(1) under section 273.13, ~~except for~~ excluding electric

generation attached machinery under class 3 and property described in section 473.625, and provided that property in the first tier of value as defined in section 273.13, subdivision 24, has a tax capacity for this purpose equal to 30 percent of its tax capacity under section 273.13. County commercial-industrial tax capacity amounts are not adjusted for the captured net tax capacity of a tax increment financing district under section 469.177, subdivision 2, the net tax capacity of transmission lines deducted from a local government's total net tax capacity under section 273.425, or fiscal disparities contribution and distribution net tax capacities under chapter 276A or 473F.

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

Sec. 4. Minnesota Statutes 2010, section 275.025, subdivision 4, is amended to read:

Subd. 4. ~~Apportionment and Levy of state general tax. Ninety-five percent of~~ The state general tax must be levied by applying a uniform rate to all commercial-industrial tax capacity and ~~five percent of the state general tax must be levied by applying~~ a uniform rate to all seasonal residential recreational tax capacity. On or before October 1 each year, the commissioner of revenue shall certify the preliminary state general levy rates to each county auditor that must be used to prepare the notices of proposed property taxes for taxes payable in the following year. By January 1 of each year, the commissioner shall certify the final state general levy ~~rate~~ rates to each county auditor that shall be used in spreading taxes.

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

Sec. 5. Minnesota Statutes 2010, section 279.03, subdivision 1a, is amended to read:

Subd. 1a. **Rate after December 31, 1990.** (a) Except as provided in ~~paragraph~~ paragraphs (b) and (c), interest on delinquent property taxes, penalties, and costs unpaid on or after January 1, ~~1991~~, 2013, shall be payable at the rate equal to the prime rate of interest charged by banks during the six-month period ending on September 30 of that year plus two percent, as determined by the commissioner not later than October 15 of each year. The rate of interest becomes effective on January 1 of the immediately succeeding year. For purposes of this subdivision, the term "prime rate charged by banks" means the average predominant prime rate quoted by commercial banks to large businesses, as determined by the Board of Governors of the Federal Reserve System. The determination of the commissioner pursuant to this subdivision is not considered a "rule" and is not

subject to the Administrative Procedure Act contained in chapter 14. The rate is subject to change on January 1 of each year.

(b) Except as provided in paragraph (c), interest on delinquent taxes, penalties, and costs unpaid on or after January 1, 1991, and before January 1, 2013, shall be payable at the per annum rate determined in section 270C.40, subdivision 5. If the rate so determined is less than ten percent, the rate of interest shall be ten percent. The maximum per annum rate shall be 14 percent if the rate specified under section 270C.40, subdivision 5, exceeds 14 percent. The rate shall be subject to change on January 1 of each year.

~~(b)~~ (c) If a person is the owner of one or more parcels of property on which taxes are delinquent, and the delinquent taxes are more than 25 percent of the prior year's school district levy, interest on the delinquent property taxes, penalties, and costs unpaid after January 1, 1992, shall be payable at twice the rate determined under paragraph (a) for the year.

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

Sec. 6. Minnesota Statutes 2010, section 279.03, subdivision 2, is amended to read:

Subd. 2. **Composite judgment.** Amounts included in composite judgments authorized by section 279.37, subdivision 1, ~~and~~ are subject to the following interest rates:

(a) Amounts confessed on or after July 1, 1982, and before January 1, 1991, are subject to interest at the rate determined pursuant to section 549.09.

(b) Amounts confessed ~~under this authority~~ on or after December 31, 1990, and before January 1, 2013, are subject to interest at the rate calculated under subdivision 1a, paragraph (b).

(c) Amounts confessed on or after January 1, 2013, are subject to interest at the rate calculated under subdivision 1a, paragraph (a).

(d) During each calendar year, interest shall accrue on the unpaid balance of the composite judgment from the time it is confessed until it is paid. The rate of interest is subject to change each year in the same manner ~~that~~ as section 549.09 or subdivision 1a, whichever is applicable, for rate changes. Interest on the unpaid contract balance on judgments confessed before July 1, 1982, is payable at the rate applicable to the judgment at the time that it was confessed.

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

Sec. 7. Minnesota Statutes 2011 Supplement, section 290A.03, subdivision 11, is amended to read:

Subd. 11. **Rent constituting property taxes.** "Rent constituting property taxes" means ~~17~~15 percent of the gross rent actually paid in cash, or its equivalent, or the portion of rent paid in lieu of property taxes, in any calendar year by a claimant for the right of occupancy of the claimant's Minnesota homestead in the calendar year, and which rent constitutes the basis, in the succeeding calendar year of a claim for relief under this chapter by the claimant.

EFFECTIVE DATE. This section is effective for claims based on rent paid in 2011 and thereafter.

Sec. 8. Minnesota Statutes 2011 Supplement, section 290A.03, subdivision 13, is amended to read:

Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year, and after any refund claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the year that the property tax is payable. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. No apportionment or reduction of the "property taxes payable" shall be required for the use of a portion of the claimant's homestead for a business purpose if the claimant does not deduct any business depreciation expenses for the use of a portion of the homestead in the determination of federal adjusted gross income. For homesteads which are manufactured homes as defined in section 273.125, subdivision 8, and for homesteads which are park trailers taxed as manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall also include ~~17~~15 percent of the gross rent paid in the preceding year for the site on which the homestead is located. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

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

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

EFFECTIVE DATE. This section is effective for claims based on rent paid in 2011 and thereafter.

Sec. 9. Minnesota Statutes 2010, section 290A.04, subdivision 2a, is amended to read:

Subd. 2a. **Renters; senior or disabled.** A claimant whose rent constituting property taxes exceeds the percentage of the household income stated below must pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of rent constituting property taxes. The state refund equals the amount of rent constituting property taxes that remain, up to the maximum state refund amount shown below. This subdivision applies only if the claimant or the claimant's spouse was disabled or attained the age of 65 on or before December 31 of the year for which the rent was paid.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$0 to 3,589	1.0 percent	5 percent	\$ 1,190
3,590 to 4,779	1.0 percent	10 percent	\$ 1,190
4,780 to 5,969	1.1 percent	10 percent	\$ 1,190
5,970 to 8,369	1.2 percent	10 percent	\$ 1,190
8,370 to 10,759	1.3 percent	15 percent	\$ 1,190
10,760 to 11,949	1.4 percent	15 percent	\$ 1,190
11,950 to 13,139	1.4 percent	20 percent	\$ 1,190
13,140 to 15,539	1.5 percent	20 percent	\$ 1,190
15,540 to 16,729	1.6 percent	20 percent	\$ 1,190
16,730 to 17,919	1.7 percent	25 percent	\$ 1,190
17,920 to 20,319	1.8 percent	25 percent	\$ 1,190
20,320 to 21,509	1.9 percent	30 percent	\$ 1,190
21,510 to 22,699	2.0 percent	30 percent	\$ 1,190
22,700 to 23,899	2.2 percent	30 percent	\$ 1,190
23,900 to 25,089	2.4 percent	30 percent	\$ 1,190
25,090 to 26,289	2.6 percent	35 percent	\$ 1,190
26,290 to 27,489	2.7 percent	35 percent	\$ 1,190
27,490 to 28,679	2.8 percent	35 percent	\$ 1,190
28,680 to 29,869	2.9 percent	40 percent	\$ 1,190
29,870 to 31,079	3.0 percent	40 percent	\$ 1,190

9.1	31,080 to 32,269	3.1 percent	40 percent	\$ 1,190
9.2	32,270 to 33,459	3.2 percent	40 percent	\$ 1,190
9.3	33,460 to 34,649	3.3 percent	45 percent	\$ 1,080
9.4	34,650 to 35,849	3.4 percent	45 percent	\$ 960
9.5	35,850 to 37,049	3.5 percent	45 percent	\$ 830
9.6	37,050 to 38,239	3.5 percent	50 percent	\$ 720
9.7	38,240 to 39,439	3.5 percent	50 percent	\$ 600
9.8	38,440 to 40,629	3.5 percent	50 percent	\$ 360
9.9	40,630 to 41,819	3.5 percent	50 percent	\$ 120

9.10				<u>Maximum</u>
9.11			<u>Percent Paid by</u>	<u>State</u>
9.12	<u>Household Income</u>	<u>Percent of Income</u>	<u>Claimant</u>	<u>Refund</u>
9.13	<u>\$0 to 4,689</u>	<u>1.0 percent</u>	<u>5 percent</u>	<u>\$ 1,550</u>
9.14	<u>4,690 to 6,239</u>	<u>1.0 percent</u>	<u>10 percent</u>	<u>\$ 1,550</u>
9.15	<u>6,240 to 7,799</u>	<u>1.1 percent</u>	<u>10 percent</u>	<u>\$ 1,550</u>
9.16	<u>7,800 to 10,929</u>	<u>1.2 percent</u>	<u>10 percent</u>	<u>\$ 1,550</u>
9.17	<u>10,930 to 14,049</u>	<u>1.3 percent</u>	<u>15 percent</u>	<u>\$ 1,550</u>
9.18	<u>14,050 to 15,609</u>	<u>1.4 percent</u>	<u>15 percent</u>	<u>\$ 1,550</u>
9.19	<u>15,610 to 17,159</u>	<u>1.4 percent</u>	<u>20 percent</u>	<u>\$ 1,550</u>
9.20	<u>17,160 to 20,289</u>	<u>1.5 percent</u>	<u>20 percent</u>	<u>\$ 1,550</u>
9.21	<u>20,290 to 21,849</u>	<u>1.6 percent</u>	<u>20 percent</u>	<u>\$ 1,550</u>
9.22	<u>21,850 to 23,399</u>	<u>1.7 percent</u>	<u>25 percent</u>	<u>\$ 1,550</u>
9.23	<u>23,400 to 26,539</u>	<u>1.8 percent</u>	<u>25 percent</u>	<u>\$ 1,500</u>
9.24	<u>26,540 to 28,089</u>	<u>1.9 percent</u>	<u>30 percent</u>	<u>\$ 1,400</u>
9.25	<u>28,090 to 29,649</u>	<u>2.0 percent</u>	<u>30 percent</u>	<u>\$ 1,300</u>
9.26	<u>29,650 to 31,209</u>	<u>2.2 percent</u>	<u>30 percent</u>	<u>\$ 1,200</u>
9.27	<u>31,210 to 32,769</u>	<u>2.4 percent</u>	<u>30 percent</u>	<u>\$ 1,100</u>
9.28	<u>32,770 to 34,329</u>	<u>2.6 percent</u>	<u>35 percent</u>	<u>\$ 1,000</u>
9.29	<u>34,330 to 35,899</u>	<u>2.7 percent</u>	<u>35 percent</u>	<u>\$ 1,000</u>
9.30	<u>35,900 to 37,449</u>	<u>2.8 percent</u>	<u>35 percent</u>	<u>\$ 750</u>
9.31	<u>37,450 to 39,009</u>	<u>2.9 percent</u>	<u>40 percent</u>	<u>\$ 500</u>
9.32	<u>39,010 to 39,999</u>	<u>3.0 percent</u>	<u>40 percent</u>	<u>\$ 250</u>

9.33 The payment made to a claimant is the amount of the state refund calculated under
 9.34 this subdivision. No payment is allowed if the claimant's household income is ~~\$41,820~~
 9.35 \$40,000 or more.

9.36 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in
 9.37 2011 and thereafter.

9.38 Sec. 10. Minnesota Statutes 2010, section 290A.04, is amended by adding a
 9.39 subdivision to read:

Subd. 2k. **Renters; nonsenior nondisabled.** A claimant whose rent constituting property taxes exceeds the percentage of the household income stated below must pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of rent constituting property taxes. The state refund equals the amount of rent constituting property taxes that remain, up to the maximum state refund amount shown below. This subdivision applies only if the claimant or the claimant's spouse is not eligible for a refund under subdivision 2a.

<u>Household Income</u>	<u>Percent of Income</u>	<u>Percent Paid by Claimant</u>	<u>Maximum State Refund</u>
<u>\$0 to 6,239</u>	<u>1.0 percent</u>	<u>15 percent</u>	<u>\$ 1,000</u>
<u>6,240 to 7,799</u>	<u>1.1 percent</u>	<u>20 percent</u>	<u>\$ 1,000</u>
<u>7,800 to 10,929</u>	<u>1.2 percent</u>	<u>20 percent</u>	<u>\$ 900</u>
<u>10,930 to 14,049</u>	<u>1.3 percent</u>	<u>25 percent</u>	<u>\$ 800</u>
<u>14,050 to 15,609</u>	<u>1.4 percent</u>	<u>25 percent</u>	<u>\$ 800</u>
<u>15,610 to 17,159</u>	<u>1.4 percent</u>	<u>30 percent</u>	<u>\$ 600</u>
<u>17,160 to 20,289</u>	<u>1.5 percent</u>	<u>30 percent</u>	<u>\$ 600</u>
<u>20,290 to 21,849</u>	<u>1.6 percent</u>	<u>35 percent</u>	<u>\$ 400</u>
<u>21,850 to 23,399</u>	<u>1.7 percent</u>	<u>35 percent</u>	<u>\$ 400</u>
<u>23,400 to 24,999</u>	<u>1.8 percent</u>	<u>40 percent</u>	<u>\$ 200</u>

The payment made to a claimant is the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is \$25,000 or more.

EFFECTIVE DATE. This section is effective for claims based on rent paid in 2011 and thereafter.

Sec. 11. Minnesota Statutes 2011 Supplement, section 290A.04, subdivision 4, is amended to read:

Subd. 4. **Inflation adjustment.** (a) Beginning for property tax refunds payable in calendar year 2002, the commissioner shall annually adjust the dollar amounts of the income thresholds and the maximum refunds under ~~subdivisions 2 and 2a~~ subdivision 2 for inflation. The commissioner shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this subdivision the percentage increase shall be determined as provided in this subdivision.

(b) In adjusting the dollar amounts of the income thresholds and the maximum refunds under subdivision 2 for inflation, the percentage increase shall be determined from

the year ending on June 30, 2011, to the year ending on June 30 of the year preceding that in which the refund is payable.

~~(e) In adjusting the dollar amounts of the income thresholds and the maximum refunds under subdivision 2a for inflation, the percentage increase shall be determined from the year ending on June 30, 2000, to the year ending on June 30 of the year preceding that in which the refund is payable.~~

~~(d)~~ (c) The commissioner shall use the appropriate percentage increase to annually adjust the income thresholds and maximum refunds under subdivisions 2 and 2a for inflation without regard to whether or not the income tax brackets are adjusted for inflation in that year. The commissioner shall round the thresholds and the maximum amounts, as adjusted to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall round it up to the next \$10 amount.

~~(e)~~ (d) The commissioner shall annually announce the adjusted refund schedule at the same time provided under section 290.06. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

EFFECTIVE DATE. This section is effective for claims based on rent paid in 2012 and thereafter.

Sec. 12. Minnesota Statutes 2010, section 290A.23, subdivision 1, is amended to read:

Subdivision 1. **Renters credit.** There is appropriated from the general fund in the state treasury to the commissioner of revenue the amount necessary to make the payments required under section 290A.04, ~~subdivision 2a~~ subdivisions 2a and 2k.

EFFECTIVE DATE. This section is effective for claims based on rent paid in 2011 and thereafter.

Sec. 13. Minnesota Statutes 2010, section 290B.07, is amended to read:

290B.07 LIEN; DEFERRED PORTION.

(a) Payment by the state to the county treasurer of property taxes, penalties, interest, or special assessments and interest deferred under this chapter is deemed a loan from the state to the program participant. The commissioner must ~~compute the interest as provided in section 270C.40, subdivision 5, but not to exceed five percent, and~~ maintain records of the total deferred amount and interest, if any, for each participant. ~~Interest shall accrue beginning September 1 of the payable year for which the taxes are deferred.~~ Any deferral made under this chapter shall not be construed as delinquent property taxes.

12.1 **(b)** The lien created under section 272.31 continues to secure payment by the
12.2 taxpayer, or by the taxpayer's successors or assigns, of the amount deferred, including
12.3 interest, with respect to all years for which amounts are deferred. The lien for deferred
12.4 taxes and interest has the same priority as any other lien under section 272.31, except that
12.5 liens, including mortgages, recorded or filed prior to the recording or filing of the notice
12.6 under section 290B.04, subdivision 2, have priority over the lien for deferred taxes and
12.7 interest. A seller's interest in a contract for deed, in which a qualifying homeowner is the
12.8 purchaser or an assignee of the purchaser, has priority over deferred taxes and interest
12.9 on deferred taxes, regardless of whether the contract for deed is recorded or filed. The
12.10 lien for deferred taxes and interest for future years has the same priority as the lien for
12.11 deferred taxes and interest for the first year, which is always higher in priority than any
12.12 mortgages or other liens filed, recorded, or created after the notice recorded or filed under
12.13 section 290B.04, subdivision 2. The county treasurer or auditor shall maintain records
12.14 of the deferred portion and shall list the amount of deferred taxes for the year and the
12.15 cumulative deferral and interest for all previous years as a lien against the property. In any
12.16 certification of unpaid taxes for a tax parcel, the county auditor shall clearly distinguish
12.17 between taxes payable in the current year, deferred taxes and interest, and delinquent
12.18 taxes. Payment of the deferred portion becomes due and owing at the time specified in
12.19 section 290B.08. Upon receipt of the payment, the commissioner shall issue a receipt for
12.20 it to the person making the payment upon request and shall notify the auditor of the county
12.21 in which the parcel is located, within ten days, identifying the parcel to which the payment
12.22 applies. Upon receipt by the commissioner of revenue of collected funds in the amount of
12.23 the deferral, the state's loan to the program participant is deemed paid in full.

12.24 ~~**(b)**~~ **(c)** If property for which taxes have been deferred under this chapter forfeits
12.25 under chapter 281 for nonpayment of a nondeferred property tax amount, or because
12.26 of nonpayment of amounts previously deferred following a termination under section
12.27 290B.08, the lien for the taxes deferred under this chapter, plus interest and costs, shall be
12.28 canceled by the county auditor as provided in section 282.07. However, notwithstanding
12.29 any other law to the contrary, any proceeds from a subsequent sale of the property under
12.30 chapter 282 or another law, must be used to first reimburse the county's forfeited tax sale
12.31 fund for any direct costs of selling the property or any costs directly related to preparing
12.32 the property for sale, and then to reimburse the state for the amount of the canceled
12.33 lien. Within 90 days of the receipt of any sale proceeds to which the state is entitled
12.34 under these provisions, the county auditor must pay those funds to the commissioner of
12.35 revenue by warrant for deposit in the general fund. No other deposit, use, distribution,
12.36 or release of gross sale proceeds or receipts may be made by the county until payments

13.1 sufficient to fully reimburse the state for the canceled lien amount have been transmitted
13.2 to the commissioner.

13.3 **EFFECTIVE DATE.** This section is effective July 1, 2013.

13.4 Sec. 14. Minnesota Statutes 2010, section 290B.08, subdivision 2, is amended to read:

13.5 Subd. 2. **Payment upon termination.** Upon the termination of the deferral under
13.6 subdivision 1, the amount of deferred taxes, penalties, interest, and special assessments
13.7 and interest, plus the recording or filing fees under both section 290B.04, subdivision 2,
13.8 and this subdivision becomes due and payable to the commissioner within 90 days of
13.9 termination of the deferral for terminations under subdivision 1, paragraph (a), clauses
13.10 (1) and (2), and within one year of termination of the deferral for terminations under
13.11 subdivision 1, paragraph (a), clauses (3) and (4). ~~No additional interest is due on the~~
13.12 ~~deferral if timely paid.~~ On receipt of payment, the commissioner shall within ten days
13.13 notify the auditor of the county in which the parcel is located, identifying the parcel
13.14 to which the payment applies and shall remit the recording or filing fees under section
13.15 290B.04, subdivision 2, and this subdivision to the auditor. A notice of termination of
13.16 deferral, containing the legal description and the recording or filing data for the notice
13.17 of qualification for deferral under section 290B.04, subdivision 2, shall be prepared
13.18 and recorded or filed by the county auditor in the same office in which the notice of
13.19 qualification for deferral under section 290B.04, subdivision 2, was recorded or filed, and
13.20 the county auditor shall mail a copy of the notice of termination to the property owner.
13.21 The property owner shall pay the recording or filing fees. Upon recording or filing of the
13.22 notice of termination of deferral, the notice of qualification for deferral under section
13.23 290B.04, subdivision 2, and the lien created by it are discharged. If the deferral is not
13.24 timely paid, the penalty, interest, lien, forfeiture, and other rules for the collection of
13.25 ad valorem property taxes apply.

13.26 **EFFECTIVE DATE.** This section is effective July 1, 2013.

13.27 Sec. 15. Minnesota Statutes 2011 Supplement, section 298.01, subdivision 3, is
13.28 amended to read:

13.29 Subd. 3. **Occupation tax; other ores.** Every person engaged in the business of
13.30 mining, refining, or producing ores, metals, or minerals in this state, except iron ore or
13.31 taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided
13.32 in this subdivision. For purposes of this subdivision, mining includes the application
13.33 of hydrometallurgical processes. The tax is determined in the same manner as the tax

14.1 imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.17,
14.2 subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax must be
14.3 computed by applying to taxable income the rate of ~~2.45~~ 1.45 percent. A person subject
14.4 to occupation tax under this section shall apportion its net income on the basis of the
14.5 percentage obtained by taking the sum of:

14.6 (1) 75 percent of the percentage which the sales made within this state in connection
14.7 with the trade or business during the tax period are of the total sales wherever made in
14.8 connection with the trade or business during the tax period;

14.9 (2) 12.5 percent of the percentage which the total tangible property used by the
14.10 taxpayer in this state in connection with the trade or business during the tax period is of
14.11 the total tangible property, wherever located, used by the taxpayer in connection with the
14.12 trade or business during the tax period; and

14.13 (3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred
14.14 in this state or paid in respect to labor performed in this state in connection with the trade
14.15 or business during the tax period are of the taxpayer's total payrolls paid or incurred in
14.16 connection with the trade or business during the tax period.

14.17 The tax is in addition to all other taxes.

14.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
14.19 December 31, 2011.

14.20 Sec. 16. Minnesota Statutes 2011 Supplement, section 298.015, subdivision 1, is
14.21 amended to read:

14.22 Subdivision 1. **Tax imposed.** A person engaged in the business of mining shall pay
14.23 to the state of Minnesota for distribution as provided in section 298.018 a net proceeds tax
14.24 equal to ~~two~~ three percent of the net proceeds from mining in Minnesota. The tax applies
14.25 to all ores, metals, and minerals mined, extracted, produced, or refined within the state of
14.26 Minnesota except for sand, silica sand, gravel, building stone, crushed rock, limestone,
14.27 granite, dimension granite, dimension stone, horticultural peat, clay, soil, iron ore, and
14.28 taconite concentrates. The tax is in addition to all other taxes provided for by law.

14.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
14.30 December 31, 2011.

14.31 Sec. 17. Minnesota Statutes 2010, section 298.018, subdivision 1, is amended to read:

15.1 Subdivision 1. **Within taconite assistance area.** The proceeds of the tax paid under
15.2 sections 298.015 to 298.017 on minerals and energy resources mined or extracted within
15.3 the taconite assistance area defined in section 273.1341, shall be allocated as follows:

15.4 (1) five percent to the city or town within which the minerals or energy resources
15.5 are mined or extracted or within which the concentrate was produced. If the mining and
15.6 concentration, or different steps in either process, are carried on in more than one taxing
15.7 district, the commissioner shall apportion equitably the proceeds among the cities and
15.8 towns upon the basis of attributing 50 percent of the proceeds of the tax to the operation of
15.9 mining or extraction, and the remainder to the concentrating plant and to the processes of
15.10 concentration, and with respect to each thereof giving due consideration to the relative
15.11 extent of the respective operations performed in each taxing district;

15.12 (2) ten percent to the taconite municipal aid account to be distributed as provided
15.13 in section 298.282;

15.14 (3) ten percent to the school district within which the minerals or energy resources
15.15 are mined or extracted or within which the concentrate was produced. If the mining
15.16 and concentration, or different steps in either process, are carried on in more than one
15.17 school district, distribution among the school districts must be based on the apportionment
15.18 formula prescribed in clause (1);

15.19 (4) 20 percent to a group of school districts comprised of those school districts
15.20 wherein the mineral or energy resource was mined or extracted or in which there is a
15.21 qualifying municipality as defined by section 273.134, paragraph (b), in direct proportion
15.22 to school district indexes as follows: for each school district, its pupil units determined
15.23 under section 126C.05 for the prior school year shall be multiplied by the ratio of the
15.24 average adjusted net tax capacity per pupil unit for school districts receiving aid under
15.25 this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year
15.26 ending prior to distribution to the adjusted net tax capacity per pupil unit of the district.
15.27 Each district shall receive that portion of the distribution which its index bears to the sum
15.28 of the indices for all school districts that receive the distributions;

15.29 (5) 20 percent to the county within which the minerals or energy resources are
15.30 mined or extracted or within which the concentrate was produced. If the mining and
15.31 concentration, or different steps in either process, are carried on in more than one
15.32 county, the commissioner shall apportion equitably the proceeds among the counties
15.33 upon the basis of attributing 50 percent of the proceeds of the tax to the operation of
15.34 mining or extraction, and the remainder to the concentrating plant and to the processes of
15.35 concentration, and with respect to each thereof giving due consideration to the relative
15.36 extent of the respective operations performed in each county, provided that any county

receiving distributions under this clause shall pay one percent of its proceeds to the Range Association of Municipalities and Schools;

(6) 20 percent to St. Louis County acting as the counties' fiscal agent to be distributed as provided in sections 273.134 to 273.136;

(7) five percent to the Iron Range Resources and Rehabilitation Board for the purposes of section 298.22;

(8) ~~five~~ three percent to the Douglas J. Johnson economic protection trust fund; and

(9) ~~five~~ seven percent to the taconite environmental protection fund.

The proceeds of the tax shall be distributed on July 15 each year.

Sec. 18. Minnesota Statutes 2011 Supplement, section 298.28, subdivision 2, is amended to read:

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

(b) ~~Four~~ Nine cents per taxable ton shall be allocated to cities and organized townships affected by mining because their boundaries are within three miles of a taconite mine pit that has been actively mined in at least one of the prior three years. If a city or town is located near more than one mine meeting these criteria, the city or town is eligible to receive aid calculated from only the mine producing the largest taxable tonnage. When more than one municipality qualifies for aid based on one company's production, the aid must be apportioned among the municipalities in proportion to their populations. ~~Of the amounts distributed under this paragraph to each municipality, one-half must be used for infrastructure improvement projects, and one-half must be used for projects in which two or more municipalities cooperate. Each municipality that receives a distribution under this~~

~~paragraph must report annually to the Iron Range Resources and Rehabilitation Board and the commissioner of Iron Range resources and rehabilitation on the projects involving cooperation with other municipalities.~~

(c) The amount that would have been computed for the current year under Minnesota Statutes 2008, section 126C.21, subdivision 4, for a school district shall be distributed to the cities and townships within the school district in the proportion that their taxable net tax capacity within the school district bears to the taxable net tax capacity of the school district for property taxes payable in the year prior to distribution.

EFFECTIVE DATE. This section is effective beginning with the 2013 distribution.

Sec. 19. Minnesota Statutes 2010, section 298.28, subdivision 4, is amended to read:

Subd. 4. **School districts.** (a) ~~23.15~~ 26.15 cents per taxable ton, plus the increase provided in paragraph (d), less the amount that would have been computed under Minnesota Statutes 2008, section 126C.21, subdivision 4, for the current year for that district, must be allocated to qualifying school districts to be distributed, based upon the certification of the commissioner of revenue, under paragraphs (b), (c), and (f).

(b)(i) 3.43 cents per taxable ton must be distributed to the school districts in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. The distribution must be based on the apportionment formula prescribed in subdivision 2.

(ii) ~~Four~~ Seven cents per taxable ton from each taconite facility must be distributed to each affected school district for deposit in a fund dedicated to building maintenance and repairs, as follows:

(1) proceeds from Keewatin Taconite or its successor are distributed to Independent School Districts Nos. 316, Coleraine, and 319, Nashwauk-Keewatin, or their successor districts;

(2) proceeds from the Hibbing Taconite Company or its successor are distributed to Independent School Districts Nos. 695, Chisholm, and 701, Hibbing, or their successor districts;

(3) proceeds from the Mittal Steel Company and Minntac or their successors are distributed to Independent School Districts Nos. 712, Mountain Iron-Buhl, 706, Virginia, 2711, Mesabi East, and 2154, Eveleth-Gilbert, or their successor districts;

(4) proceeds from the Northshore Mining Company or its successor are distributed: (i) three-sevenths each to Independent School Districts Nos. 2142, St. Louis County, and 381, Lake Superior, or their successor districts; and

(ii) one-seventh to Independent School District No. 696, Ely; and

18.1 (5) proceeds from United Taconite or its successor are distributed to Independent
18.2 School Districts Nos. 2142, St. Louis County, and 2154, Eveleth-Gilbert, or their
18.3 successor districts.

18.4 Revenues that are required to be distributed to more than one district shall be
18.5 apportioned according to the number of pupil units identified in section 126C.05,
18.6 subdivision 1, enrolled in the second previous year.

18.7 (c)(i) 15.72 cents per taxable ton, less any amount distributed under paragraph (e),
18.8 shall be distributed to a group of school districts comprised of those school districts which
18.9 qualify as a tax relief area under section 273.134, paragraph (b), or in which there is a
18.10 qualifying municipality as defined by section 273.134, paragraph (a), in direct proportion
18.11 to school district indexes as follows: for each school district, its pupil units determined
18.12 under section 126C.05 for the prior school year shall be multiplied by the ratio of the
18.13 average adjusted net tax capacity per pupil unit for school districts receiving aid under
18.14 this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year
18.15 ending prior to distribution to the adjusted net tax capacity per pupil unit of the district.
18.16 Each district shall receive that portion of the distribution which its index bears to the sum
18.17 of the indices for all school districts that receive the distributions.

18.18 (ii) Notwithstanding clause (i), each school district that receives a distribution
18.19 under sections 298.018; 298.23 to 298.28, exclusive of any amount received under this
18.20 clause; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on
18.21 severed mineral values after reduction for any portion distributed to cities and towns
18.22 under section 126C.48, subdivision 8, paragraph (5), that is less than the amount of its
18.23 levy reduction under section 126C.48, subdivision 8, for the second year prior to the
18.24 year of the distribution shall receive a distribution equal to the difference; the amount
18.25 necessary to make this payment shall be derived from proportionate reductions in the
18.26 initial distribution to other school districts under clause (i). If there are insufficient tax
18.27 proceeds to make the distribution provided under this paragraph in any year, money must
18.28 be transferred from the taconite property tax relief account in subdivision 6, to the extent
18.29 of the shortfall in the distribution.

18.30 (d) Any school district described in paragraph (c) where a levy increase pursuant to
18.31 section 126C.17, subdivision 9, was authorized by referendum for taxes payable in 2001,
18.32 shall receive a distribution of 21.3 cents per ton. Each district shall receive \$175 times the
18.33 pupil units identified in section 126C.05, subdivision 1, enrolled in the second previous
18.34 year or the 1983-1984 school year, whichever is greater, less the product of 1.8 percent
18.35 times the district's taxable net tax capacity in the second previous year.

If the total amount provided by paragraph (d) is insufficient to make the payments herein required then the entitlement of \$175 per pupil unit shall be reduced uniformly so as not to exceed the funds available. Any amounts received by a qualifying school district in any fiscal year pursuant to paragraph (d) shall not be applied to reduce general education aid which the district receives pursuant to section 126C.13 or the permissible levies of the district. Any amount remaining after the payments provided in this paragraph shall be paid to the commissioner of Iron Range resources and rehabilitation who shall deposit the same in the taconite environmental protection fund and the Douglas J. Johnson economic protection trust fund as provided in subdivision 11.

Each district receiving money according to this paragraph shall reserve the lesser of the amount received under this paragraph or \$25 times the number of pupil units served in the district. It may use the money for early childhood programs or for outcome-based learning programs that enhance the academic quality of the district's curriculum. The outcome-based learning programs must be approved by the commissioner of education.

(e) There shall be distributed to any school district the amount which the school district was entitled to receive under section 298.32 in 1975.

(f) Four cents per taxable ton must be distributed to qualifying school districts according to the distribution specified in paragraph (b), clause (ii), and two cents per taxable ton must be distributed according to the distribution specified in paragraph (c). These amounts are not subject to sections 126C.21, subdivision 4, and 126C.48, subdivision 8.

EFFECTIVE DATE. This section is effective beginning with the 2013 distribution.

Sec. 20. Minnesota Statutes 2010, section 477A.011, subdivision 36, is amended to read:

Subd. 36. **City aid base.** (a) Except as otherwise provided in this subdivision, "city aid base" is zero.

(b) The city aid base for any city with a population less than 500 is increased by \$40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$40,000 for aids payable in calendar year 1995 only, provided that:

- (i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;
- (ii) the city portion of the tax capacity rate exceeds 100 percent; and
- (iii) its city aid base is less than \$60 per capita.

(c) The city aid base for a city is increased by \$20,000 in 1998 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$20,000 in calendar year 1998 only, provided that:

- (i) the city has a population in 1994 of 2,500 or more;
- (ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;
- (iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than \$400 per capita; and
- (iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

(d) The city aid base for a city is increased by \$200,000 in 1999 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 1999 only, provided that:

- (i) the city was incorporated as a statutory city after December 1, 1993;
- (ii) its city aid base does not exceed \$5,600; and
- (iii) the city had a population in 1996 of 5,000 or more.

(e) The city aid base for a city is increased by \$150,000 for aids payable in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2000 only, provided that:

- (1) the city has a population that is greater than 1,000 and less than 2,500;
- (2) its commercial and industrial percentage for aids payable in 1999 is greater than 45 percent; and
- (3) the total market value of all commercial and industrial property in the city for assessment year 1999 is at least 15 percent less than the total market value of all commercial and industrial property in the city for assessment year 1998.

(f) The city aid base for a city is increased by \$200,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2000 only, provided that:

- (1) the city had a population in 1997 of 2,500 or more;
- (2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$650 per capita;
- (3) the pre-1940 housing percentage of the city used in calculating 1999 aid under section 477A.013 is greater than 12 percent;

21.1 (4) the 1999 local government aid of the city under section 477A.013 is less than
21.2 20 percent of the amount that the formula aid of the city would have been if the need
21.3 increase percentage was 100 percent; and

21.4 (5) the city aid base of the city used in calculating aid under section 477A.013
21.5 is less than \$7 per capita.

21.6 (g) The city aid base for a city is increased by \$102,000 in 2000 and thereafter, and
21.7 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,
21.8 paragraph (c), is also increased by \$102,000 in calendar year 2000 only, provided that:

21.9 (1) the city has a population in 1997 of 2,000 or more;

21.10 (2) the net tax capacity of the city used in calculating its 1999 aid under section
21.11 477A.013 is less than \$455 per capita;

21.12 (3) the net levy of the city used in calculating 1999 aid under section 477A.013 is
21.13 greater than \$195 per capita; and

21.14 (4) the 1999 local government aid of the city under section 477A.013 is less than
21.15 38 percent of the amount that the formula aid of the city would have been if the need
21.16 increase percentage was 100 percent.

21.17 (h) The city aid base for a city is increased by \$32,000 in 2001 and thereafter, and
21.18 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,
21.19 paragraph (c), is also increased by \$32,000 in calendar year 2001 only, provided that:

21.20 (1) the city has a population in 1998 that is greater than 200 but less than 500;

21.21 (2) the city's revenue need used in calculating aids payable in 2000 was greater
21.22 than \$200 per capita;

21.23 (3) the city net tax capacity for the city used in calculating aids available in 2000
21.24 was equal to or less than \$200 per capita;

21.25 (4) the city aid base of the city used in calculating aid under section 477A.013
21.26 is less than \$65 per capita; and

21.27 (5) the city's formula aid for aids payable in 2000 was greater than zero.

21.28 (i) The city aid base for a city is increased by \$7,200 in 2001 and thereafter, and
21.29 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,
21.30 paragraph (c), is also increased by \$7,200 in calendar year 2001 only, provided that:

21.31 (1) the city had a population in 1998 that is greater than 200 but less than 500;

21.32 (2) the city's commercial industrial percentage used in calculating aids payable in
21.33 2000 was less than ten percent;

21.34 (3) more than 25 percent of the city's population was 60 years old or older according
21.35 to the 1990 census;

22.1 (4) the city aid base of the city used in calculating aid under section 477A.013
22.2 is less than \$15 per capita; and

22.3 (5) the city's formula aid for aids payable in 2000 was greater than zero.

22.4 (j) The city aid base for a city is increased by \$45,000 in 2001 and thereafter and
22.5 by an additional \$50,000 in calendar years 2002 to 2011, and the maximum amount of
22.6 total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also
22.7 increased by \$45,000 in calendar year 2001 only, and by \$50,000 in calendar year 2002
22.8 only, provided that:

22.9 (1) the net tax capacity of the city used in calculating its 2000 aid under section
22.10 477A.013 is less than \$810 per capita;

22.11 (2) the population of the city declined more than two percent between 1988 and 1998;

22.12 (3) the net levy of the city used in calculating 2000 aid under section 477A.013 is
22.13 greater than \$240 per capita; and

22.14 (4) the city received less than \$36 per capita in aid under section 477A.013,
22.15 subdivision 9, for aids payable in 2000.

22.16 (k) The city aid base for a city with a population of 10,000 or more which is located
22.17 outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the
22.18 maximum amount of total aid it may receive under section 477A.013, subdivision 9,
22.19 paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to
22.20 the lesser of:

22.21 (1)(i) the total population of the city, as determined by the United States Bureau of
22.22 the Census, in the 2000 census, (ii) minus 5,000, (iii) times 60; or

22.23 (2) \$2,500,000.

22.24 (l) The city aid base is increased by \$50,000 in 2002 and thereafter, and the
22.25 maximum amount of total aid it may receive under section 477A.013, subdivision 9,
22.26 paragraph (c), is also increased by \$50,000 in calendar year 2002 only, provided that:

22.27 (1) the city is located in the seven-county metropolitan area;

22.28 (2) its population in 2000 is between 10,000 and 20,000; and

22.29 (3) its commercial industrial percentage, as calculated for city aid payable in 2001,
22.30 was greater than 25 percent.

22.31 (m) The city aid base for a city is increased by \$150,000 in calendar years 2002 to
22.32 2011 and by an additional \$75,000 in calendar years 2009 to 2014 and the maximum
22.33 amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is
22.34 also increased by \$150,000 in calendar year 2002 only and by \$75,000 in calendar year
22.35 2009 only, provided that:

22.36 (1) the city had a population of at least 3,000 but no more than 4,000 in 1999;

23.1 (2) its home county is located within the seven-county metropolitan area;
23.2 (3) its pre-1940 housing percentage is less than 15 percent; and
23.3 (4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900
23.4 per capita.

23.5 (n) The city aid base for a city is increased by \$200,000 beginning in calendar
23.6 year 2003 and the maximum amount of total aid it may receive under section 477A.013,
23.7 subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2003 only,
23.8 provided that the city qualified for an increase in homestead and agricultural credit aid
23.9 under Laws 1995, chapter 264, article 8, section 18.

23.10 (o) The city aid base for a city is increased by \$200,000 in 2004 only and the
23.11 maximum amount of total aid it may receive under section 477A.013, subdivision 9, is
23.12 also increased by \$200,000 in calendar year 2004 only, if the city is the site of a nuclear
23.13 dry cask storage facility.

23.14 (p) The city aid base for a city is increased by \$10,000 in 2004 and thereafter and the
23.15 maximum total aid it may receive under section 477A.013, subdivision 9, is also increased
23.16 by \$10,000 in calendar year 2004 only, if the city was included in a federal major disaster
23.17 designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by
23.18 more than 40 percent between 1990 and 2000.

23.19 (q) The city aid base for a city is increased by \$30,000 in 2009 and thereafter and the
23.20 maximum total aid it may receive under section 477A.013, subdivision 9, is also increased
23.21 by \$25,000 in calendar year 2006 only if the city had a population in 2003 of at least 1,000
23.22 and has a state park for which the city provides rescue services and which comprised at
23.23 least 14 percent of the total geographic area included within the city boundaries in 2000.

23.24 (r) The city aid base for a city is increased by \$80,000 in 2009 and thereafter and
23.25 the minimum and maximum amount of total aid it may receive under section 477A.013,
23.26 subdivision 9, is also increased by \$80,000 in calendar year 2009 only, if:

23.27 (1) as of May 1, 2006, at least 25 percent of the tax capacity of the city is proposed
23.28 to be placed in trust status as tax-exempt Indian land;

23.29 (2) the placement of the land is being challenged administratively or in court; and

23.30 (3) due to the challenge, the land proposed to be placed in trust is still on the tax
23.31 rolls as of May 1, 2006.

23.32 (s) The city aid base for a city is increased by \$100,000 in 2007 and thereafter and
23.33 the minimum and maximum total amount of aid it may receive under this section is also
23.34 increased in calendar year 2007 only, provided that:

23.35 (1) the city has a 2004 estimated population greater than 200 but less than 2,000;

23.36 (2) its city net tax capacity for aids payable in 2006 was less than \$300 per capita;

24.1 (3) the ratio of its pay 2005 tax levy compared to its city net tax capacity for aids
24.2 payable in 2006 was greater than 110 percent; and

24.3 (4) it is located in a county where at least 15,000 acres of land are classified as
24.4 tax-exempt Indian reservations according to the 2004 abstract of tax-exempt property.

24.5 (t) The city aid base for a city is increased by \$30,000 in 2009 only, and the
24.6 maximum total aid it may receive under section 477A.013, subdivision 9, is also increased
24.7 by \$30,000 in calendar year 2009, only if the city had a population in 2005 of less than
24.8 3,000 and the city's boundaries as of 2007 were formed by the consolidation of two cities
24.9 and one township in 2002.

24.10 (u) The city aid base for a city is increased by \$100,000 in 2009 and thereafter, and
24.11 the maximum total aid it may receive under section 477A.013, subdivision 9, is also
24.12 increased by \$100,000 in calendar year 2009 only, if the city had a city net tax capacity for
24.13 aids payable in 2007 of less than \$150 per capita and the city experienced flooding on
24.14 March 14, 2007, that resulted in evacuation of at least 40 homes.

24.15 (v) The city aid base for a city is increased by \$100,000 in 2009 to 2013, and the
24.16 maximum total aid it may receive under section 477A.013, subdivision 9, is also increased
24.17 by \$100,000 in calendar year 2009 only, if the city:

24.18 (1) is located outside of the Minneapolis-St. Paul standard metropolitan statistical
24.19 area;

24.20 (2) has a 2005 population greater than 7,000 but less than 8,000; and

24.21 (3) has a 2005 net tax capacity per capita of less than \$500.

24.22 (w) The city aid base is increased by \$25,000 in calendar years 2009 to 2013 and the
24.23 maximum amount of total aid it may receive under section 477A.013, subdivision 9, is
24.24 increased by \$25,000 in calendar year 2009 only, provided that:

24.25 (1) the city is located in the seven-county metropolitan area;

24.26 (2) its population in 2006 is less than 200; and

24.27 (3) the percentage of its housing stock built before 1940, according to the 2000
24.28 United States Census, is greater than 40 percent.

24.29 (x) The city aid base is increased by \$90,000 in calendar year 2009 only and the
24.30 minimum and maximum total amount of aid it may receive under section 477A.013,
24.31 subdivision 9, is also increased by \$90,000 in calendar year 2009 only, provided that the
24.32 city is located in the seven-county metropolitan area, has a 2006 population between 5,000
24.33 and 7,000 and has a 1997 population of over 7,000.

24.34 (y) In calendar year 2010 only, the city aid base for a city is increased by \$225,000 if
24.35 it was eligible for a \$450,000 payment in calendar year 2008 under Minnesota Statutes
24.36 2006, section 477A.011, subdivision 36, paragraph (e), and the second half of the payment

under that paragraph in December 2008 was canceled due to the governor's unallotment. The payment under this paragraph is not subject to any aid reductions under section 477A.0134 or any future unallotment of the city aid under section 16A.152.

~~(z) The city aid base and the maximum total aid the city may receive under section 477A.013, subdivision 9, is increased by \$25,000 in calendar year 2010 only if:~~

~~(1) the city is a first class city in the seven-county metropolitan area with a population below 300,000; and~~

~~(2) the city has made an equivalent grant to its local growers' association to reimburse up to \$1,000 each for membership fees and retail leases for members of the association who farm in and around Dakota County and who incurred crop damage as a result of the hail storm in that area on July 10, 2008.~~

~~The payment under this paragraph is not subject to any aid reductions under section 477A.0134 or any future unallotment of the city aid under section 16A.152.~~

~~(aa) The city aid base for a city is increased by \$106,964 in 2011 only and the minimum and maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$106,964 in calendar year 2011 only, if the city had a population as defined in Minnesota Statutes, section 477A.011, subdivision 3, that was in excess of 1,000 in 2007 and that was less than 1,000 in 2008.~~

(z) In calendar year 2013 only, the total aid the city may receive under section 477A.013 is increased by \$12,000 if:

(1) the city's 2010 population is less than 100 and its population growth between 2000 and 2010 was more than 55 percent; and

(2) its commercial industrial percentage as defined in subdivision 32, based on assessments for calendar year 2010, payable in 2011, is greater than 15 percent.

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

Sec. 21. Minnesota Statutes 2011 Supplement, section 477A.013, subdivision 9, is amended to read:

Subd. 9. **City aid distribution.** (a) In calendar year ~~2009~~ 2013 and thereafter, each city shall receive an aid distribution equal to the sum of (1) the city formula aid under subdivision 8, and (2) its city aid base.

(b) For aids payable in 2013 and 2014 only, the total aid in the previous year for any city shall mean the amount of aid it was certified to receive for aids payable in 2012 under this section. For aids payable in ~~2014~~ 2015 and thereafter, the total aid in the previous

year for any city means the amount of aid it was certified to receive under this section in the previous payable year.

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

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

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

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

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

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

Subd. 12. Aid payments in 2013. (a) Notwithstanding aids calculated for 2013 under subdivision 9, for 2013, each city with a population of 5,000 or more shall receive an aid distribution under this section equal to its aid distribution under this section in 2012.

(b) Notwithstanding aids calculated for 2013 under subdivision 9, each city with a population under 5,000 shall receive an aid distribution under this section equal to

27.1 any additional city aid base authorized in calendar year 2013 under section 477A.011,
27.2 subdivision 36, paragraph (z), plus the greater of (1) its aid distribution under this section
27.3 in 2012 or (2) its amount that it is calculated to receive under subdivision 9.

27.4 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
27.5 2013.

27.6 Sec. 23. Laws 1988, chapter 645, section 3, as amended by Laws 1999, chapter 243,
27.7 article 6, section 9, Laws 2000, chapter 490, article 6, section 15, and Laws 2008, chapter
27.8 154, article 2, section 30, is amended to read:

27.9 Sec. 3. **TAX; PAYMENT OF EXPENSES.**

27.10 (a) The tax levied by the hospital district under Minnesota Statutes, section 447.34,
27.11 must not be levied at a rate that exceeds the amount authorized to be levied under that
27.12 section. The proceeds of the tax may be used for all purposes of the hospital district,
27.13 except as provided in paragraph (b).

27.14 (b) 0.015 percent of taxable market value of the tax in paragraph (a) may be used
27.15 ~~solely by the Cook ambulance service and the Orr ambulance service for the purpose of~~
27.16 ~~capital expenditures as it relates to:~~

27.17 (1) ambulance acquisitions for the Cook ambulance service and the Orr ambulance
27.18 service and not;

27.19 (2) attached and portable equipment for use in and for the ambulances; and

27.20 (3) parts and replacement parts for maintenance and repair of the ambulances.

27.21 The money may not be used for administrative, operation, or salary expenses.

27.22 (c) The part of the levy referred to in paragraph (b) must be administered by the
27.23 Cook Hospital and passed on in equal amounts directly to the Cook area ambulance
27.24 service board and the city of Orr to be held in trust until funding for a new ambulance is
27.25 needed by either the Cook ambulance service or the Orr ambulance service used for the
27.26 purposes in paragraph (b).

27.27 Sec. 24. Laws 2010, chapter 389, article 1, section 12, the effective date, is amended to
27.28 read:

27.29 **EFFECTIVE DATE.** This section is effective for assessment years year 2010 and
27.30 2011, for taxes payable in 2011 and 2012 thereafter.

27.31 **EFFECTIVE DATE.** This section is effective for assessment year 2012 and
27.32 thereafter.

28.1 Sec. 25. **ADDITIONAL AID PAYMENT IN 2012 FOR CERTAIN CITIES.**

28.2 For calendar year 2012 only, a city shall receive a onetime payment of \$12,000
28.3 if: (1) the city's 2010 population is less than 100 and its population growth between
28.4 2000 and 2010 was more than 55 percent; and (2) its commercial industrial percentage as
28.5 defined in Minnesota Statutes, section 477A.011, subdivision 32, based on assessments
28.6 for calendar year 2010, payable 2011, is greater than 15 percent. The aid paid under this
28.7 section shall be paid on the same schedule as aid paid under Minnesota Statutes, sections
28.8 477A.011 to 477A.03. The amount necessary to make the payment under this section shall
28.9 be appropriated from the general fund in fiscal year 2013.

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

28.11 Sec. 26. **SUPPLEMENTAL TARGETING REFUND FOR TAXES PAYABLE IN**
28.12 **2012 ONLY.**

28.13 Subdivision 1. **Determination of supplemental refund.** (a) For property tax refund
28.14 claims under Minnesota Statutes, section 290A.04, subdivision 2h, based upon property
28.15 taxes payable in 2012, the state must pay a supplemental refund such that the combined
28.16 amount of the regular refund under Minnesota Statutes, section 290A.04, subdivision 2h,
28.17 and the supplemental refund is equal to 90 percent of the increase over the greater of (1) 12
28.18 percent of the payable 2011 property taxes, or (2) \$100. The maximum combined refund
28.19 under Minnesota Statutes, section 290A.04, subdivision 2h, and this section is \$1,000.

28.20 (b) The supplemental refund amount must be determined by the commissioner of
28.21 revenue based upon the information submitted with the claim for the regular refund and
28.22 must be combined with the regular refund for payment.

28.23 (c) Any supplemental refund paid under this section must be subtracted from
28.24 "property taxes payable" for the purposes of determining any refund amount under
28.25 Minnesota Statutes, section 290A.04, subdivision 2, based upon property taxes payable
28.26 in 2012.

28.27 (d) Any supplemental refund paid under this section must be subtracted from
28.28 "property taxes payable" for taxes payable in 2012 for the purposes of determining any
28.29 refund amount under Minnesota Statutes, section 290A.04, subdivision 2h, based upon
28.30 property taxes payable in 2013.

28.31 Subd. 2. **Appropriation.** The amount necessary to make the payments required
28.32 under this section is appropriated to the commissioner of revenue from the general fund
28.33 for fiscal years 2013 and 2014.

29.1 **EFFECTIVE DATE.** This section is effective for refund claims based on taxes
29.2 payable in 2012 only.

29.3 Sec. 27. **ADMINISTRATION OF PROPERTY TAX REFUND CLAIMS; 2012.**

29.4 In administering this act for claims for refunds submitted using 17 percent of gross
29.5 rent as rent constituting property taxes under prior law, the commissioner shall recalculate
29.6 and pay the refund amounts using 15 percent of gross rent, subject to the reduced
29.7 maximum income limits, maximum refunds, and increased co-payment percentages in
29.8 this bill. The commissioner shall notify the claimant that the recalculation was mandated
29.9 by action of the 2012 legislature.

29.10 Sec. 28. **HOLDING OF PROPERTY FOR ECONOMIC DEVELOPMENT;**
29.11 **TEMPORARY EXTENSION.**

29.12 (a) For purposes of Minnesota Statutes, section 272.02, subdivision 39, a political
29.13 subdivision's holding for resale for economic development of a property that is located in
29.14 a city with a population of more than 5,000 outside of the metropolitan area, as defined in
29.15 Minnesota Statutes, section 473.121, subdivision 2, for up to 11 years, is a public purpose.

29.16 (b) The authority under this section expires on December 31, 2015.

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

29.18 Sec. 29. **TRUTH IN TAXATION TASK FORCE.**

29.19 Subdivision 1. **Established; duties.** (a) A task force is established to study and
29.20 make recommendations to the legislature on the design and content of the truth in taxation
29.21 statement required under Minnesota Statutes, section 275.065.

29.22 (b) The task force shall:

29.23 (1) identify issues that have arisen with differences among local governments' truth
29.24 in taxation mailings and statements;

29.25 (2) determine what executive or legislative direction is needed to provide a more
29.26 informative statement to property owners and provide policy makers easily comparable
29.27 information statewide;

29.28 (3) consider whether statements should be uniform statewide;

29.29 (4) consider whether statements should be able to be distributed electronically; and

29.30 (5) consider what is the most effective way to provide information to taxpayers
29.31 regarding levies made by special taxing districts.

29.32 Subd. 2. **Membership; co-chairs.** The task force members are:

(1) two members of the house of representatives Committee on Taxes, appointed by the speaker of the house, one member of the majority caucus and one member of the minority caucus;

(2) two members of the senate Committee on Taxes, appointed by the senate Subcommittee on Committees of the Committee on Rules and Legislative Administration, one member of the majority caucus and one member of the minority caucus;

(3) one member appointed by the League of Minnesota Cities;

(4) one member appointed by the Association of Minnesota Counties;

(5) one member appointed by the Minnesota Association of Townships;

(6) one member appointed by the Minnesota Association of Small Cities;

(7) one member appointed by the Minnesota Association of County Auditors, Treasurers and Financial Officers;

(8) the chair of the property and local tax division of the house of representatives Committee on Taxes and the chair of the senate Committee on Taxes, who shall serve as co-chairs.

The appointments to the task force shall be made as soon as practicable after the effective date of this section.

Subd. 3. **Meetings.** The legislative Open Meeting Law in Minnesota Statutes, section 3.055, applies to the task force. A meeting may be conducted by any electronic means that meets the criteria in Minnesota Statutes, section 3.055, subdivision 1a. Task force meetings may be conducted following Mason's Manual of Legislative Procedure unless the task force chooses otherwise.

Subd. 4. **Compensation; expenses; administrative and technical assistance.** Members of the task force serve without compensation or reimbursement for expenses. The committee staff of the Property and Local Tax Division of the house of representatives Committee on Taxes and the senate Committee on Taxes shall provide administrative assistance to the task force. Any administrative costs of the task force shall be shared equally between the house of representatives and the senate. The commissioner of revenue shall provide technical assistance to the task force.

Subd. 5. **Report.** The task force shall report to the legislative committees with jurisdiction over property taxes, and submit the report as provided in Minnesota Statutes, section 3.195. The report is due by December 15, 2012.

Subd. 6. **Expiration.** The task force expires June 30, 2013.

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

31.1 Sec. 30. **TAX EXEMPTION; NEW RESIDENTIAL CONSTRUCTION IN**
31.2 **FLOOD-DAMAGED CITIES.**

31.3 Subdivision 1. **Eligible area.** (a) A residential structure may qualify for an
31.4 exemption under this section if it is:

31.5 (1) located in a city that is eligible to designate a development zone under Minnesota
31.6 Statutes, section 469.1731;

31.7 (2) located in a county designated as an emergency area under presidential
31.8 declaration FEMA-DR-1830, FEMA-DR-1900, or FEMA-DR-1982; and

31.9 (3) classified as class 1a, 1b, 2a, 4a, 4b, 4bb, or 4d under Minnesota Statutes,
31.10 section 273.13.

31.11 Subd. 2. **Tax exemption; new residential structures.** (a) The market value of
31.12 new residential structures is exempt from property taxation for two taxes payable years,
31.13 corresponding to the two assessment years after construction has begun, provided that (1)
31.14 no part of the structure was in existence prior to January 1, 2012, and (2) construction
31.15 of the structure is commenced prior to December 31, 2013. For the purposes of this
31.16 paragraph, construction is deemed to have been commenced if a proper building permit has
31.17 been issued and the mandatory footing or foundation inspection has been completed. The
31.18 exemption shall not apply to any special assessments that are levied against the property.

31.19 (b) For a property classified as either 1a, 1b, 2a, 4b, or 4bb, the exemption is limited
31.20 to \$200,000 or the entire market value of the structure, whichever is less. For a property
31.21 classified as class 4a or 4d, the exemption is limited to \$20,000 times the number of
31.22 residential units in the structure or the entire market value of the structure, whichever is
31.23 less.

31.24 (c) A city resolution to participate in the new residential structure exemption
31.25 program must be adopted prior to July 1, 2012, in order for the program to be in effect
31.26 within the city.

31.27 Subd. 3. **Tax exemption; improvements to existing residential structures.** (a)
31.28 The market value attributable to new improvements on existing properties classified as 1a,
31.29 1b, 2a, 4a, 4b, 4bb, or 4d shall be exempt from property taxation for two taxes payable
31.30 years, corresponding to the two assessment years after completion of the improvement,
31.31 provided that the improvement is made after January 1, 2012, and prior to December 31,
31.32 2013. An improvement is eligible for exemption under this subdivision if (1) a proper
31.33 building permit has been issued and the improvement has been inspected by city staff, and
31.34 (2) the improvement adds at least \$10,000 to the value of the property. The exemption
31.35 shall not apply to any special assessments that have been levied against the property. For

32.1 class 2a property, only improvements to the house or garage are eligible for an exemption
32.2 under this subdivision.

32.3 (b) For a property classified as either 1a, 1b, 2a, 4b, or 4bb, the total exempted value
32.4 for all eligible improvements under this subdivision is limited to \$200,000. For a property
32.5 classified as class 4a or 4d, the total value exempted for all eligible improvements under
32.6 this subdivision is limited to \$20,000 times the number of residential units in the structure.

32.7 (c) A city resolution to participate in the residential property improvement
32.8 exemption program must be adopted prior to July 1, 2012, in order for the program to be
32.9 in effect within the city.

32.10 Subd. 4. **Application.** Application for an exemption authorized under this section
32.11 must be filed by January 2 of the year following the year in which (1) construction began,
32.12 in the case of property qualifying under subdivision 2, or (2) the improvement was
32.13 completed, in the case of property qualifying under subdivision 3. The application must
32.14 be filed with the assessor of the county or city in which the property is located on a form
32.15 prescribed by the commissioner of revenue.

32.16 Subd. 5. **Report to commissioner.** The total amount of market value exempted
32.17 under each program must be reported each year to the commissioner of revenue, on a form
32.18 prescribed by the commissioner.

32.19 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 to 2016.

32.20 **ARTICLE 2**

32.21 **INCOME AND CORPORATE FRANCHISE TAXES**

32.22 Section 1. Minnesota Statutes 2011 Supplement, section 116J.8737, subdivision 1,
32.23 is amended to read:

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

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

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

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

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

32.34 (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.

(i) "Liquidation event" means a conversion of qualified investment for cash, cash and other consideration, or any other form of equity or debt interest.

EFFECTIVE DATE. This section is effective for qualified small businesses certified after June 30, 2012.

Sec. 2. Minnesota Statutes 2011 Supplement, 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, except as provided in clause (8);

(8) the business has not been in operation for more than 20 years if the business is engaged in the research, development, or production of medical devices or pharmaceuticals for which U.S. Food and Drug Administration approval is required for use in the treatment or diagnosis of a disease or condition;

35.1 ~~(8)~~ (9) the business has not previously received private equity investments of more
35.2 than \$4,000,000; ~~and~~

35.3 ~~(9)~~ (10) the business is not an entity disqualified under section 80A.50, paragraph
35.4 (b), clause (3); and

35.5 (11) the business has not issued securities that are traded on a public exchange.

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

35.9 (e) In order for a qualified investment in a business to be eligible for tax credits;

35.10 (1) the business must have applied for and received certification for the calendar
35.11 year in which the investment was made prior to the date on which the qualified investment
35.12 was made;

35.13 (2) the business must not have issued securities that are traded on a public exchange;

35.14 (3) the business must not issue securities that are traded on a public exchange within
35.15 180 days subsequent to the date on which the qualified investment was made; and

35.16 (4) the business must not have a liquidation event within 180 days subsequent to the
35.17 date on which the qualified investment was made.

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

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

35.22 (1) "qualified high-technology field" includes aerospace, agricultural processing,
35.23 renewable energy, energy efficiency and conservation, environmental engineering, food
35.24 technology, cellulosic ethanol, information technology, materials science technology,
35.25 nanotechnology, telecommunications, biotechnology, medical device products,
35.26 pharmaceuticals, diagnostics, biologicals, chemistry, veterinary science, and similar
35.27 fields; and

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

35.31 **EFFECTIVE DATE.** This section is effective for qualified small businesses
35.32 certified after June 30, 2012, except the amendments to paragraph (c), clause (7), and
35.33 paragraph (c), adding clause (8), are effective the day following final enactment.

35.34 Sec. 3. Minnesota Statutes 2010, section 116J.8737, subdivision 5, is amended to read:

Subd. 5. **Credit allowed.** (a) A qualified investor or qualified fund is eligible for a credit equal to 25 percent of the qualified investment in a qualified small business. Investments made by a pass-through entity qualify for a credit only if the entity is a qualified fund. The commissioner must not allocate more than \$11,000,000 in credits to qualified investors or qualified funds for taxable years beginning after December 31, 2009, and before January 1, 2011, ~~and~~ must not allocate more than \$12,000,000 in credits per year for taxable years beginning after December 31, 2010, and before January 1, ~~2015~~ 2012, and must not allocate more than \$17,000,000 in credits per year for taxable years beginning after December 31, 2011, and before January 1, 2015. Any portion of a taxable year's credits that is not allocated by the commissioner does not cancel and may be carried forward to subsequent taxable years until all credits have been allocated.

(b) The commissioner may not allocate more than a total maximum amount in credits for a taxable year to a qualified investor for the investor's cumulative qualified investments as an individual qualified investor and as an investor in a qualified fund; for married couples filing joint returns the maximum is \$250,000, and for all other filers the maximum is \$125,000. The commissioner may not allocate more than a total of \$1,000,000 in credits over all taxable years for qualified investments in any one qualified small business.

(c) The commissioner may not allocate a credit to a qualified investor either as an individual qualified investor or as an investor in a qualified fund if the investor receives more than 50 percent of the investor's gross annual income from the qualified small business in which the qualified investment is proposed. A member of the family of an individual disqualified by this paragraph is not eligible for a credit under this section. For a married couple filing a joint return, the limitations in this paragraph apply collectively to the investor and spouse. For purposes of determining the ownership interest of an investor under this paragraph, the rules under section 267(c) and 267(e) of the Internal Revenue Code apply.

(d) Applications for tax credits for 2010 must be made available on the department's Web site by September 1, 2010, and the department must begin accepting applications by September 1, 2010. Applications for subsequent years must be made available by November 1 of the preceding year.

(e) Qualified investors and qualified funds must apply to the commissioner for tax credits. Tax credits must be allocated to qualified investors or qualified funds in the order that the tax credit request applications are filed with the department. The commissioner must approve or reject tax credit request applications within 15 days of receiving the application. The investment specified in the application must be made within 60 days of the allocation of the credits. If the investment is not made within 60 days, the credit

37.1 allocation is canceled and available for reallocation. A qualified investor or qualified fund
37.2 that fails to invest as specified in the application, within 60 days of allocation of the
37.3 credits, must notify the commissioner of the failure to invest within five business days of
37.4 the expiration of the 60-day investment period.

37.5 (f) All tax credit request applications filed with the department on the same day must
37.6 be treated as having been filed contemporaneously. If two or more qualified investors or
37.7 qualified funds file tax credit request applications on the same day, and the aggregate
37.8 amount of credit allocation claims exceeds the aggregate limit of credits under this section
37.9 or the lesser amount of credits that remain unallocated on that day, then the credits must
37.10 be allocated among the qualified investors or qualified funds who filed on that day on a
37.11 pro rata basis with respect to the amounts claimed. The pro rata allocation for any one
37.12 qualified investor or qualified fund is the product obtained by multiplying a fraction,
37.13 the numerator of which is the amount of the credit allocation claim filed on behalf of
37.14 a qualified investor and the denominator of which is the total of all credit allocation
37.15 claims filed on behalf of all applicants on that day, by the amount of credits that remain
37.16 unallocated on that day for the taxable year.

37.17 (g) A qualified investor or qualified fund, or a qualified small business acting on their
37.18 behalf, must notify the commissioner when an investment for which credits were allocated
37.19 has been made, and the taxable year in which the investment was made. A qualified fund
37.20 must also provide the commissioner with a statement indicating the amount invested by
37.21 each investor in the qualified fund based on each investor's share of the assets of the
37.22 qualified fund at the time of the qualified investment. After receiving notification that the
37.23 investment was made, the commissioner must issue credit certificates for the taxable year
37.24 in which the investment was made to the qualified investor or, for an investment made by
37.25 a qualified fund, to each qualified investor who is an investor in the fund. The certificate
37.26 must state that the credit is subject to revocation if the qualified investor or qualified
37.27 fund does not hold the investment in the qualified small business for at least three years,
37.28 consisting of the calendar year in which the investment was made and the two following
37.29 years. The three-year holding period does not apply if:

37.30 (1) the investment by the qualified investor or qualified fund becomes worthless
37.31 before the end of the three-year period;

37.32 (2) 80 percent or more of the assets of the qualified small business is sold before
37.33 the end of the three-year period;

37.34 (3) the qualified small business is sold before the end of the three-year period; or

37.35 (4) the qualified small business's common stock begins trading on a public exchange
37.36 before the end of the three-year period.

38.1 (h) The commissioner must notify the commissioner of revenue of credit certificates
38.2 issued under this section.

38.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
38.4 December 31, 2011.

38.5 Sec. 4. Minnesota Statutes 2010, section 116J.8737, is amended by adding a
38.6 subdivision to read:

38.7 Subd. 5a. **Promotion of credit in greater Minnesota.** (a) By July 1, 2012, the
38.8 commissioner shall develop a plan to increase awareness of and use of the credit for
38.9 investments in greater Minnesota businesses with a target goal that a minimum of 30
38.10 percent of the credit will be awarded for those investments during the second half
38.11 of calendar year 2013 and for each full calendar year thereafter. Beginning with the
38.12 legislative report due on March 15, 2013, under subdivision 9, the commissioner shall
38.13 report on its plan under this subdivision and the results achieved.

38.14 (b) If the target goal of 30 percent under paragraph (a) is not achieved for the
38.15 six-month period ending on December 31, 2013, the credit percentage under subdivision
38.16 5, paragraph (a), is increased to 40 percent for a qualified investment made after December
38.17 31, 2013, in a greater Minnesota business. This paragraph does not apply and the credit
38.18 percentage for all qualified investments is the rate provided under subdivision 5 for any
38.19 calendar year beginning after a calendar year for which the commissioner determines the
38.20 30 percent target has been satisfied. The commissioner shall timely post notification of
38.21 changes in the credit rate under this paragraph on the department's website.

38.22 (c) For purposes of this section, a "greater Minnesota business" means a qualified
38.23 small business with its headquarters and 51 percent or more of its employees employed
38.24 at Minnesota locations outside of the metropolitan area as defined in section 473.121,
38.25 subdivision 2.

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

38.27 Sec. 5. Minnesota Statutes 2010, section 116J.8737, subdivision 8, is amended to read:

38.28 Subd. 8. **Data privacy.** (a) Data contained in an application submitted to the
38.29 commissioner under subdivision 2, 3, or 4 are nonpublic data, or private data on
38.30 individuals, as defined in section 13.02, subdivision 9 or 12, except that the following
38.31 data items are public:

39.1 (1) the name, mailing address, telephone number, e-mail address, contact person's
39.2 name, and industry type of a qualified small business upon approval of the application
39.3 and certification by the commissioner under subdivision 2;

39.4 (2) the name of a qualified investor upon approval of the application and certification
39.5 by the commissioner under subdivision 3;

39.6 (3) the name of a qualified fund upon approval of the application and certification
39.7 by the commissioner under subdivision 4;

39.8 (4) for credit certificates issued under subdivision 5, the amount of the credit
39.9 certificate issued, amount of the qualifying investment, the name of the qualifying investor
39.10 or qualifying fund that received the certificate, and the name of the qualifying small
39.11 business in which the qualifying investment was made;

39.12 (5) for credits revoked under subdivision 7, paragraph (a), the amount revoked and
39.13 the name of the qualified investor or qualified fund; and

39.14 (6) for credits revoked under subdivision 7, paragraphs (b) and (c), the amount
39.15 revoked and the name of the qualified small business.

39.16 (b) The following data, including data classified as nonpublic or private, must be
39.17 provided to the consultant for use in conducting the program evaluation under subdivision
39.18 10:

39.19 (1) the commissioner of employment and economic development shall provide data
39.20 contained in an application for certification received from a qualified small business,
39.21 qualified investor, or qualified fund, and any annual reporting information received on a
39.22 qualified small business, qualified investor, or qualified fund; and

39.23 (2) the commissioner of revenue shall provide data contained in any applicable tax
39.24 returns of a qualified small business, qualified investor, or qualified fund.

39.25 **EFFECTIVE DATE.** This section is effective for businesses requesting certification
39.26 starting on the day following final enactment.

39.27 Sec. 6. **[116J.8738] TECHNOLOGY CORPORATE FRANCHISE TAX**
39.28 **CERTIFICATE TRANSFER PROGRAM.**

39.29 **Subdivision 1. Program established.** The commissioner shall establish a corporate
39.30 franchise tax benefit certificate transfer program to allow new or expanding biotechnology
39.31 companies in this state with unused net operating loss carryovers under section 290.095 to
39.32 surrender those tax benefits for use by other corporate franchise taxpayers in this state.
39.33 The tax benefits may be used on the corporate franchise tax returns to be filed by those
39.34 taxpayers in exchange for private financial assistance to be provided by the corporate

franchise taxpayer that is the recipient of the tax benefit certificate to assist in the funding of costs incurred by the new or expanding biotechnology company.

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given, unless the context clearly requires otherwise.

(b) "Biotechnology" means the continually expanding body of fundamental knowledge about the functioning of biological systems from the macro level to the molecular and subatomic levels, as well as novel products, services, technologies, and subtechnologies developed as a result of insights gained from research advances that add to that body of fundamental knowledge.

(c) "Biotechnology company" means a corporation that:

(1) has its headquarters or base of operations and at least one-half of its full-time employees in this state;

(2) owns, has filed for, or has a valid license to use protected, proprietary intellectual property;

(3) is engaged in the research, development, production, or provision of biotechnology for the purpose of developing or providing products or processes for specific commercial or public purposes, including but not limited to, medical, medical device, pharmaceutical, nutritional, and other health-related purposes, agricultural purposes, and environmental purposes; and

(4) has received, at least, \$2,500,000 of private investments, whether in the form of equity or debt.

(d) "Full-time employee" means a person employed by a new or expanding biotechnology company for consideration for at least 35 hours a week, or who renders any other standard of service generally accepted by custom or practice as full-time employment and whose wages are subject to withholding as provided in section 290.92, or who is a partner of a new or expanding biotechnology company who works for the partnership for at least 35 hours a week, or who renders any other standard of service generally accepted by custom or practice as full-time employment, and whose distributive share of income, gain, loss, or deduction, or whose guaranteed payments, or any combination thereof, is subject to the payment of estimated taxes, as provided in section 289A.25. To qualify as a full-time employee, an employee must also receive from the new or expanding biotechnology company group health benefits under a health plan as defined under section 62A.011, subdivision 3, or under a self-insured employee welfare benefit plan as defined in United States Code, title 29, section 1002. Full-time employee excludes any person who works as an independent contractor or on a consulting basis for the new or expanding biotechnology company.

(e) "Maximum annual credit limit" means the following amount of tax benefits for the specified fiscal years:

(1) for fiscal year 2013, \$10,000,000;

(2) for fiscal year 2014, \$15,000,000;

(3) for fiscal years 2015 and 2016, \$30,000,000; and

(4) for fiscal years 2017 and 2018, \$60,000,000.

(f) "New or expanding" means a biotechnology company that:

(1) on June 30 of the year in which the corporation files an application for surrender of unused but otherwise allowable tax benefits under this section and on the date of the exchange of the corporate franchise tax benefit certificate, has fewer than 250 employees in the United States and on the later of those dates, the business, whether as part of the corporation or another entity, has not been in operation for more than ten years;

(2) on June 30 of the year in which the corporation files the application, has at least one full-time employee working in this state if the company has been incorporated for less than three years, has at least five full-time employees working in this state if the company has been incorporated for more than three years but less than five years, and has at least ten full-time employees working in this state if the company has been incorporated for more than five years; and

(3) on the date of the exchange of the corporate franchise tax benefit certificate, the corporation has the number of full-time employees in this state required by clause (2).

Subd. 3. Allocation of tax benefits; annual limit. (a) The commissioner, in cooperation with the commissioner of revenue, shall review and approve applications by new or expanding biotechnology companies in this state with unused but otherwise allowable net operating loss carryovers under section 290.095, to surrender those tax benefits in exchange for private financial assistance to be made by the corporate franchise taxpayer that is the recipient of the corporate franchise tax benefit certificate in an amount equal to at least 75 percent of the amount of the surrendered tax benefit. The amount of the surrendered tax benefit is the amount of the net operating loss carryover apportioned to Minnesota under the provisions of section 290.095, subdivision 3, paragraph (c), and subsequently multiplied by the corporate franchise tax rate under section 290.06, subdivision 1.

(b) The commissioner must approve the transfer of no more than the maximum annual credit limit in each fiscal year. If the total amount of transferable tax benefits requested to be surrendered by approved applicants exceeds the maximum annual credit limit for a fiscal year, the commissioner, in cooperation with the commissioner of revenue, must not approve the transfer of more than the maximum annual credit limit for that fiscal

42.1 year and shall allocate the transfer of tax benefits by approved corporations using the
42.2 following method:

42.3 (1) an eligible applicant with \$250,000 or less of transferable tax benefits is
42.4 authorized to surrender the entire amount of its transferable tax benefits;

42.5 (2) an eligible applicant with more than \$250,000 of transferable tax benefits is
42.6 authorized to surrender a minimum of \$250,000 of its transferable tax benefits; and

42.7 (3) an eligible applicant with more than \$250,000 of transferable tax benefits is
42.8 authorized to surrender additional transferable tax benefits determined by multiplying
42.9 the applicant's transferable tax benefits less the minimum transferable tax benefits that
42.10 corporation is authorized to surrender under clause (2) by a fraction, the numerator of
42.11 which is the total amount of transferable tax benefits that the commissioner is authorized
42.12 to approve less the total amount of transferable tax benefits approved under clauses (1)
42.13 and (2) and the denominator of which is the total amount of transferable tax benefits
42.14 requested to be surrendered by all eligible applicants less the total amount of transferable
42.15 tax benefits approved under clauses (1) and (2).

42.16 (c) If the total amount of transferable tax benefits that would be authorized using the
42.17 method under paragraph (b) exceeds the maximum annual credit limit for a fiscal year,
42.18 then the commissioner, in cooperation with the commissioner of revenue, shall limit the
42.19 total amount of tax benefits authorized to be transferred to the maximum annual credit
42.20 limit by applying the above method on an apportioned basis.

42.21 Subd. 4. **Qualifying tax benefits and corporations.** For purposes of this section,
42.22 transferable tax benefits include an eligible applicant's unused but otherwise allowable
42.23 carryover of net operating losses apportioned to Minnesota under the provisions of section
42.24 290.095, subdivision 3, paragraph (c), and subsequently multiplied by the corporate
42.25 franchise tax rate under section 290.06, subdivision 1. An eligible applicant's transferable
42.26 tax benefits are limited to net operating losses that the applicant requests to surrender in
42.27 its application to the authority and must not, in total, exceed the maximum amount of
42.28 tax benefits that the applicant is eligible to surrender. No application for a corporate
42.29 franchise tax benefit transfer certificate must be approved in which the new or expanding
42.30 biotechnology company:

42.31 (1) has demonstrated positive net operating income in any of the two previous full
42.32 years of ongoing operations as determined on its financial statements issued according to
42.33 generally accepted accounting standards endorsed by the Financial Accounting Standards
42.34 Board; or

42.35 (2) is directly or indirectly at least 50 percent owned or controlled by another
42.36 corporation that has demonstrated positive net operating income in any of the two previous

43.1 full years of ongoing operations as determined on its financial statements issued according
43.2 to generally accepted accounting standards endorsed by the Financial Accounting
43.3 Standards Board or is part of a consolidated group of affiliated corporations, as filed for
43.4 federal income tax purposes, that in the aggregate has demonstrated positive net operating
43.5 income in any of the two previous full years of ongoing operations as determined on
43.6 its combined financial statements issued according to generally accepted accounting
43.7 standards endorsed by the Financial Accounting Standards Board.

43.8 The maximum lifetime value of surrendered tax benefits that a corporation is permitted to
43.9 surrender under the program is \$15,000,000.

43.10 Subd. 5. **Recapture of tax benefits.** The commissioner, in consultation with
43.11 the commissioner of revenue, shall develop a standard form agreement that each new
43.12 or expanding biotechnology company must enter into as a condition of qualifying to
43.13 surrender tax benefits under this section. The agreement must provide for the recapture of
43.14 all, or a portion of, the amount of a grant of a corporate franchise tax benefit certificate
43.15 from the new or expanding biotechnology company under this section if the taxpayer
43.16 fails to use the private financial assistance received for the surrender of tax benefits as
43.17 required by this section or fails to maintain a headquarters or a base of operation in this
43.18 state during the five years following receipt of the private financial assistance; except if
43.19 the failure to maintain a headquarters or a base of operation in this state is due to the
43.20 liquidation of the new or expanding biotechnology company, other than as a result of
43.21 a merger or acquisition of the company.

43.22 Subd. 6. **Approval of acquisition of tax benefits; purposes; required agreement.**
43.23 (a) The commissioner, in cooperation with the commissioner of revenue, shall review and
43.24 approve applications by taxpayers under the corporate franchise tax in chapter 290 to
43.25 acquire surrendered tax benefits approved under subdivision 3, which must be issued in
43.26 the form of corporate franchise tax benefit transfer certificates, in exchange for private
43.27 financial assistance to be made by the taxpayer in an amount equal to at least 75 percent of
43.28 the amount of the surrendered tax benefit of a biotechnology company. The commissioner
43.29 must not issue a corporate franchise tax benefit transfer certificate, unless the applicant
43.30 certifies that as of the date of the exchange of the corporate franchise tax benefit certificate
43.31 it is operating as a new or expanding biotechnology company and has no current intention
43.32 to cease operating as a new or expanding biotechnology company.

43.33 (b) The private financial assistance shall assist in funding expenses incurred in
43.34 connection with the operation of the new or expanding biotechnology company in this
43.35 state, including but not limited to the expenses of fixed assets, such as the construction
43.36 and acquisition and development of real estate, materials, start-up, tenant fit-out, working

44.1 capital, salaries, research and development expenditures, and any other expenses
44.2 determined by the commissioner to be necessary to carry out biotechnology company
44.3 operations in this state.

44.4 (c) The commissioner shall require a corporate franchise taxpayer that acquires
44.5 a corporate franchise tax benefit certificate to enter into a written agreement with the
44.6 new or expanding biotechnology company concerning the terms and conditions of the
44.7 private financial assistance made in exchange for the certificate. The written agreement
44.8 may contain terms concerning the maintenance by the new or expanding biotechnology
44.9 company of a headquarters or a base of operation in this state.

44.10 Subd. 7. **Program evaluation.** (a) No later than December 31, 2015, the
44.11 commissioner of revenue, after consultation with the commissioners of management and
44.12 budget and employment and economic development, shall contract with a qualified outside
44.13 entity or individual to evaluate the effects of the program on the Minnesota economy.
44.14 The contractor must not be associated with, employed by, or have contracts with the
44.15 entities involved in or associated with the biotechnology industry that benefits from the
44.16 program. The program evaluation must be completed by January 2017, and provided to
44.17 the chairs and ranking minority members of the legislative committees having jurisdiction
44.18 over taxes and economic development in the senate and the house of representatives, in
44.19 compliance with sections 3.195 and 3.197. The program evaluation must include, in
44.20 addition to any other matters the commissioner of revenue considers relevant to evaluating
44.21 the effectiveness of the credit, analysis of:

44.22 (1) the amount of economic activity, including the number of jobs and the wages of
44.23 those jobs, generated by emerging biotechnology companies that received investments
44.24 that qualified for the credit;

44.25 (2) the incremental change in Minnesota state and local taxes paid as a result of
44.26 the allowance of the credit; and

44.27 (3) the net benefit to the Minnesota economy of allowance of the credit relative to
44.28 alternative uses of the resources, such as increasing the research and development credit
44.29 or reducing the corporate franchise tax rate.

44.30 (b) To the extent necessary to complete the program evaluation, the consultant
44.31 or consultants may request from the commissioner of revenue tax return information
44.32 of taxpayers who surrender tax benefits under the program. To the extent necessary to
44.33 complete the program evaluation, the consultant or consultants may request from the
44.34 commissioner of employment and economic development applications for certification
44.35 and annual reports made by qualified small businesses, qualified investors, and qualified
44.36 funds. The consultant or consultants may not disclose or release any data received under

45.1 this section except as permitted for a government entity under chapter 13, and is subject to
45.2 the penalties and remedies provided in law for violation of that chapter.

45.3 Subd. 8. **Sunset.** This section expires effective following the allocation for fiscal
45.4 year 2018.

45.5 **EFFECTIVE DATE.** This section is effective the day following final enactment
45.6 and applies to taxable years beginning after December 31, 2011.

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

45.8 Subd. 3. **Corporations.** (a) A corporation that is subject to the state's jurisdiction to
45.9 tax under section 290.014, subdivision 5, must file a return, ~~except that a foreign operating~~
45.10 ~~corporation as defined in section 290.01, subdivision 6b, is not required to file a return.~~

45.11 (b) Members of a unitary business that are required to file a combined report on one
45.12 return must designate a member of the unitary business to be responsible for tax matters,
45.13 including the filing of returns, the payment of taxes, additions to tax, penalties, interest,
45.14 or any other payment, and for the receipt of refunds of taxes or interest paid in excess of
45.15 taxes lawfully due. The designated member must be a member of the unitary business that
45.16 is filing the single combined report and either:

45.17 (1) a corporation that is subject to the taxes imposed by chapter 290; or

45.18 (2) a corporation that is not subject to the taxes imposed by chapter 290:

45.19 (i) Such corporation consents by filing the return as a designated member under this
45.20 clause to remit taxes, penalties, interest, or additions to tax due from the members of the
45.21 unitary business subject to tax, and receive refunds or other payments on behalf of other
45.22 members of the unitary business. The member designated under this clause is a "taxpayer"
45.23 for the purposes of this chapter and chapter 270C, and is liable for any liability imposed
45.24 on the unitary business under this chapter and chapter 290.

45.25 (ii) If the state does not otherwise have the jurisdiction to tax the member designated
45.26 under this clause, consenting to be the designated member does not create the jurisdiction
45.27 to impose tax on the designated member, other than as described in item (i).

45.28 (iii) The member designated under this clause must apply for a business tax account
45.29 identification number.

45.30 (c) The commissioner shall adopt rules for the filing of one return on behalf of the
45.31 members of an affiliated group of corporations that are required to file a combined report.
45.32 All members of an affiliated group that are required to file a combined report must file one
45.33 return on behalf of the members of the group under rules adopted by the commissioner.

(d) If a corporation claims on a return that it has paid tax in excess of the amount of taxes lawfully due, that corporation must include on that return information necessary for payment of the tax in excess of the amount lawfully due by electronic means.

EFFECTIVE DATE. This section is effective for returns filed for taxable years beginning after December 31, 2011.

Sec. 8. Minnesota Statutes 2011 Supplement, section 290.01, subdivision 19c, is amended to read:

Subd. 19c. **Corporations; additions to federal taxable income.** For corporations, there shall be added to federal taxable income:

(1) the amount of any deduction taken for federal income tax purposes for income, excise, or franchise taxes based on net income or related minimum taxes, including but not limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or any foreign country or possession of the United States;

(2) interest not subject to federal tax upon obligations of: the United States, its possessions, its agencies, or its instrumentalities; the state of Minnesota or any other state, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities; the District of Columbia; or Indian tribal governments;

(3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal Revenue Code;

(4) the amount of any net operating loss deduction taken for federal income tax purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss deduction under section 810 of the Internal Revenue Code;

(5) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 and 965 of the Internal Revenue Code;

(6) losses from the business of mining, as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota income tax;

(7) the amount of any capital losses deducted for federal income tax purposes under sections 1211 and 1212 of the Internal Revenue Code;

(8) the exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;

(9) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;

47.1 (10) for certified pollution control facilities placed in service in a taxable year
47.2 beginning before December 31, 1986, and for which amortization deductions were elected
47.3 under section 169 of the Internal Revenue Code of 1954, as amended through December
47.4 31, 1985, the amount of the amortization deduction allowed in computing federal taxable
47.5 income for those facilities;

47.6 ~~(11) the amount of any deemed dividend from a foreign operating corporation~~
47.7 ~~determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend~~
47.8 ~~shall be reduced by the amount of the addition to income required by clauses (20), (21),~~
47.9 ~~(22), and (23);~~

47.10 ~~(12)~~ (11) the amount of a partner's pro rata share of net income which does not flow
47.11 through to the partner because the partnership elected to pay the tax on the income under
47.12 section 6242(a)(2) of the Internal Revenue Code;

47.13 ~~(13)~~ (12) the amount of net income excluded under section 114 of the Internal
47.14 Revenue Code;

47.15 ~~(14)~~ (13) any increase in subpart F income, as defined in section 952(a) of the
47.16 Internal Revenue Code, for the taxable year when subpart F income is calculated without
47.17 regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

47.18 ~~(15)~~ (14) 80 percent of the depreciation deduction allowed under section
47.19 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if
47.20 the taxpayer has an activity that in the taxable year generates a deduction for depreciation
47.21 under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable
47.22 year that the taxpayer is not allowed to claim for the taxable year, "the depreciation
47.23 allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess
47.24 of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A)
47.25 over the amount of the loss from the activity that is not allowed in the taxable year. In
47.26 succeeding taxable years when the losses not allowed in the taxable year are allowed, the
47.27 depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;

47.28 ~~(16)~~ (15) 80 percent of the amount by which the deduction allowed by section 179 of
47.29 the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
47.30 Revenue Code of 1986, as amended through December 31, 2003;

47.31 ~~(17)~~ (16) to the extent deducted in computing federal taxable income, the amount of
47.32 the deduction allowable under section 199 of the Internal Revenue Code;

47.33 ~~(18)~~ (17) for taxable years beginning before January 1, 2013, the exclusion allowed
47.34 under section 139A of the Internal Revenue Code for federal subsidies for prescription
47.35 drug plans;

47.36 ~~(19)~~ (18) the amount of expenses disallowed under section 290.10, subdivision 2;

~~(20) an amount equal to the interest and intangible expenses, losses, and costs paid, accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit of a corporation that is a member of the taxpayer's unitary business group that qualifies as a foreign operating corporation. For purposes of this clause, intangible expenses and costs include:~~

~~(i) expenses, losses, and costs for, or related to, the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property;~~

~~(ii) losses incurred, directly or indirectly, from factoring transactions or discounting transactions;~~

~~(iii) royalty, patent, technical, and copyright fees;~~

~~(iv) licensing fees; and~~

~~(v) other similar expenses and costs.~~

~~For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.~~

~~This clause does not apply to any item of interest or intangible expenses or costs paid, accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect to such item of income to the extent that the income to the foreign operating corporation is income from sources without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;~~

~~(21) except as already included in the taxpayer's taxable income pursuant to clause (20), any interest income and income generated from intangible property received or accrued by a foreign operating corporation that is a member of the taxpayer's unitary group. For purposes of this clause, income generated from intangible property includes:~~

~~(i) income related to the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property;~~

~~(ii) income from factoring transactions or discounting transactions;~~

~~(iii) royalty, patent, technical, and copyright fees;~~

~~(iv) licensing fees; and~~

~~(v) other similar income.~~

~~For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.~~

~~This clause does not apply to any item of interest or intangible income received or accrued by a foreign operating corporation with respect to such item of income to the extent that the income is income from sources without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;~~

~~(22) the dividends attributable to the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to the dividends paid deduction of a real estate investment trust under section 561(a) of the Internal Revenue Code for amounts paid or accrued by the real estate investment trust to the foreign operating corporation;~~

~~(23) the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to gains derived from the sale of real or personal property located in the United States;~~

~~(24)~~ (19) for taxable years beginning before January 1, 2010, the additional amount allowed as a deduction for donation of computer technology and equipment under section 170(e)(6) of the Internal Revenue Code, to the extent deducted from taxable income; and

~~(25)~~ (20) discharge of indebtedness income resulting from reacquisition of business indebtedness and deferred under section 108(i) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2011.

Sec. 9. Minnesota Statutes 2010, section 290.01, subdivision 19d, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(8) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December

51.1 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes
51.2 1986, section 290.09, subdivision 7;

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

51.9 (10) 80 percent of royalties, fees, or other like income accrued or received from a
51.10 foreign operating corporation or a foreign corporation which is part of the same unitary
51.11 business as the receiving corporation, unless the income resulting from such payments or
51.12 accruals is income from sources within the United States as defined in subtitle A, chapter
51.13 1, subchapter N, part 1, of the Internal Revenue Code;

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

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

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

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

51.24 (15) for a corporation whose foreign sales corporation, as defined in section 922
51.25 of the Internal Revenue Code, constituted a foreign operating corporation during any
51.26 taxable year ending before January 1, 1995, and a return was filed by August 15, 1996,
51.27 claiming the deduction under section 290.21, subdivision 4, for income received from
51.28 the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of
51.29 income excluded under section 114 of the Internal Revenue Code, provided the income is
51.30 not income of a foreign operating company;

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

51.34 (17) in each of the five tax years immediately following the tax year in which an
51.35 addition is required under subdivision 19c, clause ~~(15)~~ (14), an amount equal to one-fifth
51.36 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the

52.1 amount of the addition made by the taxpayer under subdivision 19c, clause ~~(15)~~ (14). The
52.2 resulting delayed depreciation cannot be less than zero;

52.3 (18) in each of the five tax years immediately following the tax year in which an
52.4 addition is required under subdivision 19c, clause ~~(16)~~ (15), an amount equal to one-fifth
52.5 of the amount of the addition; ~~and~~

52.6 (19) to the extent included in federal taxable income, discharge of indebtedness
52.7 income resulting from reacquisition of business indebtedness included in federal taxable
52.8 income under section 108(i) of the Internal Revenue Code. This subtraction applies only
52.9 to the extent that the income was included in net income in a prior year as a result of the
52.10 addition under section 290.01, subdivision 19c, clause ~~(25)~~ (20); and

52.11 (20) to the extent included in federal taxable income, amounts received in return for
52.12 surrendering tax benefits under section 116J.8738.

52.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
52.14 December 31, 2011.

52.15 Sec. 10. Minnesota Statutes 2010, section 290.01, subdivision 29, is amended to read:

52.16 Subd. 29. **Taxable income.** The term "taxable income" means:

52.17 (1) for individuals, estates, and trusts, the same as taxable net income;

52.18 (2) for corporations, the taxable net income less

52.19 (i) the net operating loss deduction under section 290.095, excluding any amount
52.20 surrendered under section 116J.8738;

52.21 (ii) the dividends received deduction under section 290.21, subdivision 4;

52.22 (iii) the exemption for operating in a job opportunity building zone under section
52.23 469.317;

52.24 (iv) the exemption for operating in a biotechnology and health sciences industry
52.25 zone under section 469.337; and

52.26 (v) the exemption for operating in an international economic development zone
52.27 under section 469.326.

52.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
52.29 December 31, 2011.

52.30 Sec. 11. Minnesota Statutes 2010, section 290.06, is amended by adding a subdivision
52.31 to read:

53.1 Subd. 36. **Employment of qualified veteran tax credit.** (a) A taxpayer is allowed a
53.2 credit against the tax imposed under this chapter for employment of one or more qualified
53.3 veterans.

53.4 (b) "Qualified veteran" has the meaning given in section 51 of the Internal Revenue
53.5 Code.

53.6 (c) The credit equals 150 percent of the credit allowed under section 51 of the Internal
53.7 Revenue Code without regard to the limitation to federal liability, but is limited to the
53.8 portion of the federal credit allowed for employment of qualified veterans in Minnesota.

53.9 (d) The credit under this subdivision is in effect without regard to whether or not the
53.10 credit allowed under section 51 of the Internal Revenue Code is allowed for wages paid
53.11 during the taxable year.

53.12 (e) If the amount of the credit determined under this section exceeds the liability for
53.13 tax under this chapter, the excess may be carried forward to each of the next ten taxable
53.14 years. The entire amount of the excess unused credit for the taxable year shall be carried
53.15 first to the earliest of the taxable years to which the credit may be carried, and then to each
53.16 successive year to which the credit may be carried. The amount of the unused credit which
53.17 may be added under this paragraph shall not exceed the taxpayer's liability for tax less the
53.18 credit under this section for the taxable year.

53.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
53.20 December 31, 2011.

53.21 Sec. 12. Minnesota Statutes 2010, section 290.06, is amended by adding a subdivision
53.22 to read:

53.23 Subd. 37. **Credit; technology corporate franchise tax certificate transfer.**
53.24 A taxpayer may take a credit against the tax imposed under subdivision 1 or section
53.25 290.0921 equal to the amount of the transferable tax benefits certified to the taxpayer for
53.26 the taxable year by the commissioner of employment and economic development under
53.27 section 116J.8738. This credit is allowed against the liability for tax of any member of the
53.28 unitary business that is included in the combined report of the taxpayer.

53.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
53.30 December 31, 2011.

53.31 Sec. 13. Minnesota Statutes 2010, section 290.06, is amended by adding a subdivision
53.32 to read:

54.1 Subd. 38. **Property tax credit.** (a) A credit is allowed against the taxes imposed
54.2 under subdivision 1 and section 290.0921 for the taxable year equal to the lesser of:

54.3 (1) ad valorem property tax paid on real property, located in this state and owned by
54.4 a legal entity that is part of the unitary business, as defined in section 290.17, subdivision
54.5 4, paid during the taxable year; or

54.6 (2) 7.84 percent of the Minnesota foreign operating corporation income of the
54.7 unitary business for the taxable year.

54.8 (b) For purposes of this subdivision, "foreign operating corporation income of the
54.9 unitary business" means the sum of the amounts of federal taxable income, as modified
54.10 by the provisions of paragraph (c), of all of the foreign operating corporations that are
54.11 part of the unitary business that is:

54.12 (1) derived from sources without the United States, as defined in subtitle A, chapter
54.13 1, subchapter N, part 1, of the Internal Revenue Code; and

54.14 (2) attributable to the active conduct of a trade or business in a foreign country.

54.15 (c) Foreign operating corporation income must be decreased by the following
54.16 amounts to the extent that they were reflected in the computation of the amount of federal
54.17 taxable income used in paragraph (b):

54.18 (1) an amount equal to the interest and intangible expenses, losses, and costs paid,
54.19 accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit
54.20 of a foreign operating corporation that is a member of the unitary business group. For
54.21 purposes of this clause, intangible expenses and costs include:

54.22 (i) expenses, losses, and costs for, or related to, the direct or indirect acquisition,
54.23 use, maintenance or management, ownership, sale, exchange, or any other disposition of
54.24 intangible property;

54.25 (ii) losses incurred, directly or indirectly, from factoring transactions or discounting
54.26 transactions;

54.27 (iii) royalty, patent, technical, and copyright fees;

54.28 (iv) licensing fees; and

54.29 (v) other similar expenses and costs.

54.30 This clause does not apply to any item of interest or intangible expenses or costs paid,
54.31 accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect
54.32 to such item of income to the extent that the income to the foreign operating corporation
54.33 is income from sources without the United States as defined in subtitle A, chapter 1,
54.34 subchapter N, part 1, of the Internal Revenue Code;

54.35 (2) except as already excluded in the taxpayer's taxable income under clause (1), any
54.36 interest income and income generated from intangible property received or accrued by a

foreign operating corporation that is a member of the unitary business group. For purposes of this clause, income generated from intangible property includes:

(i) income related to the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property;

(ii) income from factoring transactions or discounting transactions;

(iii) royalty, patent, technical, and copyright fees;

(iv) licensing fees; and

(v) other similar income.

For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets. This clause does not apply to any item of interest or intangible income received or accrued by a foreign operating corporation with respect to such item of income to the extent that the income is income from sources without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code; and

(3) the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to gains derived from the sale of real or personal property located in the United States.

(d) For purposes of this subdivision, "Minnesota foreign operating corporation income of the unitary business" means foreign operating company income of the unitary business multiplied by a percentage equal to the apportionment percentage for the taxable year, determined under section 290.191, but computed using the factors of the entire unitary business group and excluding from the numerator factors of entities that are not taxable in this state.

(e) The unitary business may allocate the credit under this subdivision among the legal entities that are members of its group, but the total amount of the credit under this subdivision cannot exceed the liability for tax for the taxable year under sections 290.06, subdivision 1, and 290.0921.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2011.

Sec. 14. Minnesota Statutes 2010, section 290.068, subdivision 1, is amended to read:

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

- 56.1 (a) ten percent of the first \$2,000,000 of the excess (if any) of
56.2 (1) the qualified research expenses for the taxable year, over
56.3 (2) the base amount; and
56.4 (b) ~~2.5~~ 4.5 percent on all of such excess expenses over \$2,000,000.

56.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
56.6 December 31, 2011.

56.7 Sec. 15. Minnesota Statutes 2010, section 290.17, subdivision 4, is amended to read:

56.8 Subd. 4. **Unitary business principle.** (a) If a trade or business conducted wholly
56.9 within this state or partly within and partly without this state is part of a unitary business,
56.10 the entire income of the unitary business is subject to apportionment pursuant to section
56.11 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary
56.12 business is considered to be derived from any particular source and none may be allocated
56.13 to a particular place except as provided by the applicable apportionment formula. The
56.14 provisions of this subdivision do not apply to business income subject to subdivision 5,
56.15 income of an insurance company, or income of an investment company determined under
56.16 section 290.36.

56.17 (b) The term "unitary business" means business activities or operations which
56.18 result in a flow of value between them. The term may be applied within a single legal
56.19 entity or between multiple entities and without regard to whether each entity is a sole
56.20 proprietorship, a corporation, a partnership or a trust.

56.21 (c) Unity is presumed whenever there is unity of ownership, operation, and use,
56.22 evidenced by centralized management or executive force, centralized purchasing,
56.23 advertising, accounting, or other controlled interaction, but the absence of these
56.24 centralized activities will not necessarily evidence a nonunitary business. Unity is also
56.25 presumed when business activities or operations are of mutual benefit, dependent upon or
56.26 contributory to one another, either individually or as a group.

56.27 (d) Where a business operation conducted in Minnesota is owned by a business
56.28 entity that carries on business activity outside the state different in kind from that
56.29 conducted within this state, and the other business is conducted entirely outside the state, it
56.30 is presumed that the two business operations are unitary in nature, interrelated, connected,
56.31 and interdependent unless it can be shown to the contrary.

56.32 (e) Unity of ownership is not deemed to exist when a corporation is involved unless
56.33 that corporation is a member of a group of two or more business entities and more than 50
56.34 percent of the voting stock of each member of the group is directly or indirectly owned
56.35 by a common owner or by common owners, either corporate or noncorporate, or by one

57.1 or more of the member corporations of the group. For this purpose, the term "voting
57.2 stock" shall include membership interests of mutual insurance holding companies formed
57.3 under section 66A.40.

57.4 (f) The net income and apportionment factors under section 290.191 or 290.20 of
57.5 foreign corporations and other foreign entities which are part of a unitary business shall
57.6 not be included in the net income or the apportionment factors of the unitary business.
57.7 A foreign corporation or other foreign entity which is required to file a return under this
57.8 chapter shall file on a separate return basis. ~~The net income and apportionment factors~~
57.9 ~~under section 290.191 or 290.20 of foreign operating corporations shall not be included in~~
57.10 ~~the net income or the apportionment factors of the unitary business except as provided in~~
57.11 ~~paragraph (g).~~

57.12 ~~(g) The adjusted net income of a foreign operating corporation shall be deemed to~~
57.13 ~~be paid as a dividend on the last day of its taxable year to each shareholder thereof, in~~
57.14 ~~proportion to each shareholder's ownership, with which such corporation is engaged in~~
57.15 ~~a unitary business. Such deemed dividend shall be treated as a dividend under section~~
57.16 ~~290.21, subdivision 4.~~

57.17 ~~Dividends actually paid by a foreign operating corporation to a corporate shareholder~~
57.18 ~~which is a member of the same unitary business as the foreign operating corporation shall~~
57.19 ~~be eliminated from the net income of the unitary business in preparing a combined report~~
57.20 ~~for the unitary business. The adjusted net income of a foreign operating corporation~~
57.21 ~~shall be its net income adjusted as follows:~~

57.22 ~~(1) any taxes paid or accrued to a foreign country, the commonwealth of Puerto~~
57.23 ~~Rico, or a United States possession or political subdivision of any of the foregoing shall~~
57.24 ~~be a deduction; and~~

57.25 ~~(2) the subtraction from federal taxable income for payments received from foreign~~
57.26 ~~corporations or foreign operating corporations under section 290.01, subdivision 19d,~~
57.27 ~~clause (10), shall not be allowed.~~

57.28 ~~If a foreign operating corporation incurs a net loss, neither income nor deduction~~
57.29 ~~from that corporation shall be included in determining the net income of the unitary~~
57.30 ~~business.~~

57.31 ~~(h)~~ (g) For purposes of determining the net income of a unitary business and the
57.32 factors to be used in the apportionment of net income pursuant to section 290.191 or
57.33 290.20, there must be included only the income and apportionment factors of domestic
57.34 corporations or other domestic entities ~~other than foreign operating corporations~~ that are
57.35 determined to be part of the unitary business pursuant to this subdivision, notwithstanding
57.36 that foreign corporations or other foreign entities might be included in the unitary business.

~~(h)~~ (h) Deductions for expenses, interest, or taxes otherwise allowable under this chapter that are connected with or allocable against dividends, ~~deemed dividends described in paragraph (g)~~, or royalties, fees, or other like income described in section 290.01, subdivision 19d, clause (10), shall not be disallowed.

~~(h)~~ (i) Each corporation or other entity, except a sole proprietorship, that is part of a unitary business must file combined reports as the commissioner determines. On the reports, all intercompany transactions between entities included pursuant to paragraph ~~(h)~~ (g) must be eliminated and the entire net income of the unitary business determined in accordance with this subdivision is apportioned among the entities by using each entity's Minnesota factors for apportionment purposes in the numerators of the apportionment formula and the total factors for apportionment purposes of all entities included pursuant to paragraph ~~(h)~~ (g) in the denominators of the apportionment formula.

~~(h)~~ (i) If a corporation has been divested from a unitary business and is included in a combined report for a fractional part of the common accounting period of the combined report:

(1) its income includable in the combined report is its income incurred for that part of the year determined by proration or separate accounting; and

(2) its sales, property, and payroll included in the apportionment formula must be prorated or accounted for separately.

EFFECTIVE DATE. This section is effective for returns filed for taxable years beginning after December 31, 2011.

Sec. 16. Minnesota Statutes 2010, section 290.21, subdivision 4, is amended to read:

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

(2)(i) the remaining 20 percent of dividends if the dividends received are the stock in an affiliated company transferred in an overall plan of reorganization and the dividend

59.1 is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as
59.2 amended through December 31, 1989;

59.3 (ii) the remaining 20 percent of dividends if the dividends are received from a
59.4 corporation which is subject to tax under section 290.36 and which is a member of an
59.5 affiliated group of corporations as defined by the Internal Revenue Code and the dividend
59.6 is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as
59.7 amended through December 31, 1989, or is deducted under an election under section
59.8 243(b) of the Internal Revenue Code; or

59.9 (iii) the remaining 20 percent of the dividends if the dividends are received from a
59.10 property and casualty insurer as defined under section 60A.60, subdivision 8, which is a
59.11 member of an affiliated group of corporations as defined by the Internal Revenue Code
59.12 and either: (A) the dividend is eliminated in consolidation under Treasury Regulation
59.13 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted
59.14 under an election under section 243(b) of the Internal Revenue Code.

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

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

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

59.30 The dividend deduction provided in this subdivision does not apply to a dividend
59.31 received from a real estate investment trust, as defined in section 856 of the Internal
59.32 Revenue Code.

59.33 The dividend deduction provided in this subdivision applies to the amount of
59.34 regulated investment company dividends only to the extent determined under section
59.35 854(b) of the Internal Revenue Code.

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

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2011.

Sec. 17. **REPEALER.**

Minnesota Statutes 2010, section 290.0921, subdivision 7, is repealed.

EFFECTIVE DATE. This section is effective for returns filed for taxable years beginning after December 31, 2011.

ARTICLE 3

SALES AND USE TAXES

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

Subd. 4. **Sales and use tax.** (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period

61.1 as the commissioner prescribes or as allowed under section 289A.18, subdivision 4,
61.2 paragraph (f) or (g), except that:

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

61.5 ~~(2) except as provided in paragraph (f), for a vendor having a liability of \$120,000~~
61.6 ~~or more during a fiscal year ending June 30, 2009, and fiscal years thereafter, the taxes~~
61.7 ~~imposed by chapter 297A, except as provided in paragraph (b), are due and payable to the~~
61.8 ~~commissioner monthly in the following manner:~~

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

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

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

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

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

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

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

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

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

(c) A vendor having a liability of:

(1) \$10,000 or more, but less than \$120,000 during a fiscal year ending June 30, 2009, and fiscal years thereafter, must remit by electronic means all liabilities on returns due for periods beginning in the subsequent calendar year on or before the 20th day of the month following the month in which the taxable event occurred, or on or before the 20th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4; or

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

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

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

~~(f) At the start of the first calendar quarter at least 90 days after the cash flow account established in section 16A.152, subdivision 1, and the budget reserve account established in section 16A.152, subdivision 1a, reach the amounts listed in section 16A.152, subdivision 2, paragraph (a), the remittance of the accelerated payments required under paragraph (a), clause (2), must be suspended. The commissioner of management and budget shall notify the commissioner of revenue when the accounts have reached the required amounts. Beginning with the suspension of paragraph (a), clause (2), for a vendor with a liability of \$120,000 or more during a fiscal year ending June 30, 2009, and fiscal years thereafter, the taxes imposed by chapter 297A are due and payable to the commissioner on the 20th day of the month following the month in which the taxable~~

63.1 ~~event occurred. Payments of tax liabilities for taxable events occurring in June under~~
63.2 ~~paragraph (b) are not changed.~~

63.3 **EFFECTIVE DATE.** This section is effective for taxes due and payable after
63.4 July 1, 2012.

63.5 Sec. 2. Minnesota Statutes 2010, section 297A.68, subdivision 5, is amended to read:

63.6 Subd. 5. **Capital equipment.** (a) Capital equipment is exempt. Except as provided
63.7 in paragraph (e), the tax must be imposed and collected as if the rate under section
63.8 297A.62, subdivision 1, applied, and then refunded in the manner provided in section
63.9 297A.75.

63.10 "Capital equipment" means machinery and equipment purchased or leased, and used
63.11 in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining,
63.12 or refining tangible personal property to be sold ultimately at retail if the machinery and
63.13 equipment are essential to the integrated production process of manufacturing, fabricating,
63.14 mining, or refining. Capital equipment also includes machinery and equipment
63.15 used primarily to electronically transmit results retrieved by a customer of an online
63.16 computerized data retrieval system.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

64.10 (5) farm machinery and aquaculture production equipment as defined by section
64.11 297A.61, subdivisions 12 and 13;

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

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

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

64.18 (9) machinery or equipment used in the transportation, transmission, or distribution
64.19 of petroleum, liquefied gas, natural gas, water, or steam, in, by, or through pipes, lines,
64.20 tanks, mains, or other means of transporting those products. This clause does not apply to
64.21 machinery or equipment used to blend petroleum or biodiesel fuel as defined in section
64.22 239.77; or

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

64.25 (d) For purposes of this subdivision:

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

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

64.33 (3) "Integrated production process" means a process or series of operations through
64.34 which tangible personal property is manufactured, fabricated, mined, or refined. For
64.35 purposes of this clause, (i) manufacturing begins with the removal of raw materials
64.36 from inventory and ends when the last process prior to loading for shipment has been

completed; (ii) fabricating begins with the removal from storage or inventory of the property to be assembled, processed, altered, or modified and ends with the creation or production of the new or changed product; (iii) mining begins with the removal of overburden from the site of the ores, minerals, stone, peat deposit, or surface materials and ends when the last process before stockpiling is completed; and (iv) refining begins with the removal from inventory or storage of a natural resource and ends with the conversion of the item to its completed form.

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

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

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

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

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

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

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

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

(e) Materials exempt under this section may be purchased without imposing and collecting the tax and applying for a refund under section 297A.75 if the purchaser is a small business, as defined under section 645.445.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2012.

Sec. 3. Minnesota Statutes 2010, section 297A.70, subdivision 4, is amended to read:

66.1 Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph
66.2 (b), to the following "nonprofit organizations" are exempt:

66.3 (1) a corporation, society, association, foundation, or institution organized and
66.4 operated exclusively for charitable, religious, or educational purposes if the item
66.5 purchased is used in the performance of charitable, religious, or educational functions; and

66.6 (2) any senior citizen group or association of groups that:

66.7 (i) in general limits membership to persons who are either age 55 or older, or
66.8 physically disabled;

66.9 (ii) is organized and operated exclusively for pleasure, recreation, and other
66.10 nonprofit purposes, not including housing, no part of the net earnings of which inures to
66.11 the benefit of any private shareholders; and

66.12 (iii) is an exempt organization under section 501(c) of the Internal Revenue Code.

66.13 For purposes of this subdivision, charitable purpose includes the maintenance of a
66.14 cemetery owned by a religious organization.

66.15 (b) This exemption does not apply to the following sales:

66.16 (1) building, construction, or reconstruction materials purchased by a contractor
66.17 or a subcontractor as a part of a lump-sum contract or similar type of contract with a
66.18 guaranteed maximum price covering both labor and materials for use in the construction,
66.19 alteration, or repair of a building or facility;

66.20 (2) construction materials purchased by tax-exempt entities or their contractors to
66.21 be used in constructing buildings or facilities that will not be used principally by the
66.22 tax-exempt entities; and

66.23 (3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause
66.24 (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section
66.25 297A.67, subdivision 2, except wine purchased by an established religious organization
66.26 for sacramental purposes or as allowed under subdivision 9a; and

66.27 (4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except
66.28 as provided in paragraph (c).

66.29 (c) This exemption applies to the leasing of a motor vehicle as defined in section
66.30 297B.01, subdivision 11, only if the vehicle is:

66.31 (1) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a
66.32 passenger automobile, as defined in section 168.002, if the automobile is designed and
66.33 used for carrying more than nine persons including the driver; and

66.34 (2) intended to be used primarily to transport tangible personal property or
66.35 individuals, other than employees, to whom the organization provides service in
66.36 performing its charitable, religious, or educational purpose.

(d) A limited liability company also qualifies for exemption under this subdivision if (1) it consists of a sole member that would qualify for the exemption, and (2) the items purchased qualify for the exemption.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2012.

Sec. 4. Minnesota Statutes 2010, section 297A.70, is amended by adding a subdivision to read:

Subd. 9a. Established religious orders. Sales of lodging, prepared food, candy, soft drinks, and alcoholic beverages at noncatered events between an established religious order and an affiliated institution of higher education are exempt. For purposes of this subdivision, an institution of higher education is "affiliated" with an established religious order if members of the religious order are represented on the governing board of the institution of higher education and the two organization share campus space and common facilities.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2012.

Sec. 5. Laws 1998, chapter 389, article 8, section 43, subdivision 3, as amended by Laws 2005, First Special Session chapter 3, article 5, section 28, and Laws 2011, First Special Session chapter 7, article 4, section 5, is amended to read:

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

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

(2) improvements to the civic center complex;

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

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

(b) The total amount of capital expenditures or bonds for projects listed in paragraph (a) that may be paid from the revenues raised from the taxes authorized in this section may not exceed \$111,500,000. The total amount of capital expenditures or bonds for the

project in clause (4) that may be paid from the revenues raised from the taxes authorized in this section may not exceed \$28,000,000.

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

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

(i) County State Aid Highway 34 reconstruction;
(ii) Trunk Highway 63 and County State Aid Highway 16 interchange;
(iii) phase II of the Trunk Highway 52 and County State Aid Highway 22 interchange;

(iv) widening of County State Aid Highway 22 West Circle Drive; and
(v) 60th Avenue Northwest corridor preservation;

(2) \$30,000,000 for city transportation projects including:

(i) Trunk Highway 52 and 65th Street interchange;
(ii) NW transportation corridor acquisition;
(iii) Phase I of the Trunk Highway 52 and County State Aid Highway 22 interchange;
(iv) Trunk Highway 14 and Trunk Highway 63 intersection;
(v) Southeast transportation corridor acquisition;
(vi) Rochester International Airport expansion; and
(vii) a transit operations center bus facility;

(3) \$14,000,000 for the University of Minnesota Rochester academic and complementary facilities;

(4) \$6,500,000 for the Rochester Community and Technical College/Winona State University career technical education and science and math facilities;

(5) \$6,000,000 for the Rochester Community and Technical College regional recreation facilities at University Center Rochester;

(6) \$20,000,000 for the Destination Medical Community Initiative;

(7) \$8,000,000 for the regional public safety and 911 dispatch center facilities;

(8) \$20,000,000 for a regional recreation/senior center;

(9) \$10,000,000 for an economic development fund; and

(10) \$8,000,000 for downtown infrastructure.

(d) No revenues from the taxes raised from the taxes authorized in subdivisions 1 and 2 may be used to fund transportation improvements related to a railroad bypass that would divert traffic from the city of Rochester.

(e) The city shall use \$5,000,000 of the money allocated to the purpose in paragraph (c), clause (9), for grants to the cities of Byron, Chatfield, Dodge Center, Dover, Elgin, Eyota, Kasson, Mantorville, Oronoco, Pine Island, Plainview, St. Charles, Stewartville, Zumbrota, Spring Valley, West Concord, ~~and~~ Hayfield, and any other city with a 2010 population of at least 1,000 that has a city boundary within 25 miles of the geographic center of Rochester and is closer to Rochester than to any other city located wholly outside of the seven-county metropolitan area with a population of 20,000 or more, for economic development projects that these communities would fund through their economic development authority or housing and redevelopment authority.

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

Sec. 6. Laws 2002, chapter 377, article 3, section 25, as amended by Laws 2009, chapter 88, article 4, section 19, and Laws 2010, chapter 389, article 5, section 3, is amended to read:

Sec. 25. ROCHESTER LODGING TAX.

Subdivision 1. **Authorization.** Notwithstanding Minnesota Statutes, section 469.190 or 477A.016, or any other law, the city of Rochester may impose an additional tax of one percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more.

Subd. 1a. **Authorization.** Notwithstanding Minnesota Statutes, section 469.190 or 477A.016, or any other law, and in addition to the tax authorized by subdivision 1, the city of Rochester may impose an additional tax of ~~one~~ three percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more only upon the approval of the city governing body of a total financial package for the project.

Subd. 2. **Disposition of proceeds.** (a) The gross proceeds from the tax imposed under subdivision 1 must be used by the city to fund a local convention or tourism bureau for the purpose of marketing and promoting the city as a tourist or convention center.

(b) The gross proceeds from the ~~one~~ three percent tax imposed under subdivision 1a shall be used to pay for (1) construction, renovation, improvement, and expansion of the Mayo Civic Center and related skyway access, lighting, parking, or landscaping; and (2) for payment of any principal, interest, or premium on bonds issued to finance the construction, renovation, improvement, and expansion of the Mayo Civic Center Complex.

Subd. 2a. **Bonds.** The city of Rochester may issue, without an election, general obligation bonds of the city, in one or more series, in the aggregate principal amount not to exceed \$43,500,000, to pay for capital and administrative costs for the design, construction, renovation, improvement, and expansion of the Mayo Civic Center Complex, and related skyway, access, lighting, parking, and landscaping. The city may pledge the lodging tax authorized by subdivision 1a ~~and the food and beverage tax authorized under Laws 2009, chapter 88, article 4, section 23,~~ to the payment of the bonds. The debt represented by the bonds is not included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of and interest on the bonds is not subject to any levy limitation or included in computing or applying any levy limitation applicable to the city.

Subd. 3. **Expiration of taxing authority.** The authority of the city to impose a tax under subdivision 1a shall expire when the principal and interest on any bonds or other obligations issued prior to December 31, ~~2014~~ 2016, to finance the construction, renovation, improvement, and expansion of the Mayo Civic Center Complex and related skyway access, lighting, parking, or landscaping have been paid, including any bonds issued to refund such bonds, or at an earlier time as the city shall, by ordinance, determine. Any funds remaining after completion of the project and retirement or redemption of the bonds shall be placed in the general fund of the city.

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

Sec. 7. Laws 2005, First Special Session chapter 3, article 5, section 37, subdivision 2, is amended to read:

Subd. 2. **Use of revenues.** (a) Revenues received from the tax authorized by subdivision 1 by the city of St. Cloud must be used for the cost of collecting and administering the tax and to pay all or part of the capital or administrative costs of the development, acquisition, construction, improvement, and securing and paying debt service on bonds or other obligations issued to finance the following regional projects as approved by the voters and specifically detailed in the referendum authorizing the tax or extending the tax:

- (1) St. Cloud Regional Airport;
- (2) regional transportation improvements;
- (3) regional community and aquatics centers and facilities;
- (4) regional public libraries; and

71.1 (5) acquisition and improvement of regional park land and open space.

71.2 (b) Revenues received from the tax authorized by subdivision 1 by the cities of St.
71.3 Joseph, Waite Park, Sartell, Sauk Rapids, and St. Augusta must be used for the cost of
71.4 collecting and administering the tax and to pay all or part of the capital or administrative
71.5 costs of the development, acquisition, construction, improvement, and securing and paying
71.6 debt service on bonds or other obligations issued to fund the projects specifically approved
71.7 by the voters at the referendum authorizing the tax or extending the tax. The portion of
71.8 revenues from the city going to fund the regional airport or regional library located in the
71.9 city of St. Cloud will be as required under the applicable joint powers agreement.

71.10 (c) The use of revenues received from the taxes authorized in subdivision 1 for
71.11 projects allowed under paragraphs (a) and (b) are limited to the amount authorized for
71.12 each project under the enabling referendum.

71.13 **EFFECTIVE DATE.** This section is effective for the city that approves them the
71.14 day after compliance by the governing body of each city with Minnesota Statutes, section
71.15 645.021, subdivision 3.

71.16 Sec. 8. Laws 2005, First Special Session chapter 3, article 5, section 37, subdivision 4,
71.17 is amended to read:

71.18 Subd. 4. **Termination of tax.** The tax imposed in the cities of St. Joseph, St. Cloud,
71.19 St. Augusta, Sartell, Sauk Rapids, and Waite Park under subdivision 1 expires when the
71.20 city council determines that sufficient funds have been collected from the tax to retire or
71.21 redeem the bonds and obligations authorized under subdivision 2, paragraph (a), but no
71.22 later than December 31, 2018. Notwithstanding Minnesota Statutes, section 297A.99,
71.23 subdivision 3, paragraphs (a), (c), and (d), a city may extend the tax imposed under
71.24 subdivision 1 through December 31, 2038, if approved under the referendum authorizing
71.25 the tax under subdivision 1 or if approved by voters of the city at a general election held
71.26 no later than November 6, 2017.

71.27 **EFFECTIVE DATE.** This section is effective for the city that approves them the
71.28 day after compliance by the governing body of each city with Minnesota Statutes, section
71.29 645.021, subdivision 3.

71.30 Sec. 9. Laws 2008, chapter 366, article 7, section 19, subdivision 3, as amended by
71.31 Laws 2011, First Special Session chapter 7, article 4, section 8, is amended to read:

71.32 Subd. 3. **Use of revenues.** Notwithstanding Minnesota Statutes, section 297A.99,
71.33 subdivision 3, paragraph (b), the proceeds of the tax imposed under this section shall be

72.1 used to pay for the costs of improvements to the Sportsman Park/Ballfields, Riverside
72.2 Park, Lions Park/Pavilion, Cedar South Park also known as Eldorado Park, and Spring
72.3 Street Park; improvements to and extension of the River County bike trail; acquisition;
72.4 and construction, improvement, and development of regional parks, bicycle trails, park
72.5 land, open space, and of a pedestrian walkways, as described in the city improvement plan
72.6 adopted by the city council by resolution on December 12, 2006, and walkway over
72.7 Interstate 94 and State Highway 24; and the acquisition of land and construction of
72.8 buildings for a community and recreation center. The total amount of revenues from the
72.9 taxes in subdivisions 1 and 2 that may be used to fund these projects is \$12,000,000
72.10 plus any associated bond costs.

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

72.14 Sec. 10. **REPEALER.**

72.15 Minnesota Statutes 2011 Supplement, section 289A.60, subdivision 31, and Laws
72.16 2009, chapter 88, article 4, section 23, as amended by Laws 2010, chapter 389, article 5,
72.17 section 4, are repealed.

72.18 **EFFECTIVE DATE.** This section is effective for taxes due and payable after
72.19 July 1, 2012.

72.20 ARTICLE 4

72.21 TAX INCREMENT FINANCING

72.22 Section 1. Minnesota Statutes 2011 Supplement, section 469.176, subdivision 4c,
72.23 is amended to read:

72.24 Subd. 4c. **Economic development districts.** (a) Revenue derived from tax
72.25 increment from an economic development district may not be used to provide
72.26 improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form
72.27 to developments consisting of buildings and ancillary facilities, if more than 15 percent
72.28 of the buildings and facilities (determined on the basis of square footage) are used for a
72.29 purpose other than:

72.30 (1) the manufacturing or production of tangible personal property, including
72.31 processing resulting in the change in condition of the property;

72.32 (2) warehousing, storage, and distribution of tangible personal property, excluding
72.33 retail sales;

- 73.1 (3) research and development related to the activities listed in clause (1) or (2);
73.2 (4) telemarketing if that activity is the exclusive use of the property;
73.3 (5) tourism facilities;
73.4 (6) qualified border retail facilities; or
73.5 (7) space necessary for and related to the activities listed in clauses (1) to (6).

73.6 (b) Notwithstanding the provisions of this subdivision, revenues derived from tax
73.7 increment from an economic development district may be used to provide improvements,
73.8 loans, subsidies, grants, interest rate subsidies, or assistance in any form for up to 15,000
73.9 square feet of any separately owned commercial facility located within the municipal
73.10 jurisdiction of a small city, if the revenues derived from increments are spent only to
73.11 assist the facility directly or for administrative expenses, the assistance is necessary to
73.12 develop the facility, and all of the increments, except those for administrative expenses,
73.13 are spent only for activities within the district.

73.14 (c) A city is a small city for purposes of this subdivision if the city was a small city
73.15 in the year in which the request for certification was made and applies for the rest of
73.16 the duration of the district, regardless of whether the city qualifies or ceases to qualify
73.17 as a small city.

73.18 (d) Notwithstanding the requirements of paragraph (a) and the finding requirements
73.19 of section 469.174, subdivision 12, tax increments from an economic development district
73.20 may be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or
73.21 assistance in any form to developments consisting of buildings and ancillary facilities, if
73.22 all the following conditions are met:

73.23 (1) the municipality finds that the project will create or retain jobs in this state,
73.24 including construction jobs, and that construction of the project would not have
73.25 commenced before ~~July 1, 2012~~ January 1, 2014, without the authority providing
73.26 assistance under the provisions of this paragraph;

73.27 (2) construction of the project begins no later than ~~July 1, 2012~~ January 1, 2014;

73.28 (3) the request for certification of the district is made no later than ~~June 30, 2012~~
73.29 December 31, 2013; and

73.30 (4) for development of housing under this paragraph, the construction must begin
73.31 before January 1, 2012.

73.32 The provisions of this paragraph may not be used to assist housing that is developed
73.33 to qualify under section 469.1761, subdivision 2 or 3, or similar requirements of other law,
73.34 if construction of the project begins later than July 1, 2011.

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

74.1 Sec. 2. Minnesota Statutes 2011 Supplement, section 469.176, subdivision 4m, is
74.2 amended to read:

74.3 Subd. 4m. **Temporary authority to stimulate construction.** (a) Notwithstanding
74.4 the restrictions in any other subdivision of this section or any other law to the contrary,
74.5 except the requirement to pay bonds to which the increments are pledged and the
74.6 provisions of subdivisions 4g and 4h, the authority may spend tax increments for one or
74.7 more of the following purposes:

74.8 (1) to provide improvements, loans, interest rate subsidies, or assistance in any
74.9 form to private development consisting of the construction or substantial rehabilitation of
74.10 buildings and ancillary facilities, if doing so will create or retain jobs in this state, including
74.11 construction jobs, and that the construction commences before ~~July 1, 2012~~ January 1,
74.12 2014, and would not have commenced before that date without the assistance; or

74.13 (2) to make an equity or similar investment in a corporation, partnership, or limited
74.14 liability company that the authority determines is necessary to make construction of a
74.15 development that meets the requirements of clause (1) financially feasible.

74.16 (b) The authority may undertake actions under the authority of this subdivision only
74.17 after approval by the municipality of a written spending plan that specifically authorizes
74.18 the authority to take the actions. The municipality shall approve the spending plan only
74.19 after a public hearing after published notice in a newspaper of general circulation in
74.20 the municipality at least once, not less than ten days nor more than 30 days prior to the
74.21 date of the hearing.

74.22 (c) The authority to spend tax increments under this subdivision expires ~~December~~
74.23 ~~31, 2012~~ June 30, 2014.

74.24 (d) For a development consisting of housing, the authority to spend tax increments
74.25 under this subdivision expires December 31, 2011, and construction must commence
74.26 before July 1, 2011, except the authority to spend tax increments on market rate housing
74.27 developments under this subdivision expires July 31, 2012, and construction must
74.28 commence before January 1, 2012.

74.29 **EFFECTIVE DATE.** This section is effective the day following final enactment
74.30 and applies to all tax increment financing districts, regardless of when the request for
74.31 certification was made.

74.32 Sec. 3. Minnesota Statutes 2011 Supplement, section 469.1763, subdivision 2, is
74.33 amended to read:

74.34 Subd. 2. **Expenditures outside district.** (a) For each tax increment financing
74.35 district, an amount equal to at least 75 percent of the total revenue derived from tax

75.1 increments paid by properties in the district must be expended on activities in the district
75.2 or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities
75.3 in the district or to pay, or secure payment of, debt service on credit enhanced bonds.
75.4 For districts, other than redevelopment districts for which the request for certification
75.5 was made after June 30, 1995, the in-district percentage for purposes of the preceding
75.6 sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax
75.7 increments paid by properties in the district may be expended, through a development fund
75.8 or otherwise, on activities outside of the district but within the defined geographic area of
75.9 the project except to pay, or secure payment of, debt service on credit enhanced bonds.
75.10 For districts, other than redevelopment districts for which the request for certification was
75.11 made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is
75.12 20 percent. The revenue derived from tax increments for the district that are expended on
75.13 costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before
75.14 calculating the percentages that must be expended within and without the district.

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

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

75.21 (d) The authority may elect, in the tax increment financing plan for the district,
75.22 to increase by up to ten percentage points the permitted amount of expenditures for
75.23 activities located outside the geographic area of the district under paragraph (a). As
75.24 permitted by section 469.176, subdivision 4k, the expenditures, including the permitted
75.25 expenditures under paragraph (a), need not be made within the geographic area of the
75.26 project. Expenditures that meet the requirements of this paragraph are legally permitted
75.27 expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, 4d, and
75.28 4j. To qualify for the increase under this paragraph, the expenditures must:

75.29 (1) be used exclusively to assist housing that

75.30 (i) meets the requirement for a qualified low-income building, as that term is used in
75.31 section 42 of the Internal Revenue Code; ~~and~~

75.32 ~~(2)~~ (ii) ~~does~~ not exceed the qualified basis of the housing, as defined under section
75.33 42(c) of the Internal Revenue Code, less the amount of any credit allowed under section
75.34 42 of the Internal Revenue Code; and

75.35 ~~(3)~~ be (iii) ~~is~~ used to:

75.36 ~~(i)~~ (A) acquire and prepare the site of the housing;

- 76.1 ~~(ii)~~ (B) acquire, construct, or rehabilitate the housing; or
- 76.2 ~~(iii)~~ (C) make public improvements directly related to the housing; or
- 76.3 ~~(4)~~ (2) be used to develop housing:
- 76.4 (i) if the market value of the housing prior to demolition or rehabilitation does
- 76.5 not exceed the lesser of:
- 76.6 (A) 150 percent of the average market value of single-family homes in that
- 76.7 municipality; or
- 76.8 (B) \$200,000 for municipalities located in the metropolitan area, as defined in
- 76.9 section 473.121, or \$125,000 for all other municipalities; and
- 76.10 (ii) if the expenditures are used to pay the cost of site acquisition, relocation,
- 76.11 demolition of existing structures, site preparation, rehabilitation, and pollution abatement
- 76.12 on one or more parcels, if the parcel ~~contains a residence containing~~ is occupied by
- 76.13 one to four family dwelling units that has been vacant for six or more months and is in
- 76.14 foreclosure as defined in section 325N.10, subdivision 7, but without regard to whether the
- 76.15 residence is the owner's principal residence, and only after the redemption period stated
- 76.16 in the notice provided under section 580.06 has expired.
- 76.17 (e) For a district created within a biotechnology and health sciences industry zone
- 76.18 as defined in section 469.330, subdivision 6, or for an existing district located within
- 76.19 such a zone, tax increment derived from such a district may be expended outside of the
- 76.20 district but within the zone only for expenditures required for the construction of public
- 76.21 infrastructure necessary to support the activities of the zone, land acquisition, and other
- 76.22 redevelopment costs as defined in section 469.176, subdivision 4j. These expenditures are
- 76.23 considered as expenditures for activities within the district.
- 76.24 (f) The authority under paragraph (d), clause ~~(4)~~ (2), expires on December 31, 2016.
- 76.25 Increments may continue to be expended under this authority after that date, if they are
- 76.26 used to pay bonds or binding contracts that would qualify under subdivision 3, paragraph
- 76.27 (a), if December 31, 2016, is considered to be the last date of the five-year period after
- 76.28 certification under that provision.

76.29 **EFFECTIVE DATE.** This section is effective for any district that is subject to the

76.30 provisions of Minnesota Statutes, section 469.1763, regardless of when the request for

76.31 certification was made.

76.32 Sec. 4. Laws 2008, chapter 366, article 5, section 34, as amended by Laws 2009,

76.33 chapter 88, article 5, section 11, is amended to read:

76.34 Sec. 34. **CITY OF OAKDALE; ORIGINAL TAX CAPACITY.**

Subdivision 1. **Original tax capacity election.** (a) The provisions of this section apply to redevelopment tax increment financing districts created by the Housing and Redevelopment Authority in and for the city of Oakdale in the areas comprised of the parcels with the following parcel identification numbers: (1) 3102921320053; 3102921320054; 3102921320055; 3102921320056; 3102921320057; 3102921320058; 3102921320062; 3102921320063; 3102921320059; 3102921320060; 3102921320061; 3102921330005; and 3102921330004; and (2) 2902921330001 and 2902921330005.

(b) For a district subject to this section, the Housing and Redevelopment Authority may, when requesting certification of the original tax capacity of the district under Minnesota Statutes, section 469.177, elect to have the original tax capacity of the district be certified as the tax capacity of the land.

(c) The authority to request certification of a district under this section expires on ~~July 1, 2013~~ December 31, 2015.

Subd. 2. **Parcels deemed occupied.** (a) Parcel numbers 3102921320054, 3102921320055, 3102921320056, 3102921320057, 3102921320061, and 3102921330004 are deemed to meet the requirements of Minnesota Statutes, section 469.174, subdivision 10, paragraph (d), notwithstanding any contrary provisions of that paragraph, if the following conditions are met:

(1) a building located on any part of each of the specified parcels was demolished after the authority adopted a resolution under Minnesota Statutes, section 469.174, subdivision 10, paragraph (d), clause (3);

(2) the building was removed either by the authority, by a developer under a development agreement with the authority, or by the owner of the property without entering into a development agreement with the authority; and

(3) the request for certification of the parcel as part of a district is filed with the county auditor by December 31, 2015.

(b) The provisions of subdivision 1 apply to allow an election by the authority for the parcels deemed occupied under paragraph (a), notwithstanding the provisions of Minnesota Statutes, sections 469.174, subdivision 10, paragraph (d), and 469.177, subdivision 1, paragraph (f).

EFFECTIVE DATE. This section is effective upon compliance by the governing body of the city of Oakdale with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

Sec. 5. CITY OF APPLE VALLEY; TAX INCREMENT FINANCING DISTRICT; SPECIAL RULES.

(a) If the city of Apple Valley elects upon the adoption of a tax increment financing plan for a district, the rules under this section apply to one or more redevelopment tax increment financing districts established by the city or the economic development authority of the city. The area within which the redevelopment tax increment districts may be created includes the following parcels and adjacent right-of-ways and shall be referred to as the Mining Reclamation Project Area: parcel numbers 01-03500-25-010, 01-03500-03-011, 01-03500-02-010, 01-03600-28-011, 01-03600-25-010, 01-03500-52-011, 01-03500-78-011, 01-03500-77-014, 01-03500-75-010, 01-03400-05-050, 01-55900-00-020, 01-55900-00-010, 01-18250-01-010, 01-03500-01-010, 01-03500-01-020, 01-03500-52-012, 01-03500-78-012.

(b) Prior to or upon the adoption of the first tax increment plan qualifying for the special rules under this subdivision, the city must find by resolution that parcels consisting of at least 80 percent of the acreage of the project area, excluding street and railroad rights-of-way, are characterized by one or more of the following conditions:

(1) peat or other soils with geotechnical deficiencies that impair development of commercial buildings or infrastructure;

(2) soils or terrain that requires substantial filling in order to permit the development of commercial buildings or infrastructure;

(3) landfills, dumps, or similar deposits of municipal or private waste;

(4) quarries or similar resource extraction sites;

(5) floodway; and

(6) substandard buildings, within the meaning of Minnesota Statutes, section 469.174, subdivision 10.

(c) For the purposes of paragraph (b), clauses (1) to (5), a parcel is characterized by the relevant condition if at least 70 percent of the area of the parcel contains the relevant condition. For the purposes of paragraph (b), clause (6), a parcel is characterized by substandard buildings if substandard buildings occupy at least 30 percent of the area of the parcel.

(d) The requirements for qualifying redevelopment tax increment districts under Minnesota Statutes, section 469.174, subdivision 10, do not apply to the parcels located within the Mining Reclamation Project Area, which are deemed eligible for inclusion in a redevelopment tax increment district.

(e) The limitations on spending increments outside of the district under Minnesota Statutes, section 469.1763, subdivision 2, do not apply, but increments may only be expended on improvements or activities within the area defined in paragraph (a).

(f) The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, is extended to ten years for districts in the Mining Reclamation Project Area.

(g) The authority to approve tax increment financing plans and to establish one or more tax increment financing districts under this section expires on December 31, 2017.

EFFECTIVE DATE. This section is effective upon approval by the governing body of the city of Apple Valley and upon compliance by the city with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 6. **CITY OF MAPLE GROVE; TAX INCREMENT FINANCING DISTRICT.**

Subdivision 1. Definitions. (a) For the purposes of this section, the following terms have the meanings given to them.

(b) "City" means the city of Maple Grove.

(c) "Project area" means the area in the city commencing at a point 130 feet East and 120 feet North of the southwest corner of the Southeast Quarter of Section 23, Township 119, Range 22, Hennepin County, said point being on the easterly right-of-way line of Hemlock Lane; thence northerly along said easterly right-of-way line of Hemlock Lane a distance of 900 feet; thence easterly to the east line of Section 23, 1,030 feet North from the southeast corner thereof; thence South 74 degrees East 1,285 feet; thence East a distance of 1,000 feet; thence North 59 degrees West a distance of 650 feet; thence northerly to a point on the northerly right-of-way line of 81st Avenue North, 650 feet westerly measured at right angles, from the east line of the Northwest Quarter of Section 24; thence North 13 degrees West a distance of 795 feet; thence West to the west line of the Southeast Quarter of the Northwest Quarter of Section 24; thence North 55 degrees West to the south line of the Northwest Quarter of the Northwest Quarter of Section 24; thence West along said south line to the east right-of-way line of Zachary Lane; thence North along the east right-of-way line of Zachary Lane to the southwest corner of Lot 1, Block 1, Metropolitan Industrial Park 5th Addition; thence East along the south line of said Lot 1 to the northeast corner of Outlot A, Metropolitan Industrial Park 5th Addition; thence South along the east line of said Outlot A and its southerly extension to the south right-of-way line of County State-Aid Highway (CSAH) 109; thence easterly along the south right-of-way line of CSAH 109 to the east line of the Northwest Quarter of the Northeast Quarter of Section 24; thence South along said east line to the north line of the South Half of the Northeast Quarter of Section 24; thence East along said north line to the westerly right-of-way line of Jefferson Highway North; thence southerly along the westerly right-of-way line of Jefferson Highway to the centerline of CSAH 130; thence

80.1 continuing South along the west right-of-way line of Pilgrim Lane North to the westerly
80.2 extension of the north line of Outlot A, Park North Fourth Addition; thence easterly
80.3 along the north line of Outlot A, Park North Fourth Addition to the northeast corner
80.4 of said Outlot A; thence southerly along the east line of said Outlot A to the southeast
80.5 corner of said Outlot A; thence easterly along the south line of Lot 1, Block 1, Park
80.6 North Fourth Addition to the westerly right-of-way line of State Highway 169; thence
80.7 southerly, southwesterly, westerly, and northwesterly along the westerly right-of-way
80.8 line of State Highway 169 and the northerly right-of-way line of Interstate 694 to its
80.9 intersection with the southerly extension of the easterly right-of-way line of Zachary Lane
80.10 North; thence northerly along the easterly right-of-way line of Zachary Lane North and
80.11 its northerly extension to the north right-of-way line of CSAH 130; thence westerly,
80.12 southerly, northerly, southwesterly, and northwesterly to the point of beginning and there
80.13 terminating, provided that the project area includes the rights-of-way for all present and
80.14 future highway interchanges abutting the area described in this paragraph.

80.15 (d) "Soil deficiency district" means a type of tax increment financing district
80.16 consisting of a portion of the project area in which the city finds by resolution that the
80.17 following conditions exist:

80.18 (1) unusual terrain or soil deficiencies that occurred over 80 percent of the acreage in
80.19 the district require substantial filling, grading, or other physical preparation for use; and

80.20 (2) the estimated cost of the physical preparation under clause (1), but excluding
80.21 costs directly related to roads as defined in Minnesota Statutes, section 160.01, and
80.22 local improvements as described in Minnesota Statutes, sections 429.021, subdivision 1,
80.23 clauses (1) to (7), (11), and (12), and 430.01, exceeds the fair market value of the land
80.24 before completion of the preparation.

80.25 Subd. 2. **Special rules.** (a) If the city elects, upon the adoption of the tax increment
80.26 financing plan for a district, the rules under this section apply to a redevelopment
80.27 district, renewal and renovation district, soil condition district, or soil deficiency district
80.28 established by the city or a development authority of the city in the project area.

80.29 (b) Prior to or upon the adoption of the first tax increment plan subject to the special
80.30 rules under this subdivision, the city must find by resolution that parcels consisting
80.31 of at least 80 percent of the acreage of the project area, excluding street and railroad
80.32 rights-of-way, are characterized by one or more of the following conditions:

80.33 (1) peat or other soils with geotechnical deficiencies that impair development of
80.34 commercial buildings or infrastructure;

80.35 (2) soils or terrain that requires substantial filling in order to permit the development
80.36 of commercial buildings or infrastructure;

81.1 (3) landfills, dumps, or similar deposits of municipal or private waste;

81.2 (4) quarries or similar resource extraction sites;

81.3 (5) floodway; and

81.4 (6) substandard buildings, within the meaning of Minnesota Statutes, section

81.5 469.174, subdivision 10.

81.6 (c) For the purposes of paragraph (b), clauses (1) to (5), a parcel is characterized by
81.7 the relevant condition if at least 70 percent of the area of the parcel contains the relevant
81.8 condition. For the purposes of paragraph (b), clause (6), a parcel is characterized by
81.9 substandard buildings if substandard buildings occupy at least 30 percent of the area
81.10 of the parcel.

81.11 (d) The five-year rule under Minnesota Statutes, section 469.1763, subdivision
81.12 3, is extended to ten years for any district, and Minnesota Statutes, section 469.1763,
81.13 subdivision 4, does not apply to any district.

81.14 (e) Notwithstanding any provision to the contrary in Minnesota Statutes, section
81.15 469.1763, subdivision 2, paragraph (a), not more than 80 percent of the total revenue
81.16 derived from tax increments paid by properties in any district, measured over the life of
81.17 the district, may be expended on activities outside the district but within the project area.

81.18 (f) For a soil deficiency district:

81.19 (1) increments may be collected through 20 years after the receipt by the authority of
81.20 the first increment from the district; and

81.21 (2) except as otherwise provided in this subdivision, increments may be used only to:

81.22 (i) acquire parcels on which the improvements described in item (ii) will occur;

81.23 (ii) pay for the cost of correcting the unusual terrain or soil deficiencies and the
81.24 additional cost of installing public improvements directly caused by the deficiencies; and

81.25 (iii) pay for the administrative expenses of the authority allocable to the district.

81.26 (g) Increments spent for any infrastructure costs, whether inside a district or outside
81.27 a district but within the project area, are deemed to satisfy the requirements of paragraph
81.28 (f) and Minnesota Statutes, section 469.176, subdivisions 4b and 4j.

81.29 (h) The authority to approve tax increment financing plans to establish tax increment
81.30 financing districts under this section expires December 31, 2022.

81.31 **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota
81.32 Statutes, section 645.021, subdivision 3.

81.33 **Sec. 7. DAKOTA COUNTY COMMUNITY DEVELOPMENT AGENCY; TAX**
81.34 **INCREMENT FINANCING DISTRICT.**

Subdivision 1. **Authorization.** Notwithstanding the provisions of any other law, the Dakota County Community Development Agency may establish a redevelopment tax increment financing district comprised of the properties that (1) were included in the CDA 10 Robert and South Street district in the city of West St. Paul, and (2) were not decertified before July 1, 2012. The district created under this section terminates no later than December 31, 2017.

Subd. 2. **Special rules.** The requirements for qualifying a redevelopment district under Minnesota Statutes, section 469.174, subdivision 10, do not apply to parcels located within the district. Minnesota Statutes, section 469.176, subdivisions 4g, paragraph (c), clause (1), item (ii), and 4j, do not apply to the district. The original tax capacity of the district is \$93,239.

Subd. 3. **Authorized expenditures.** Tax increment from the district may be expended to pay for any eligible activities authorized by Minnesota Statutes, chapter 469, within the redevelopment area that includes the district. All such expenditures are deemed to be activities within the district under Minnesota Statutes, section 469.1763, subdivisions 2, 3, and 4.

Subd. 4. **Adjusted net tax capacity.** The captured tax capacity of the district must be included in the adjusted net tax capacity of the city, county, and school district for the purposes of determining local government aid, education aid, and county program aid. The county auditor shall report to the commissioner of revenue the amount of the captured tax capacity for the district at the time the assessment abstracts are filed.

EFFECTIVE DATE. This section is effective upon compliance by the governing body of the Dakota County Community Development Agency with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

Sec. 8. **CITY OF BLOOMINGTON; TAX INCREMENT FINANCING EXTENSION.**

Notwithstanding the provisions of Minnesota Statutes, section 469.176, or any other law to the contrary, the city of Bloomington and its port authority may extend the duration limits of tax increment financing district no. 1-I, containing the Bloomington Central Station property for a period through December 31, 2035.

EFFECTIVE DATE. This section is effective upon compliance of the governing body of the city of Bloomington with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

83.1 **Sec. 9. CITY OF BLOOMINGTON; TAX INCREMENT FINANCING.**

83.2 (a) Notwithstanding Minnesota Statutes, section 469.176, or Laws 1996, chapter
83.3 464, article 1, section 8, or any other law to the contrary, the city of Bloomington and its
83.4 port authority may extend the duration limits of tax increment financing district no. 1-G,
83.5 containing the former Met Center property, including Lindau Lane and that portion of tax
83.6 increment financing district no. 1-C north of the existing building line on Lot 1, Block 1,
83.7 Mall of America 7th Addition, exclusive of Lots 2 and 3, through December 31, 2028.

83.8 (b) Before approving an extension under paragraph (a) and before approving
83.9 any contract for development of the area or the issuance of bonds, either of which
83.10 require the expenditure of more than \$5,000,000 of increments, the governing body
83.11 of the city of Bloomington must make the findings under Minnesota Statutes, section
83.12 469.175, subdivision 3, paragraph (b), clause (2), including providing the required
83.13 written documentation required by paragraph (d) of that subdivision, with regard to the
83.14 justification for approval of the extension, the contract, or issuance of bonds.

83.15 **EFFECTIVE DATE.** This section is effective upon compliance of the governing
83.16 bodies of the city of Bloomington, Hennepin County, and Independent School District
83.17 No. 271, Bloomington, with the requirements of Minnesota Statutes, sections 469.1782,
83.18 subdivision 2, and 645.021, subdivision 3.

83.19 **Sec. 10. CITY OF BROOKLYN PARK; TAX INCREMENT FINANCING;**
83.20 **SPECIAL RULES.**

83.21 The requirement of Minnesota Statutes, section 469.1763, subdivision 3, that
83.22 activities must be undertaken within a five-year period from the date of certification of a tax
83.23 increment financing district, is considered to be met for Tax Increment Financing District
83.24 No. 23 in the city of Brooklyn Park if the activities were undertaken by July 1, 2014.

83.25 **EFFECTIVE DATE.** This section is effective upon compliance by the governing
83.26 body of the city of Brooklyn Park with the requirements of Minnesota Statutes, section
83.27 645.021, subdivision 3.

83.28 **ARTICLE 5**

83.29 **MISCELLANEOUS**

83.30 **Section 1. [136A.129] GREATER MINNESOTA INTERNSHIP PROGRAM.**

83.31 Subdivision 1. **Definitions.** (a) For the purposes of this section, the terms defined in
83.32 this subdivision have the meanings given them.

84.1 (b) "Eligible employer" means a taxpayer under section 290.01 with employees
84.2 located in greater Minnesota.

84.3 (c) "Eligible institution" means a Minnesota public postsecondary institution, or a
84.4 Minnesota private, nonprofit, baccalaureate degree granting college or university.

84.5 (d) "Eligible student" means a student enrolled in an eligible institution who is a
84.6 junior or senior in a degree program or has completed one-half of the credits necessary for
84.7 an associate degree or certification.

84.8 (e) "Greater Minnesota" means the area located outside of the metropolitan area, as
84.9 defined in section 473.121, subdivision 2.

84.10 (f) "Office" means the Office of Higher Education.

84.11 Subd. 2. **Program established.** The office, in cooperation with the Department of
84.12 Employment and Economic Development, shall administer a greater Minnesota internship
84.13 grant program for eligible employers who hire interns in greater Minnesota through
84.14 eligible institutions that provide academic credit. The purpose of the program is to
84.15 encourage Minnesota businesses to:

84.16 (1) employ and provide valuable experience to Minnesota students; and

84.17 (2) foster long-term relationships between the students and greater Minnesota
84.18 employers.

84.19 Subd. 3. **Program components.** (a) An intern must be an eligible student who
84.20 has been admitted to a major program that is closely related to the intern experience
84.21 as determined by the eligible institution.

84.22 (b) To participate in the program, an eligible institution must:

84.23 (1) enter into written agreements with eligible employers to provide paid internships
84.24 that are at least 12 weeks long and located in greater Minnesota;

84.25 (2) determine that the work experience of the internship is closely related to the
84.26 eligible student's course of study; and

84.27 (3) provide academic credit for the successful completion of the internship or
84.28 ensure that it fulfills requirements necessary to complete a vocational technical education
84.29 program.

84.30 (c) To participate in the program, an eligible employer must enter into a written
84.31 agreement with an eligible institution specifying that the intern:

84.32 (1) would not have been hired without the grant described in subdivision 4;

84.33 (2) did not work for the employer prior to entering the agreement;

84.34 (3) does not replace an existing employee;

84.35 (4) has not previously participated in the program;

84.36 (5) will be employed at a location in greater Minnesota;

85.1 (6) will be paid at least minimum wage for a minimum of 16 hours per week for at
85.2 least a 12-week period; and

85.3 (7) will be supervised and evaluated by the employer.

85.4 (d) Participating eligible institutions and eligible employers must report annually to
85.5 the office. The report must include at least the following:

85.6 (1) the number of interns hired;

85.7 (2) the number of hours and weeks worked by interns; and

85.8 (3) the compensation paid to interns.

85.9 (e) An internship with clinical experience currently required for completion of
85.10 an academic program does not qualify for the greater Minnesota internship program
85.11 under this section.

85.12 **Subd. 4. Employer grants for internships; maximum limits.** (a) A grant for an
85.13 eligible employee equals 40 percent of the compensation paid to each qualifying intern,
85.14 not to exceed \$1,250. An employer may receive a grant for a maximum of five interns
85.15 in any fiscal year.

85.16 (b) The total amount of grants authorized under this section is limited to \$1,250,000
85.17 per fiscal year less administrative expense as provided in law. The office shall allocate
85.18 grants to eligible institutions for participating employers and certify to the Department of
85.19 Employment and Economic Development the amount of the grant.

85.20 **Subd. 5. Allocations to institutions.** The office shall allocate employer grants
85.21 authorized in subdivision 4 to eligible institutions. The office shall determine relevant
85.22 criteria to allocate the grants, including the geographic distribution of grants to work
85.23 locations outside the metropolitan area. Any grant amount allocated to an institution but
85.24 not used may be reallocated to other eligible institutions. The office shall allocate a portion
85.25 of any administrative fee to participating eligible institutions for their administrative costs.

85.26 **Subd. 6. Reports to the legislature.** (a) By February 1, 2013, the office and the
85.27 Department of Employment and Economic Development shall report to the legislature on
85.28 the greater Minnesota internship program. The report must include at least the following:

85.29 (1) the number and dollar amount of grants allocated to employers;

85.30 (2) the number of interns employed under the program; and

85.31 (3) the cost of administering the program.

85.32 (b) By February 1, 2014, the office and the Department of Employment and
85.33 Economic Development shall report to the legislature with an analysis of the effectiveness
85.34 of the program in stimulating businesses to hire interns and in assisting participating
85.35 interns in finding permanent career positions. The report must include the number of

86.1 students who participated in the program who were subsequently employed full-time by
86.2 the employer.

86.3 **EFFECTIVE DATE.** This section is effective July 1, 2012.

86.4 Sec. 2. Minnesota Statutes 2010, section 297A.8155, is amended to read:

86.5 **297A.8155 LIQUOR REPORTING REQUIREMENTS; PENALTY.**

86.6 A person who sells liquor, as defined in section 295.75, subdivision 1, in Minnesota
86.7 to a retailer that sells liquor, shall file with the commissioner an annual informational
86.8 report, in the form and manner prescribed by the commissioner, indicating the name,
86.9 address, and Minnesota business identification number of each retailer, and the total
86.10 dollar amount of liquor sold to each retailer in the previous calendar year. The report
86.11 must be filed on or before March 31 following the close of the calendar year. A person
86.12 failing to file this report is subject to the penalty imposed under section 289A.60. A
86.13 person required to file a report under this section is not required to provide a copy of an
86.14 exemption certificate, as defined in section 297A.72, provided to the person by a retailer,
86.15 along with the annual informational report.

86.16 **EFFECTIVE DATE.** This section is effective for reports required to be filed
86.17 beginning in calendar year 2012 and thereafter.

86.18 Sec. 3. Minnesota Statutes 2010, section 297G.04, subdivision 2, is amended to read:

86.19 Subd. 2. **Tax credit.** A qualified brewer producing fermented malt beverages
86.20 is entitled to a tax credit of \$4.60 per barrel on 25,000 barrels sold in any fiscal year
86.21 beginning July 1, regardless of the alcohol content of the product. Qualified brewers may
86.22 take the credit on the 18th day of each month, but the total credit allowed may not exceed
86.23 in any fiscal year the lesser of:

86.24 (1) the liability for tax; or

86.25 (2) \$115,000.

86.26 For purposes of this subdivision, a "qualified brewer" means a brewer, whether or
86.27 not located in this state, manufacturing less than ~~100,000~~ 250,000 barrels of fermented
86.28 malt beverages in the calendar year immediately preceding the calendar year for which
86.29 the credit under this subdivision is claimed. In determining the number of barrels, all
86.30 brands or labels of a brewer must be combined. All facilities for the manufacture of
86.31 fermented malt beverages owned or controlled by the same person, corporation, or other
86.32 entity must be treated as a single brewer.

87.1 **EFFECTIVE DATE.** This section is effective for determinations based on calendar
87.2 year 2011 production and thereafter.

87.3 Sec. 4. Minnesota Statutes 2010, section 298.75, is amended by adding a subdivision
87.4 to read:

87.5 Subd. 12. **Tax may be imposed; Otter Tail County.** (a) If Otter Tail County
87.6 does not impose a tax under this section and approves imposition of the tax under this
87.7 subdivision, the city of Vergas in Otter Tail County may impose the aggregate materials
87.8 tax under this section.

87.9 (b) For purposes of exercising the powers contained in this section, the "city" is
87.10 deemed to be the "county."

87.11 (c) All provisions in this section apply to the city of Vergas, except that in lieu of the
87.12 tax proceeds under subdivision 7, all proceeds of the tax must be retained by the city.

87.13 (d) If Otter Tail County imposes an aggregate materials tax under this section, the
87.14 tax imposed by the city of Vergas under this subdivision is repealed on the effective
87.15 date of the Otter Tail County tax.

87.16 **EFFECTIVE DATE.** This section is effective the day after the governing body of
87.17 the city of Vergas and its chief clerical officer comply with Minnesota Statutes, section
87.18 645.021, subdivisions 2 and 3.

87.19 Sec. 5. Minnesota Statutes 2010, section 469.169, is amended by adding a subdivision
87.20 to read:

87.21 Subd. 19. **Additional border city allocation; 2012.** (a) In addition to tax
87.22 reductions authorized in subdivisions 7 to 18, the commissioner shall allocate \$75,000
87.23 for tax reductions to border city enterprise zones in cities located on the western border
87.24 of the state. The commissioner shall make allocations to zones in cities on the western
87.25 border on a per capita basis. Allocations made under this subdivision may be used for
87.26 tax reductions as provided in section 469.171, or for other offsets of taxes imposed on
87.27 or remitted by businesses located in the enterprise zone, but only if the municipality
87.28 determines that the granting of the tax reduction or offset is necessary in order to retain a
87.29 business within or attract a business to the zone. The city alternatively may elect to use
87.30 any portion of the allocation provided in this paragraph for tax reductions under section
87.31 469.1732 or 469.1734.

87.32 (b) The commissioner shall allocate \$75,000 for tax reductions under section
87.33 469.1732 or 469.1734 to cities with border city enterprise zones located on the western
87.34 border of the state. The commissioner shall allocate this amount among the cities on a per

88.1 capita basis. The city alternatively may elect to use any portion of the allocation provided
88.2 in this paragraph for tax reductions as provided in section 469.171.

88.3 Sec. 6. Laws 1971, chapter 773, section 1, subdivision 2, as amended by Laws 1974,
88.4 chapter 351, section 5, Laws 1976, chapter 234, sections 1 and 7, Laws 1978, chapter 788,
88.5 section 1, Laws 1981, chapter 369, section 1, Laws 1983, chapter 302, section 1, Laws
88.6 1988, chapter 513, section 1, Laws 1992, chapter 511, article 9, section 23, Laws 1998,
88.7 chapter 389, article 3, section 27, and Laws 2002, chapter 390, section 23, is amended to
88.8 read:

88.9 Subd. 2. For each of the years ~~2003 to 2013~~ 2012 to 2024, the city of St. Paul is
88.10 authorized to issue bonds in the aggregate principal amount of \$20,000,000 for each year.

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

88.12 Sec. 7. Laws 2003, chapter 127, article 12, section 28, is amended to read:

88.13 Sec. 28. **NURSING HOME BONDS AUTHORIZED.**

88.14 (a) Itasca County may issue bonds under Minnesota Statutes, sections 376.55 and
88.15 376.56, to finance the construction of a 35-bed nursing home facility to replace an existing
88.16 35-bed private facility located in the county. The bonds issued under this section ~~must~~
88.17 may be payable solely from revenues ~~and or~~ may ~~not~~ be general obligations of the county.

88.18 (b) Before issuing general obligation bonds under this section, the county must
88.19 publish a notice of its intention to issue the bonds and the date and time of a hearing to
88.20 obtain public comment on the matter. The notice must be published on the official website
88.21 of the county or in a newspaper of general circulation in the county. The notice must be
88.22 published at least 14, but not more than 28, days before the date of the hearing. The county
88.23 may issue the bonds only upon obtaining the approval of a majority of the voters voting on
88.24 the question of issuing the obligations, if a petition requesting a vote on the issuance is
88.25 signed by voters equal to five percent of the votes cast in the county in the last general
88.26 election and is filed with the county auditor within 30 days after the public hearing.

88.27 **EFFECTIVE DATE; LOCAL APPROVAL.** This section is effective the day after
88.28 the governing body of Itasca County and its chief clerical officer timely complete their
88.29 compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

88.30 Sec. 8. **SPECIAL RECOVERY FUND; CANCELLATION.**

88.31 \$4,300,000 of the balance in the Revenue Department service and recovery special
88.32 revenue fund is transferred in fiscal year 2012 to the general fund.

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

89.2 Sec. 9. **LIQUOR REPORTING REQUIREMENTS.**

89.3 A person who was required to submit an annual informational report under
89.4 Minnesota Statutes, section 297A.8155, to the commissioner of revenue during calendar
89.5 year 2010 or 2011 is not required to provide a copy of an exemption certificate or a
89.6 retailer's tax identification number along with the informational report.

89.7 **EFFECTIVE DATE.** This section is effective the day following final enactment
89.8 and applies to reports required to be filed in calendar year 2010 or 2011.

89.9 Sec. 10. **PURPOSE STATEMENTS; TAX EXPENDITURES.**

89.10 Subdivision 1. **Authority.** This section is intended to fulfill the requirement under
89.11 Minnesota Statutes, section 3.192, that a bill creating, renewing, or continuing a tax
89.12 expenditure provide a purpose for the tax expenditure and a standard or goal against
89.13 which its effectiveness may be measured.

89.14 Subd. 2. **Employment of qualified veterans tax credit.** The provisions of article 2,
89.15 section 11, providing a tax credit for the employment of qualified veterans, are intended
89.16 to give an incentive to employers to hire returning veterans who would otherwise be
89.17 unemployed and to encourage their reintegration into the community. The standard against
89.18 which the effectiveness of the credit is to be measured is the additional number of veterans
89.19 who are hired as a result of the tax credit.

89.20 Subd. 3. **Corporate franchise tax certificate transfer program.** The provisions of
89.21 article 2, sections 6 and 12, providing for the transfer of tax benefits, are intended to create
89.22 new high paying and high quality jobs in Minnesota. The standard against which the
89.23 effectiveness of the transfer program is to be measured is the number of new high paying
89.24 and high quality jobs created in Minnesota as a result of the credit.

89.25 Subd. 4. **Foreign operating corporation property tax credit.** The provisions of
89.26 article 2, section 13, providing a corporate franchise tax credit for Minnesota foreign
89.27 operating corporations income, is intended to create and retain jobs in Minnesota. The
89.28 standard against which the effectiveness of the credit is to be measured is the number of
89.29 jobs provided by corporations claiming the credit.

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

89.31 Sec. 11. **TAX REFORM COMMISSION.**

90.1 Subdivision 1. **Findings.** The legislature finds that Minnesota's state and local tax
90.2 system is flawed and not well adapted to the changing nature of the economy and the
90.3 demographics of the state and must be reformed so that it is:

- 90.4 (1) simple and transparent;
90.5 (2) beneficial for job creation;
90.6 (3) fair and equitable to all Minnesotans; and
90.7 (4) neutral and efficient.

90.8 Subd. 2. **Commission established.** A tax reform action commission is established
90.9 in the legislative branch to study the Minnesota tax and revenue system and to make
90.10 recommendations to the legislature.

90.11 Subd. 3. **Membership.** (a) The commission consists of 15 members, appointed
90.12 as follows:

90.13 (1) three members appointed by the governor, two from the executive branch and
90.14 one from private life;

90.15 (2) four members appointed by the majority leader of the senate, two members of the
90.16 senate and two from private life;

90.17 (3) two members appointed by the minority leader of the senate, one member of the
90.18 senate and one from private life;

90.19 (4) four members appointed by the speaker of the house, two members of the house
90.20 of representatives and two from private life; and

90.21 (5) two members appointed by the minority leader of the house of representatives,
90.22 one member of the house of representatives and one from private life.

90.23 (b) The appointing authority shall select members who are of recognized standing
90.24 and distinction and who possess demonstrated capacity to discharge the duties of the
90.25 commission. In making appointments, the appointing authorities shall attempt to appoint
90.26 some individuals to the commission who have special experience or knowledge in
90.27 taxation, economics, and accounting.

90.28 (c) The speaker of the house and majority leader of the senate shall each designate a
90.29 member of the commission as a chair of the commission. The co-chairs shall determine
90.30 the duties of the commission and supervise its staff.

90.31 (d) The appointing authorities shall appoint members of the commission no later
90.32 than 14 days after enactment of this section. Members serve for the life of the commission.
90.33 A vacancy in the commission membership does not affect the power of the remaining
90.34 members to execute the duties of the commission. A vacancy in commission membership
90.35 is filled in the same manner in which the original appointment was made.

91.1 (e) The commission shall hold its initial meeting no later than 60 days after
91.2 enactment of this section.

91.3 Subd. 4. **Duties; report.** (a) The commission shall study and evaluate the Minnesota
91.4 state and local tax and revenue system with a goal of making long-term improvements in
91.5 the system for the citizens of the state, given standard principles of good tax policy and
91.6 the background of expected demographic and economic changes in the state, nation, and
91.7 world. The commission must specifically address ways to make the Minnesota state tax
91.8 and revenue system more effective in encouraging business formation, retention, and
91.9 expansion in the state, as well as increasing general capital investment in the state. The
91.10 commission's recommendations must be done on a revenue neutral basis. The commission
91.11 shall examine:

91.12 (1) the mix of state revenues between tax revenues and fees and charges for services
91.13 used or benefits received;

91.14 (2) the implications of likely demographic and economic changes, affecting both (i)
91.15 the demands for state and local government services and (ii) taxes and other revenues; and

91.16 (3) the extent to which the existing tax system and the commission's proposal satisfy
91.17 the following basic tax policy principles:

91.18 (i) equity or fairness, including measures based on ability to pay, equal treatment of
91.19 equals, and payment for benefits received;

91.20 (ii) neutrality or efficiency, the extent to which the effects on private market
91.21 decisions are minimized;

91.22 (iii) revenue adequacy, the extent to which the revenues are stable and predictable
91.23 and grow with increases in income or economic activity;

91.24 (iv) competitiveness, the extent to which the state's attractiveness as a location for
91.25 investment, working, and living is increased;

91.26 (v) simplicity, the extent to which it is easy to understand;

91.27 (vi) ease of compliance and administration, the extent to which taxpayers can easily
91.28 comply and the government can easily administer it; and

91.29 (vii) visibility or accountability, the extent to which the taxes or other charges are
91.30 clear and apparent to their payers as a cost of government and that the government
91.31 officials imposing the tax are accountable, through election or otherwise, to the principal
91.32 payers of the tax.

91.33 (b) The commission shall report to the legislature no later than March 1, 2013.

91.34 The report must include:

91.35 (1) the results of the commission's evaluation of the present tax and revenue system
91.36 and its research on alternatives;

(2) recommendations for reform and improvement of the Minnesota state and local tax and revenue system, on a revenue neutral basis, along with the rationale for the proposed changes; and

(3) a draft bill implementing the commission's recommendation for introduction in the 2014 legislative session.

Subd. 5. **Per diem and expenses.** Members of the commission may be compensated and receive reimbursement for expenses, as provided for members of advisory councils under Minnesota Statutes, section 15.059, subdivision 3. This subdivision does not apply to members of the legislature or state employees.

Subd. 6. **Staff.** The commission may employ staff as it deems appropriate to carry out its duties or use existing legislative and executive branch staff. All staff are in the unclassified state service. Legislative staff and the Department of Revenue staff must provide research, bill drafting, and other services to the commission upon its request. The commission may contract with consultants for research and other services and enter other contracts as it deems necessary or appropriate to carry out its duties. These contracts are not subject to the requirements of Minnesota Statutes, chapter 16C.

Subd. 7. **Appropriations.** \$25,000 is appropriated from the general fund to the commission for fiscal years 2012 and 2013 to carry out the provisions of this section.

Subd. 8. **Expiration.** The commission terminates 30 days after transmitting its report to the legislature under subdivision 4, paragraph (b).

EFFECTIVE DATE. This section is effective the day after final enactment.

Sec. 12. **WOODBURY; EXEMPTION FROM REFERENDUM.**

(a) Notwithstanding the referendum requirement in Minnesota Statutes, section 475.58, subdivision 1, or any other provision of law, the city of Woodbury may issue and sell obligations to pay for the cost of renovating, improving, expanding, and equipping the Bielenberg Sports Center, along with costs of issuance of the obligations and capitalized interest, if:

(1) the obligations are secured by a pledge of revenues from the facility; and

(2) the city finds, based on analysis provided by a professional experienced in finance, that the facility's revenues and a property tax levy equal to the maximum annual property tax levy used to pay the bonds previously issued to finance, in whole or in part, the facility will in the aggregate be sufficient to pay the obligations without the imposition of an additional property tax levy pledged to the obligations.

(b) Before issuing bonds under this section, the city must publish a notice of its intention to issue the bonds and the date and time of a hearing to obtain public comment

on the matter. The notice must be published on the official website of the city or in a newspaper of general circulation in the city. The notice must be published at least 14, but not more than 28, days before the date of the hearing. The city may issue the bonds only upon obtaining the approval of a majority of the voters voting on the question of issuing the obligations, if a petition requesting a vote on the issuance is signed by voters equal to five percent of the votes cast in the city in the last general election and is filed with the city clerk within 30 days after the public hearing.

EFFECTIVE DATE; LOCAL APPROVAL. This section is effective the day after the governing body of the city of Woodbury and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 13. **APPROPRIATION; GREATER MINNESOTA INTERNSHIP PROGRAM.**

\$1,250,000 is appropriated from the general fund to the commissioner of employment and economic development for fiscal year 2013 for grants under Minnesota Statutes, section 136A.129, for employers who hire interns. Up to five percent of the appropriation is for an administrative fee for the Office of Higher Education and participating eligible institutions. The amount of this appropriation is added to the base for the Department of Employment and Economic Development beginning in fiscal year 2014 for the greater Minnesota internship program.

EFFECTIVE DATE. This section is effective July 1, 2012.

Sec. 14. **STEELE COUNTY; CIP BONDING AUTHORITY.**

(a) The governing body of Steele County may, by resolution, include in its capital improvement plan under Minnesota Statutes, section 373.40, buildings to be acquired, constructed, and improved at its fairgrounds for use by its agricultural society and buildings for use as a highway operations and maintenance complex.

(b) The buildings authorized by paragraph (a) constitute "capital improvements" for all purposes of Minnesota Statutes, section 373.40, if the principal amount of bonds issued to finance the buildings do not exceed \$650,000.

EFFECTIVE DATE. This section is effective the day after the governing body of Steele County and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 15. **WADENA COUNTY; CIP BONDING AUTHORITY.**

94.1 (a) The governing body of Wadena County may, by resolution, include in its capital
94.2 improvement plan under Minnesota Statutes, section 373.40, buildings to be acquired,
94.3 constructed, and improved at its fairgrounds for use by its agricultural society.

94.4 (b) The buildings authorized by paragraph (a) constitute "capital improvements"
94.5 for all purposes of Minnesota Statutes, section 373.40, if the principal amount of bonds
94.6 issued to finance the buildings do not exceed \$1,000,000.

94.7 **EFFECTIVE DATE.** This section is effective the day after the governing body
94.8 of Wadena County and its chief clerical officer timely complete their compliance with
94.9 Minnesota Statutes, section 645.021, subdivisions 2 and 3.

APPENDIX
Article locations in H2337-3

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ARTICLE 2	INCOME AND CORPORATE FRANCHISE TAXES	Page.Ln 32.20
ARTICLE 3	SALES AND USE TAXES	Page.Ln 60.26
ARTICLE 4	TAX INCREMENT FINANCING	Page.Ln 72.20
ARTICLE 5	MISCELLANEOUS	Page.Ln 83.28