A bill for an act

relating to financing and operation of state and local government; making changes
to individual income, corporate franchise, estate, property, sales and use, excise,
mineral, tobacco, gambling, special, local, and other miscellaneous taxes and
tax-related provisions; modifying provisions related to taxpayer empowerment,
local government aids, credits, refunds, in perpetuity payments on land purchases,
tax increment financing, and public finance; providing for new income tax
subtractions, additions, and credits; establishing a first-time home buyer savings
account program; providing for conformity to federal tax extenders by
administrative action; modifying the education credit; providing a credit for
donations to fund K-12 scholarships; modifying residency definitions; providing
estate tax conformity; modifying property tax exemptions, classifications, and
refunds; allowing a reverse referendum for property tax levies under certain
circumstances; establishing school building bond agricultural tax credit; modifying
state general levy; modifying certain local government aids; modifying sales tax
definitions and exemptions; providing sales tax exemptions; clarifying the
appropriation for sales tax refunds; establishing sales tax collection duties for
marketplace providers and certain retailers; dedicating certain sales tax revenues;
providing exemptions from sales taxes and property taxes for a Major League
Soccer stadium; authorizing certain tax increment financing authority; prohibiting
municipalities from taxing paper or plastic bags; modifying county levy authority;
authorizing certain local taxes; requiring voter approval for certain transportation
sales taxes; restricting rail project expenditures; modifying provisions related to
taconite; repealing political contribution refund; modifying taxes on tobacco
products and cigarettes; providing for a private letter ruling program; modifying
tax administration procedures; dedicating transportation-related taxes; modifying
vehicle taxes and fees; making minor policy, technical, and conforming changes;
requiring reports; appropriating money; amending Minnesota Statutes 2016, sections
13.4967, by adding a subdivision; 13.51, subdivision 2; 40A.18, subdivision 2;
69.021, subdivision 5; 84.82, subdivision 10; 84.922, subdivision 11; 86B.401,
subdivision 12; 97A.056, subdivisions 1a, 3, by adding subdivisions; 116P.02,
subdivision 1, by adding subdivisions; 116P.08, subdivisions 1, 4; 123B.63,
subdivision 3; 126C.17, subdivision 9; 127A.45, subdivisions 10, 13; 128C.24;
168.013, subdivision 1a, by adding a subdivision; 169.011, by adding a subdivision;
205.10, subdivision 1; 205A.05, subdivision 1; 216B.36; 216B.46; 237.19; 270.071,
subdivisions 2, 7, 8, by adding a subdivision; 270.072, subdivisions 2, 3, by adding
a subdivision; 270.074, subdivision 1; 270.078, subdivision 1; 270.12, by adding
a subdivision; 270.82, subdivision 1; 270A.03, subdivisions 5, 7; 270B.14,
subdivision 1, by adding subdivisions; 270C.13, subdivision 1; 270C.171,
2.1 subdivision 1; 270C.30; 270C.31, by adding a subdivision; 270C.33, subdivisions
2.2 8, by adding subdivisions; 270C.34, subdivisions 1, 2; 270C.35, subdivisions
2.3 3, 4, by adding a subdivision; 270C.38, subdivision 1; 270C.445, subdivisions 2,
2.4 3, 5, 6, 6a, 6b, 6c, 7, 8, by adding a subdivision; 270C.446, subdivisions 2, 3, 4,
2.5 5; 270C.447, subdivisions 1, 2, 3, by adding a subdivision; 270C.72, subdivision
2.6 4; 270C.89, subdivision 1; 271.06, subdivisions 2, 2a, 6, 7; 271.08, subdivision 1;
2.7 271.18; 272.02, subdivisions 9, 10, 23, 86, by adding a subdivision; 272.0211, subdivision 1; 272.029, subdivisions 2, 4, by adding a subdivision; 272.0295, subdivision 4, by adding a subdivision; 272.115, subdivisions 1, 2, 3; 272.162; 273.061, subdivision 7; 273.0755; 273.08, subdivision 1; 273.1192; 273.13, subdivisions 22, 23, 25, 34; 273.135, subdivision 1; 273.1392; 273.1393; 273.33, subdivisions 1, 2; 273.372, subdivisions 2, 4, by adding subdivisions; 274.01, subdivision 1; 274.014, subdivision 3; 274.13, subdivision 1; 274.135, subdivision 3; 275.025, subdivisions 1, 2, 4, by adding a subdivision; 275.066, subdivisions 2, by adding a subdivision; 279.01, subdivision 1; 279.015, subdivisions 2, 3, 4, 6a; 279.0685, subdivision 1; 279.09, subdivision 1; 279A.09, subdivisions 1, 2; 279A.10, subdivision 1; 279A.11, subdivision 1; 279A.12, subdivision 14; 279A.18, subdivision 1, by adding a subdivision; 289A.20, subdivision 2; 289A.31, subdivision 1; 289A.35; 289A.37, subdivision 2; 289A.38, subdivision 6; 289A.40, subdivision 1; 289A.50, subdivisions 1, 2a, 7; 289A.60, subdivisions 1, 13, 28, by adding a subdivision; 289A.63, by adding a subdivision; 290.01, subdivisions 6, 7; 290.0131, by adding subdivisions; 290.0132, subdivisions 4, 14, 21, by adding subdivisions; 290.0133, by adding a subdivision; 290.06, subdivision 22, by adding subdivisions; 290.067, subdivisions 1, 2b; 290.0672, subdivision 1; 290.0674, subdivisions 1, 2, 3, 6a; 290.0685, subdivision 1; 290.091, subdivision 2; 290.0922, subdivision 2; 290.17, subdivision 2; 290.31, subdivision 1; 290A.03, subdivisions 3, 11, 13; 290A.10; 290A.19; 290C.03; 291.005, subdivision 1, as amended; 291.016, subdivisions 2, 3; 291.03, subdivisions 1, 9, 11; 291.075; 295.54, subdivision 2; 295.55, subdivision 6; 296A.01, subdivisions 7, 12, 33, 42, by adding a subdivision; 296A.02, by adding a subdivision; 296A.07, subdivision 1; 296A.08, subdivision 2; 296A.16, subdivision 2; 296A.22, subdivision 9; 296A.26; 297A.66, subdivisions 1, 2, 4, by adding a subdivision; 297A.67, subdivision 13a, by adding a subdivision; 297A.68, subdivisions 5, 9, 19, 35a; 297A.70, subdivisions 4, 12, 14, by adding subdivisions; 297A.71, subdivision 44, by adding subdivisions; 297A.75, subdivisions 1, 2, 3, 5; 297A.815, subdivision 3; 297A.82, subdivisions 4, 4a; 297A.94; 297A.992, subdivision 6a; 297A.993, subdivisions 1, 2, by adding subdivisions; 297B.07; 297D.02; 297E.02, subdivisions 3, 6, 7; 297E.04, subdivision 1; 297E.05, subdivision 4; 297E.06, subdivision 1; 297F.01, subdivision 13a; 297F.05, subdivisions 1, 3, 3a, 7a; 297F.09, subdivision 1; 297F.23; 297G.09, subdivision 1; 297G.22; 297H.06, subdivision 2; 297L.05, subdivision 2; 297L.10, subdivisions 1, 3; 297L.20, by adding a subdivision; 297L.30, subdivision 7, by adding a subdivision; 297L.60, subdivision 2; 298.01, subdivisions 3, 4, 4c; 298.225, subdivision 1; 298.24, subdivision 1; 298.28, subdivisions 2, 3, 5, 366.095, subdivision 1; 383B.117, subdivision 2; 398A.10, subdivisions 3, 4; 410.32; 412.221, subdivision 2; 412.301; 414.09, subdivision 2; 426.19, subdivision 2; 447.045, subdivisions 2, 3, 4, 6, 7; 452.11; 455.24; 455.29, subdivision 4; 462.353, subdivision 4; 469.053, subdivision 5; 469.101, subdivision 1; 469.107, subdivision 2; 469.169, by adding a subdivision; 469.174, subdivision 12; 469.175, subdivision 3; 469.176, subdivision 4c; 469.1761, by adding a subdivision; 469.1763, subdivisions 1, 2, 3, 469.178, subdivision 7; 469.190, subdivisions 1, 5; 469.319, subdivision 5; 471.57, subdivision 3; 471.571, subdivision 3; 471.572,
BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

ARTICLE 1

INDIVIDUAL INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

Section 1. Minnesota Statutes 2016, section 13.4967, is amended by adding a subdivision to read:

Subd. 9. Minnesota housing credit. Data related to Minnesota housing tax credit certifications and allocations are classified in section 462A.39.

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

Sec. 2. [41B.0391] BEGINNING FARMER PROGRAM; TAX CREDITS.

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

(b) "Agricultural assets" means agricultural land, livestock, facilities, buildings, and machinery used for farming in Minnesota.

(c) "Beginning farmer" means a resident of Minnesota who:

(1) is seeking entry, or has entered within the last ten years, into farming;

(2) is a resident of Minnesota;

(3) is engaged in farming operations on the farm property; and

(4) is a full time resident of the state of Minnesota.
(2) intends to farm land located within the state borders of Minnesota;

(3) is not and whose spouse is not a family member of the owner of the agricultural assets from whom the beginning farmer is seeking to purchase or rent agricultural assets;

(4) is not and whose spouse is not a family member of a partner, member, shareholder, or trustee of the owner of agricultural assets from whom the beginning farmer is seeking to purchase or rent agricultural assets; and

(5) meets the following eligibility requirements as determined by the authority:

(i) has a net worth that does not exceed the limit provided under section 41B.03, subdivision 3, paragraph (a), clause (2);

(ii) provides the majority of the day-to-day physical labor and management of the farm;

(iii) has, by the judgment of the authority, adequate farming experience or demonstrates knowledge in the type of farming for which the beginning farmer seeks assistance from the authority;

(iv) demonstrates to the authority a profit potential by submitting projected earnings statements;

(v) asserts to the satisfaction of the authority that farming will be a significant source of income for the beginning farmer;

(vi) participates in a financial management program approved by the authority or the commissioner of agriculture; and

(vii) has other qualifications as specified by the authority.

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

(e) "Farm product" means plants and animals useful to humans and includes, but is not limited to, forage and sod crops, oilseeds, grain and feed crops, dairy and dairy products, poultry and poultry products, livestock, fruits, and vegetables.

(f) "Farming" means the active use, management, and operation of real and personal property for the production of a farm product.

(g) "Owner of agricultural assets" means an individual, trust, or pass-through entity that is the owner in fee of agricultural land or has legal title to any other agricultural asset. Owner of agricultural assets does not mean an equipment dealer, livestock dealer defined in section 17A.03, subdivision 7, or comparable entity that is engaged in the business of selling...
agricultural assets for profit and that is not engaged in farming as its primary business activity.

(h) "Share rent agreement" means a rental agreement in which the principal consideration given to the owner of agricultural assets is a predetermined portion of the production of farm products produced from the rented agricultural assets and which provides for sharing production costs or risk of loss, or both.

Subd. 2. Tax credit for owners of agricultural assets. (a) An owner of agricultural assets may take a credit against the tax due under chapter 290 for the sale or rental of agricultural assets to a beginning farmer. An owner of agricultural assets may take a credit equal to:

(1) five percent of the sale price of the agricultural asset;

(2) ten percent of the gross rental income in each of the first, second, and third years of a rental agreement; or

(3) 15 percent of the cash equivalent of the gross rental income in each of the first, second, and third years of a share rent agreement.

(b) A qualifying rental agreement includes cash rent of agricultural assets or a share rent agreement. The agricultural asset must be rented at prevailing community rates as determined by the authority. The credit may be claimed only after approval and certification by the authority.

(c) An owner of agricultural assets or beginning farmer may terminate a rental agreement, including a share rent agreement, for reasonable cause upon approval of the authority. If a rental agreement is terminated without the fault of the owner of agricultural assets, the tax credits shall not be retroactively disallowed. If an agreement is terminated with fault by the owner of agricultural assets, any prior tax credits claimed under this subdivision by the owner of agricultural assets shall be disallowed and must be repaid to the commissioner of revenue.

(d) The credit is limited to the liability for tax as computed under chapter 290 for the taxable year. If the amount of the credit determined under this section for any taxable year exceeds this limitation, the excess is a beginning farmer incentive credit carryover according to section 290.06, subdivision 37.

Subd. 3. Beginning farmer management tax credit. (a) A beginning farmer may take a credit against the tax due under chapter 290 for participating in a financial management program approved by the authority. The credit is equal to 100 percent of the cost of
participating in the program. The credit is available for up to three years while the farmer
is in the program. The authority shall maintain a list of approved financial management
programs and establish a procedure for approving equivalent programs that are not on the
list.

(b) The credit is limited to the liability for tax as computed under chapter 290 for the
taxable year. If the amount of the credit determined under this section for any taxable year
exceeds this limitation, the excess is a beginning farmer management credit carryover
according to section 290.06, subdivision 38.

Subd. 4. Authority duties. The authority shall:

(1) approve and certify beginning farmers as eligible for the program under this section;
(2) approve and certify owners of agricultural assets as eligible for the tax credit under
subdivision 2;
(3) provide necessary and reasonable assistance and support to beginning farmers for
qualification and participation in financial management programs approved by the authority;
and
(4) refer beginning farmers to agencies and organizations that may provide additional
pertinent information and assistance.

EFFECTIVE DATE. This section is effective for taxable years beginning after December
31, 2016.

Sec. 3. Minnesota Statutes 2016, section 289A.10, subdivision 1, is amended to read:

Subdivision 1. Return required. In the case of a decedent who has an interest in property
with a situs in Minnesota, the personal representative must submit a Minnesota estate tax
return to the commissioner, on a form prescribed by the commissioner, if:

(1) a federal estate tax return is required to be filed; or
(2) the sum of the federal gross estate and federal adjusted taxable gifts, as defined in
section 2001(b) of the Internal Revenue Code, made within three years of the date of the
decedent's death exceeds $1,200,000 for estates of decedents dying in 2014; $1,400,000 for
estates of decedents dying in 2015; $1,600,000 for estates of decedents dying in 2016;
$1,800,000 for estates of decedents dying in 2017, and $2,000,000 for estates of decedents
dying in 2018 and thereafter.

The return must contain a computation of the Minnesota estate tax due. The return must
be signed by the personal representative.
EFFECTIVE DATE. This section is effective retroactively for estates of decedents
dying after December 31, 2016.

Sec. 4. Minnesota Statutes 2016, section 290.01, subdivision 7, is amended to read:

Subd. 7. Resident. (a) The term "resident" means any individual domiciled in Minnesota,
except that an individual is not a "resident" for the period of time that the individual is a
"qualified individual" as defined in section 911(d)(1) of the Internal Revenue Code, if the
qualified individual notifies the county within three months of moving out of the country
that homestead status be revoked for the Minnesota residence of the qualified individual,
and the property is not classified as a homestead while the individual remains a qualified
individual.

(b) "Resident" also means any individual domiciled outside the state who maintains a
place of abode in the state and spends in the aggregate more than one-half of the tax year
in Minnesota, unless:

(1) the individual or the spouse of the individual is in the armed forces of the United
States; or

(2) the individual is covered under the reciprocity provisions in section 290.081.

For purposes of this subdivision, presence within the state for any part of a calendar day
constitutes a day spent in the state. A day does not qualify as a Minnesota day if the taxpayer
traveled from a place outside of Minnesota primarily for and essential to obtaining medical
care, as defined in Internal Revenue Code, section 213(d)(1)(A), in Minnesota for the
taxpayer, spouse, or a dependent of the taxpayer and the travel expense is allowed under
section 213(d)(1)(B) of the Internal Revenue Code, and is claimed by the taxpayer as a
deductible expense. Individuals shall keep adequate records to substantiate the days spent
outside the state.

The term "abode" means a dwelling maintained by an individual, whether or not owned
by the individual and whether or not occupied by the individual, and includes a dwelling
place owned or leased by the individual's spouse.

(e) In determining where an individual is domiciled, neither the commissioner nor any
court shall consider:

(1) charitable contributions made by an individual within or without the state in
determining if the individual is domiciled in Minnesota.
(2) the location of the individual's attorney, certified public accountant, or financial adviser; or

(3) the place of business of a financial institution at which the individual applies for any new type of credit or at which the individual opens or maintains any type of account.

(d) For purposes of this subdivision, the following terms have the meanings given them:

(1) "financial adviser" means:

(i) an individual or business entity engaged in business as a certified financial planner, registered investment adviser, licensed insurance producer or agent, or registered securities broker-dealer representative; or

(ii) a financial institution providing services related to trust or estate administration, investment management, or financial planning; and

(2) "financial institution" means a financial institution as defined in section 47.015, subdivision 1; a state or nationally chartered credit union; or a registered broker-dealer under the Securities and Exchange Act of 1934.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016, except the amendment to paragraph (b) is effective for taxable years beginning after December 31, 2017.

Sec. 5. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision to read:

Subd. 14. Equity and opportunity donations to qualified foundations. The amount of the deduction under section 170 of the Internal Revenue Code that represents contributions to a qualified foundation under section 290.0693 is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 6. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision to read:

Subd. 15. First-time home buyer savings account. The amount for a first-time home buyer savings account required by section 462D.06, subdivision 2, is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.
Sec. 7. Minnesota Statutes 2016, section 290.0132, subdivision 4, is amended to read:

Subd. 4. **Education expenses.** (a) Subject to the limits in paragraph (b), the following amounts paid to others for each qualifying child are a subtraction: education-related expenses, as defined in section 290.0674, subdivision 1, less any amount used to claim the credit under section 290.0674, are a subtraction.

(1) education-related expenses; plus

(2) tuition and fees paid to attend a school described in section 290.0674, subdivision 1, clause (4), that are not included in education-related expenses; less

(3) any amount used to claim the credit under section 290.0674.

(b) The maximum subtraction allowed under this subdivision is:

(1) $1,625 for each qualifying child in a prekindergarten educational program or in kindergarten through grade 6; and

(2) $2,500 for each qualifying child in grades 7 through 12.

(c) The definitions in section 290.0674, subdivision 1, apply to this subdivision.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 8. Minnesota Statutes 2016, section 290.0132, subdivision 14, is amended to read:

Subd. 14. **Section 179 expensing.** In each of the five taxable years immediately following the taxable year in which an addition is required under section 290.0131, subdivision 10, or 290.0133, subdivision 12, for a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under section 290.0131, subdivision 10, or 290.0133, subdivision 12, for a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the taxable year of the addition, is a subtraction. If the net operating loss exceeds the addition for the taxable year, a subtraction is not allowed under this subdivision. The current year section 179 allowance under section 290.0804, subdivision 1, is a subtraction.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.
Sec. 9. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision to read:

Subd. 23. Contributions to 529 plan. (a) The amount equal to the contributions made during the taxable year to one or more accounts in plans qualifying under section 529 of the Internal Revenue Code, reduced by any withdrawals from accounts during the taxable year, is a subtraction.

(b) The subtraction under this subdivision does not include amounts rolled over from other college savings plan accounts.

(c) The subtraction under this subdivision must not exceed $3,000 for married couples filing joint returns and $1,500 for all other filers, and is limited to individuals who do not claim the credit under section 290.0684.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 10. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision to read:

Subd. 24. Social Security benefits. The amount of Social Security benefits, as provided in section 290.0803, is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 11. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision to read:

Subd. 25. Discharge of indebtedness; education loans. (a) The amount equal to the discharge of indebtedness of the taxpayer is a subtraction if:

(1) the indebtedness discharged is a qualified education loan;

(2) the taxpayer incurred the indebtedness to pay for qualified higher education expenses related to attending a graduate degree program; and

(3) the indebtedness was discharged under section 136A.1791, or following the taxpayer's completion of an income-driven repayment plan.

(b) For the purposes of this subdivision, "qualified education loan" and "qualified higher education expenses" have the meanings given in section 221 of the Internal Revenue Code.
(c) For purposes of this subdivision, "income-driven repayment plan" means a payment plan established by the United States Department of Education that sets monthly student loan payments based on income and family size under United States Code, title 20, section 1087e, or similar authority and specifically includes, but is not limited to:

1. the income-based repayment plan under United States Code, title 20, section 1098e;
2. the income contingent repayment plan established under United States Code, title 20, section 1087e, subsection (e); and
3. the PAYE program or REPAYE program established by the Department of Education under administrative regulations.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 12. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision to read:

Subd. 26. Carryover section 179 allowance. The carryover section 179 allowance under section 290.0804, subdivision 2, is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 13. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision to read:

Subd. 27. First-time home buyer savings account. (a) The amount for contributions to and earnings on a first-time home buyer savings account allowed by section 462D.06, subdivision 1, is a subtraction.

(b) The subtraction allowed under this subdivision for a taxable year is limited to $7,500, or $15,000 for married joint filers. For a taxpayer whose adjusted gross income, as defined in section 62 of the Internal Revenue Code, for the taxable year exceeds $125,000, or $250,000 for married joint filers, the maximum subtraction is reduced $1 for each $4 of adjusted gross income in excess of that threshold.

(c) The adjusted gross income thresholds under paragraph (b) are annually adjusted for inflation. Effective for taxable year 2018, the commissioner shall adjust the dollar amount of the income thresholds at which the maximum credit begins to be reduced under paragraph (b) by the percentage determined under section 1(f) of the Internal Revenue Code, except...
that in section 1(f)(3)(B) the word "2016" is substituted for the word "1992." For 2018, the
commissioner shall then determine the percent change from the 12 months ending on August
31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from
the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of the
year preceding the taxable year. The determination of the commissioner under this
subdivision is not a "rule" and is not subject to the Administrative Procedure Act in chapter
14. The threshold amount as adjusted must be rounded to the nearest $100 amount. If the
amount ends in $50, the amount is rounded up to the nearest $100 amount.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December
31, 2016.

Sec. 14. Minnesota Statutes 2016, section 290.0133, is amended by adding a subdivision
to read:

**Subd. 15. Equity and opportunity donations to qualified foundations.** The amount
of the deduction under section 170 of the Internal Revenue Code that represents contributions
to a qualified foundation under section 290.0693 is an addition.

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

Sec. 15. [290.016] CONFORMITY TO FEDERAL TAX EXTENDERS BY
ADMINISTRATIVE ACTION.

**Subdivision 1. Legislative purpose.** (a) The legislature intends this section to provide
an ongoing mechanism for conforming the Minnesota individual income and corporate
franchise taxes and the property tax refund and homestead credit refund programs to federal
tax legislation enacted after the legislature has adjourned that extends existing provisions
of federal law, if the provisions affect a taxable year that ends before the legislature is
scheduled to reconvene in regular session. Congress has regularly enacted changes of that
type that affect computation of Minnesota tax through its links to federal law. The federal
changes consist mainly of extending provisions that reduce revenues and are scheduled to
expire. Because Minnesota law is linked to federal law as of a specific date, taxpayers and
the Department of Revenue must assume that Minnesota law does not include the effect of
these federal changes even though the legislature regularly adopts most of the federal
provisions retroactively in the next legislative session. This situation undermines compliance
and administration of Minnesota taxes, causing delay, uncertainty, and added costs. This
section provides an administrative mechanism to conform to most of these federal changes.
The legislature's intent is to conform to the federal tax extenders, including minor modifications of them, and to set aside the necessary state budget resources to do so.

(b) By expressing its intent regarding specific federal provisions and indicating how to treat each federal extender provision, the legislature is exercising its legislative power and is not delegating to Congress or the commissioner the authority to determine Minnesota tax law. The legislature believes that this section is consistent with the Minnesota Supreme Court's ruling in the case of Wallace v. Commissioner of Taxation, 289 Minn. 220 (1971).

Subd. 2. Federal tax conformity account established; transfer. (a) A federal tax conformity account is established in the general fund. Money in the account is available for transfer to the general fund to offset the reduction in general fund revenues resulting from conforming Minnesota tax law to federal law under this section.

(b) $35,000,000 is transferred from the general fund to the federal tax conformity account, effective July 1, 2017.

(c) Each year, within ten days after receiving notice of the amount from the commissioner, the commissioner of management and budget shall transfer from the account to the general fund the amount the commissioner determines is required under subdivision 4.

Subd. 3. Eligible federal tax preferences. For purposes of this section and section 290.01, the term "eligible federal tax preferences" means any of the following items that are not in effect under the Internal Revenue Code for future taxable years beginning after December 31, 2016:

(1) discharge of qualified principal residence indebtedness under section 108(a)(1)(E) of the Internal Revenue Code;

(2) mortgage insurance premiums treated as qualified residence interest under section 163(h)(3)(E) of the Internal Revenue Code;

(3) qualified tuition and related expenses under section 222 of the Internal Revenue Code;

(4) reversion of the ten percent adjusted gross income threshold used in determining the itemized deductions of the expenses of medical care under section 213 of the Internal Revenue Code to 7.5 percent, without regard to whether the reversion applies to all individuals or is limited to individuals who have attained the age of 65;

(5) classification of certain race horses as three-year property under section 168(e)(3)(A)(i) and (ii) of the Internal Revenue Code;
(6) the seven-year recovery period for motorsports entertainment complexes under section 168(i)(15) of the Internal Revenue Code;

(7) the accelerated depreciation for business property on an Indian reservation under section 168(j) of the Internal Revenue Code;

(8) the election to expense mine safety equipment under section 179E of the Internal Revenue Code;

(9) the special expensing rules for certain film and television productions under section 181 of the Internal Revenue Code;

(10) the special allowance for second-generation biofuel plant property under section 168(l) of the Internal Revenue Code;

(11) the energy efficient commercial buildings deduction under section 179D of the Internal Revenue Code;

(12) the five-year recovery period for property described in section 168(e)(3)(B)(vi)(I) of the Internal Revenue Code and qualifying for an energy credit under section 48(a)(3)(A) of the Internal Revenue Code; and

(13) the amount of the additional section 179 allowance in an empowerment zone under section 1397A of the Internal Revenue Code.

Subd. 4. Designation of qualifying federal conformity items. (a) If, after final adjournment of a regular session of the legislature, Congress enacts a law that extends one or more of the eligible federal tax preferences to taxable years beginning during the calendar year in which the legislature adjourned, the commissioner shall prepare a list of qualifying federal conformity items and publish it on the Department of Revenue's Web site within 30 days following enactment of the law. In preparing the list, the commissioner shall estimate the change in revenue resulting from allowing the eligible federal tax preferences, including the effect of subdivision 6, for the current and succeeding fiscal year only. The commissioner shall not include an item on the list of qualifying federal conformity items if the commissioner estimates that its inclusion would reduce general fund revenues for the current and succeeding fiscal year by more than the balance in the federal tax conformity account.

(b) The commissioner shall consider the provisions of subdivision 6 as the first item to include on the list of qualifying conformity items. The commissioner shall apply the following priorities in determining which additional items to include:
(1) the effect of all eligible federal tax preferences on computation of federal adjusted
gross income under this chapter and household income under chapter 290A, is the first
priority;

(2) the effect of the federal law on computation of Minnesota tax credits is the second
priority;

(3) the items in subdivision 3, clauses (5) to (13), in that order, are the third priority;

(4) the items in subdivision 3, clauses (1) to (4), in that order, are the last priority.

(c) In determining whether to include an eligible federal tax preference on the list of
qualifying federal conformity items, the commissioner may include items in which
nonmaterial changes were made in the federal law extending allowance of the eligible federal
tax preferences, compared to the provision that was in effect for the prior federal taxable
year. For purposes of this determination, nonmaterial changes are limited to changes that
are estimated to increase or decrease Minnesota tax revenues by no more than $1,000,000
for the affected eligible federal tax preference item for the taxable year.

(d) Within ten days after the commissioner's final determination of qualifying federal
conformity items under this subdivision, the commissioner shall notify the commissioner
of management and budget, in writing, of the amounts of the federal tax conformity account
transfers under subdivision 2.

Subd. 5. Provisions in effect. (a) For purposes of determining tax and credits under this
chapter, including the taxes under sections 290.091 and 290.0921, and household income
under chapter 290A, qualifying federal conformity items and bonus depreciation rules under
subdivision 6 apply for the designated taxable year and the provisions of this chapter apply
as if the definition of the Internal Revenue Code under section 290.01, subdivision 31,
included the amendments to the qualifying federal conformity items.

(b) The commissioner shall administer the taxes under this chapter and refunds under
chapter 290A as if Minnesota had conformed to the federal definitions of net income,
adjusted gross income, and tax credits that affect computation of Minnesota tax or refunds
resulting from extension of the qualifying federal conformity items.

(c) For purposes of this subdivision and subdivision 6, "designated taxable year" means
a taxable year that begins during a calendar year in which an eligible federal tax preference
is enacted after the legislature adjourned its regular session and is effective for taxable years
beginning during that calendar year.
Subd. 6. **Bonus depreciation; 80 percent rule applies.** If, following final adjournment of a regular session of the legislature, Congress enacts a law that extends application of the depreciation special allowances under section 168(k) of the Internal Revenue Code to taxable years beginning during the same calendar year, the allowance must be determined using the rules under sections 290.0131, subdivision 9, and 290.0133, subdivision 11, for the designated taxable year; and the rules under sections 290.0132, subdivision 9, and 290.0134, subdivision 13, for the five tax years immediately following the designated taxable year.

Subd. 7. **Forms preparation.** If the provisions of subdivisions 3 and 4 apply to a taxable year, the commissioner shall prepare forms and instructions that reflect the qualifying federal conformity items and bonus depreciation rules under subdivision 6, if applicable, for the taxable year consistent with the provisions of this section.

Subd. 8. **Draft legislation.** For a taxable year for which the commissioner publishes a list of qualifying federal conformity items under this section, the commissioner shall provide the chairs and ranking minority members of the legislative committees with jurisdiction over taxes with draft legislation that would conform Minnesota Statutes to the qualifying federal conformity items and any other conformity items that the commissioner recommends be adopted, including application to taxable years beyond those to which this section applies. The draft legislation is intended to make the statutes consistent with application of the designated qualifying federal conformity items under this section for the convenience of members of the public. Failure to pass the draft legislation does not affect computation of Minnesota tax liability for the affected taxable years under this section.

Subd. 9. **Administrative Procedure Act.** Designation of qualifying federal conformity items or any other action of the commissioner under this section is not a rule and is not subject to the Administrative Procedure Act under chapter 14, including section 14.386.

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

Sec. 16. Minnesota Statutes 2016, section 290.06, is amended by adding a subdivision to read:

Subd. 2g. **First-time home buyer savings account.** In addition to the tax computed under subdivision 2c, an additional amount of tax applies equal to the additional tax computed for the taxable year for the account holder of a first-time home buyer account under section 462D.06, subdivision 3.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.
Sec. 17. Minnesota Statutes 2016, section 290.06, subdivision 22, is amended to read:

Subd. 22. Credit for taxes paid to another state. (a) A taxpayer who is liable for taxes
based on net income to another state, as provided in paragraphs (b) through (f), upon income
allocated or apportioned to Minnesota, is entitled to a credit for the tax paid to another state
if the tax is actually paid in the taxable year or a subsequent taxable year. A taxpayer who
is a resident of this state pursuant to section 290.01, subdivision 7, paragraph (b), and who
is subject to income tax as a resident in the state of the individual's domicile is not allowed
this credit unless the state of domicile does not allow a similar credit.

(b) For an individual, estate, or trust, the credit is determined by multiplying the tax
payable under this chapter by the ratio derived by dividing the income subject to tax in the
other state that is also subject to tax in Minnesota while a resident of Minnesota by the
taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue
Code, modified by the addition required by section 290.0131, subdivision 2, and the
subtraction allowed by section 290.0132, subdivision 2, to the extent the income is allocated
or assigned to Minnesota under sections 290.081 and 290.17.

(c) If the taxpayer is an athletic team that apportions all of its income under section
290.17, subdivision 5, the credit is determined by multiplying the tax payable under this
chapter by the ratio derived from dividing the total net income subject to tax in the other
state by the taxpayer's Minnesota taxable income.

(d)(1) The credit determined under paragraph (b) or (c) shall not exceed the amount of
tax so paid to the other state on the gross income earned within the other state subject to
tax under this chapter, nor shall, and

(2) the allowance of the credit does not reduce the taxes paid under this chapter to an
amount less than what would be assessed if such income amount was the gross income
earned within the other state were excluded from taxable net income.

(e) In the case of the tax assessed on a lump-sum distribution under section 290.032, the
credit allowed under paragraph (a) is the tax assessed by the other state on the lump-sum
distribution that is also subject to tax under section 290.032, and shall not exceed the tax
assessed under section 290.032. To the extent the total lump-sum distribution defined in
section 290.032, subdivision 1, includes lump-sum distributions received in prior years or
is all or in part an annuity contract, the reduction to the tax on the lump-sum distribution
allowed under section 290.032, subdivision 2, includes tax paid to another state that is
properly apportioned to that distribution.
(f) If a Minnesota resident reported an item of income to Minnesota and is assessed tax
in such other state on that same income after the Minnesota statute of limitations has expired,
the taxpayer shall receive a credit for that year under paragraph (a), notwithstanding any
statute of limitations to the contrary. The claim for the credit must be submitted within one
year from the date the taxes were paid to the other state. The taxpayer must submit sufficient
proof to show entitlement to a credit.

(g) For the purposes of this subdivision, a resident shareholder of a corporation treated
as an "S" corporation under section 290.9725, must be considered to have paid a tax imposed
on the shareholder in an amount equal to the shareholder's pro rata share of any net income
tax paid by the S corporation to another state. For the purposes of the preceding sentence,
the term "net income tax" means any tax imposed on or measured by a corporation's net
income.

(h) For the purposes of this subdivision, a resident partner of an entity taxed as a
partnership under the Internal Revenue Code must be considered to have paid a tax imposed
on the partner in an amount equal to the partner's pro rata share of any net income tax paid
by the partnership to another state. For purposes of the preceding sentence, the term "net
income" tax means any tax imposed on or measured by a partnership's net income.

(i) For the purposes of this subdivision, "another state":

(1) includes:

(i) the District of Columbia; and

(ii) a province or territory of Canada; but

(2) excludes Puerto Rico and the several territories organized by Congress.

(j) The limitations on the credit in paragraphs (b), (c), and (d), are imposed on a state
by state basis.

(k) For a tax imposed by a province or territory of Canada, the tax for purposes of this
subdivision is the excess of the tax over the amount of the foreign tax credit allowed under
section 27 of the Internal Revenue Code. In determining the amount of the foreign tax credit
allowed, the net income taxes imposed by Canada on the income are deducted first. Any
remaining amount of the allowable foreign tax credit reduces the provincial or territorial
tax that qualifies for the credit under this subdivision.

(l) If the amount of the credit which a qualifying individual is eligible to receive under
this section for tax paid to a qualifying state, disregarding the limitation in paragraph (d),
clause (2), exceeds the tax due under this chapter, the commissioner shall refund the excess
to the individual. An amount sufficient to pay the refunds required by this section is
appropriated to the commissioner from the general fund.

For purposes of this paragraph, "qualifying individual" means a Minnesota resident under
section 290.01, subdivision 7, paragraph (a), who received compensation during the taxable
year for the performance of personal or professional services within a qualifying state, and
"qualifying state" means a state with which an agreement under section 290.081 is not in
effect for the taxable year but was in effect for a taxable year beginning before January 1,
2010.

EFFECTIVE DATE. This section is effective for taxable years beginning after December
31, 2016.

Sec. 18. Minnesota Statutes 2016, section 290.06, is amended by adding a subdivision to
read:

Subd. 37. Beginning farmer incentive credit. (a) A beginning farmer incentive credit
is allowed against the tax due under this chapter for the sale or rental of agricultural assets
to a beginning farmer according to section 41B.0391, subdivision 2.

(b) The credit may be claimed only after approval and certification by the Rural Finance
Authority according to section 41B.0391.

(c) The credit is limited to the liability for tax, as computed under this chapter, for the
taxable year. If the amount of the credit determined under this subdivision for any taxable
year exceeds this limitation, the excess is a beginning farmer incentive credit carryover to
each of the 15 succeeding taxable years. The entire amount of the excess unused credit for
the taxable year is carried first to the earliest of the taxable years to which the credit may
be carried and then to each successive year to which the credit may be carried. The amount
of the unused credit which may be added under this paragraph must not exceed the taxpayer's
liability for tax, less the beginning farmer incentive credit for the taxable year.

(d) Credits allowed to a partnership, a limited liability company taxed as a partnership,
an S corporation, or multiple owners of property are passed through to the partners, members,
shareholders, or owners, respectively, pro rata to each based on the partner's, member's,
shareholder's, or owner's share of the entity's assets or as specially allocated in the
organizational documents or any other executed agreement, as of the last day of the taxable
year.

(e) For a nonresident or part-year resident, the credit under this section must be allocated
using the percentage calculated in section 290.06, subdivision 2c, paragraph (e).
(f) Notwithstanding the approval and certification by the Rural Finance Authority under section 41B.0391, the commissioner may utilize any audit and examination powers under chapter 270C or 289A to the extent necessary to verify that the taxpayer is eligible for the credit and to assess for the amount of any improperly claimed credit.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 19. Minnesota Statutes 2016, section 290.06, is amended by adding a subdivision to read:

**Subd. 38. Beginning farmer management credit.** (a) A taxpayer who is a beginning farmer may take a credit against the tax due under this chapter for participation in a financial management program according to section 41B.0391, subdivision 3.

(b) The credit may be claimed only after approval and certification by the Rural Finance Authority according to section 41B.0391.

(c) The credit is limited to the liability for tax, as computed under this chapter, for the taxable year. If the amount of the credit determined under this subdivision for any taxable year exceeds this limitation, the excess is a beginning farmer management credit carryover to each of the three succeeding taxable years. The entire amount of the excess unused credit for the taxable year is carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this paragraph must not exceed the taxpayer's liability for tax, less the beginning farmer management credit for the taxable year.

(d) For a part-year resident, the credit under this section must be allocated using the percentage calculated in section 290.06, subdivision 2c, paragraph (e).

(e) Notwithstanding the approval and certification by the Rural Finance Authority under section 41B.0391, the commissioner may utilize any audit and examination powers under chapter 270C or 289A to the extent necessary to verify that the taxpayer is eligible for the credit and to assess for the amount of any improperly claimed credit.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.
Sec. 20. Minnesota Statutes 2016, section 290.067, subdivision 1, is amended to read:

Subdivision 1. Amount of credit. (a) A taxpayer may take as a credit against the tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the dependent care credit for which the taxpayer is eligible pursuant to the provisions of section 21 of the Internal Revenue Code subject to the limitations provided in subdivision 2 except that in determining whether the child qualified as a dependent, income received as a Minnesota family investment program grant or allowance to or on behalf of the child must not be taken into account in determining whether the child received more than half of the child's support from the taxpayer, and the provisions of section 32(b)(1)(D) of the Internal Revenue Code do not apply.

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

(c) If a married couple:

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

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

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

(d) If the taxpayer is not required and does not file a federal individual income tax return for the tax year, no credit is allowed for any amount paid to any person unless:
(1) the name, address, and taxpayer identification number of the person are included on
the return claiming the credit; or

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

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

(e) In the case of a nonresident, part-year resident, or a person who has earned income
not subject to tax under this chapter including earned income excluded pursuant to section
290.0132, subdivision 10, the credit determined under section 21 of the Internal Revenue
Code must be allocated based on the ratio by which the earned income of the claimant and
the claimant's spouse from Minnesota sources bears to the total earned income of the claimant
and the claimant's spouse.

(f) For residents of Minnesota, the subtractions for military pay under section 290.0132,
subdivisions 11 and 12, are not considered "earned income not subject to tax under this
chapter."

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

(h) For taxpayers with federal adjusted gross income in excess of $50,000, the credit is
equal to the lesser of the credit otherwise calculated under this subdivision, or the amount
equal to $600 minus five percent of federal adjusted gross income in excess of $50,000 for
taxpayers with one qualified individual, or $1,200 minus five percent of federal adjusted
gross income in excess of $50,000 for taxpayers with two or more qualified individuals,
but in no case is the credit less than zero.

EFFECTIVE DATE. This section is effective for taxable years beginning after December
31, 2016.

Sec. 21. Minnesota Statutes 2016, section 290.067, subdivision 2b, is amended to read:

Subd. 2b. Inflation adjustment. The commissioner shall adjust the dollar amount of
the income threshold at which the maximum credit begins to be reduced under subdivision
2 1 by the percentage determined pursuant to the provisions of section 1(f) of the Internal
Revenue Code, except that in section 1(f)(3)(B) the word "1999" "2016" shall be substituted

Article 1 Sec. 21.
for the word "1992." For 2001, the commissioner shall then determine the percent change from the 12 months ending on August 31, 1999, to the 12 months ending on August 31, 2000, and in each subsequent year, from the 12 months ending on August 31, 2000, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision must not be considered a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. The threshold amount as adjusted must be rounded to the nearest $10 amount. If the amount ends in $5, the amount is rounded up to the nearest $10 amount.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 22. Minnesota Statutes 2016, section 290.0674, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** An individual is allowed a credit against the tax imposed by this chapter in an amount equal to 75 percent of the amount paid for education-related expenses for a qualifying child in a prekindergarten educational program or in kindergarten through grade 12. For purposes of this section, "education-related expenses" means:

1. fees or tuition for instruction by an instructor under section 120A.22, subdivision 10, clause (1), (2), (3), (4), or (5), or a member of the Minnesota Music Teachers Association, and who is not a lineal ancestor or sibling of the dependent for instruction outside the regular school day or school year, including tutoring, driver's education offered as part of school curriculum, regardless of whether it is taken from a public or private entity or summer camps, in grade or age appropriate curricula that supplement curricula and instruction available during the regular school year, that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (2), and that do not include the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship;

2. expenses for textbooks, including books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs;
(3) a maximum expense of $200 per family for personal computer hardware, excluding single purpose processors, and educational software that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (2), purchased for use in the taxpayer's home and not used in a trade or business regardless of whether the computer is required by the dependent's school; and

(4) the amount paid to others for tuition and transportation of a qualifying child attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363A. Amounts under this clause exclude any expense the taxpayer incurred in using the taxpayer's or the qualifying child's vehicle; and

(5) fees charged for enrollment in a prekindergarten educational program, to the extent not used to claim the credit under section 290.067.

For purposes of this section, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code, but is limited to children who have attained at least the age of three during the taxable year.

For purposes of this section, "prekindergarten educational program" means:

(1) prekindergarten programs established by a school district under chapter 124D;

(2) preschools, nursery schools, and early childhood development programs licensed by the Department of Human Services and accredited by the National Association for the Education of Young Children or National Early Childhood Program Accreditation;

(3) Montessori programs affiliated with or accredited by the American Montessori Society or American Montessori International; and

(4) child care programs provided by family day care providers holding a current early childhood development credential approved by the commissioner of human services.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 23. Minnesota Statutes 2016, section 290.0674, subdivision 2, is amended to read:

Subd. 2. Limitations. (a) For claimants with income not greater than $33,500 $42,000, the maximum credit allowed for a family is $1,000 $1,500 multiplied by the number of
qualifying children in a prekindergarten educational program or in kindergarten through grade 12 in the family. The maximum credit for families with one qualifying child in kindergarten through grade 12 is reduced by $1 for each $4 of household income over $33,500, and the maximum credit for families with two or more qualifying children in kindergarten through grade 12 is reduced by $2 for each $4 of household income over $33,500 $42,000, but in no case is the credit less than zero.

For purposes of this section "income" has the meaning given in section 290.067, subdivision 2a. In the case of a married claimant, a credit is not allowed unless a joint income tax return is filed.

(b) For a nonresident or part-year resident, the credit determined under subdivision 1 and the maximum credit amount in paragraph (a) must be allocated using the percentage calculated in section 290.06, subdivision 2c, paragraph (e).

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 24. Minnesota Statutes 2016, section 290.0674, is amended by adding a subdivision to read:

**Subd. 6. Inflation adjustment.** The income threshold at which the maximum credit begins to be reduced in subdivision 2 must be adjusted for inflation. The commissioner shall adjust the income threshold by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B), the word "2016" shall be substituted for the word "1992." For 2018, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months ending August 31, 2016, to the 12 months ending on August 31 of the year preceding the taxable year. The income threshold as adjusted for inflation must be rounded to the nearest $10 amount. If the amount ends in $5, the amount is rounded up to the nearest $10 amount. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.
Sec. 25. Minnesota Statutes 2016, 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:

(a) ten percent of the first $2,000,000 of the excess (if any) of

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

(2) the base amount; and

(b) 2.5 four percent on all of such excess expenses over $2,000,000.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 26. Minnesota Statutes 2016, section 290.068, subdivision 2, is amended to read:

Subd. 2. **Definitions.** For purposes of this section, the following terms have the meanings given.

(a) "Qualified research expenses" means (i) qualified research expenses and basic research payments as defined in section 41(b) and (e) of the Internal Revenue Code, except it does not include expenses incurred for qualified research or basic research conducted outside the state of Minnesota pursuant to section 41(d) and (e) of the Internal Revenue Code; and (ii) contributions to a nonprofit corporation established and operated pursuant to the provisions of chapter 317A for the purpose of promoting the establishment and expansion of business in this state, provided the contributions are invested by the nonprofit corporation for the purpose of providing funds for small, technologically innovative enterprises in Minnesota during the early stages of their development.

(b) "Qualified research" means qualified research as defined in section 41(d) of the Internal Revenue Code, except that the term does not include qualified research conducted outside the state of Minnesota.

(c) "Base amount" means base amount as defined in section 41(c) of the Internal Revenue Code, except that the average annual gross receipts must be calculated using Minnesota sales or receipts under section 290.191 and the definitions contained in clauses (a) and (b) shall apply.

(d) "Liability for tax" means the liability for tax under this chapter, other than the tax under section 290.0922, reduced by the sum of the nonrefundable credits allowed under this chapter, but excluding any carryover credit under subdivision 3.
EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 27. Minnesota Statutes 2016, section 290.068, subdivision 3, is amended to read:

Subd. 3. Limitation; carryover. (a) Except as provided in subdivision 6a, the credit for a taxable year beginning before January 1, 2010, and after December 31, 2012, shall not exceed the liability for tax. For a person subject to tax under section 290.06, subdivision 1, "liability for tax" for purposes of this section means the sum of the tax imposed under section 290.06, subdivisions 1 and 2c, for the taxable year reduced by the sum of the nonrefundable credits allowed under this chapter, includes the liability for tax on all of the entities required to be included on the combined report of the unitary business. If the amount of the credit allowed exceeds the liability for tax of the taxpayer, but is allowed as a result of the liability for tax of other members of the unitary group for the taxable year, the taxpayer must allocate the excess as a research credit to another member of the unitary group.

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

(c) If the amount of the credit determined under this section for any taxable year exceeds the limitation under paragraph (a) or (b), including amounts allowed as a refund under subdivision 6a, or allocated to other members of the unitary group, the excess shall be a research credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year shall be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this clause shall not exceed the taxpayer's liability for tax less the research credit for the taxable year.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 28. Minnesota Statutes 2016, section 290.068, subdivision 6a, is amended to read:

Subd. 6a. Credit to be refundable. (a) If the amount of credit allowed in this section for qualified research expenses incurred in taxable years beginning after December 31, 2009, and before January 1, 2013, exceeds the taxpayer's tax liability under this chapter,
the commissioner shall refund the excess amount. The credit allowed for qualified research
expenses incurred in taxable years beginning after December 31, 2009, and before January
1, 2013, must be used before any research credit earned under subdivision 3.

(b) The provisions of this paragraph apply to taxable years beginning after December
31, 2016. A taxpayer is allowed a refund equal to the least of the following:

(1) $100,000;

(2) the sum of the maximum refundable limits allocated to the taxpayer as a shareholder
of an S corporation and as a partner of a partnership under paragraph (c) for the taxable
year; or

(3) the excess of the amount of the credit allowed under this section for qualified research
expenses incurred in the taxable year over the taxpayer's liability for tax, including after
satisfying the tax liabilities of any other member of the unitary group under subdivision 3,
paragraph (a).

(c) For an S corporation or partnership, a maximum refundable limit of $100,000 applies
at the entity level. The S corporation or partnership must allocate its maximum refundable
limit to each of its shareholders or members for the taxable year. The allocation may be
made in any manner provided in the organizational documents or any other executed
agreement as of the last day of the taxable year. If no provision is made in those documents
or by agreement, the allocation must be made in the same manner provided in subdivision
4 for allocation of the credit. Within 60 days after the close of the taxable year, the S
corporation or partnership must report to each shareholder or partner the allocated share of
the maximum refundable limit for each shareholder or partner. The commissioner may
require reporting, including the time and manner for reporting, of the allocated amounts to
the commissioner.

(d) The excess of the amount allowed as a refund under this subdivision to the taxpayer
is a carryover under subdivision 3.

EFFECTIVE DATE. This section is effective for taxable years beginning after December
31, 2016.

Sec. 29. [290.0682] STUDENT LOAN CREDIT.

Subdivision 1. Definitions. (a) For purposes of this section, the following terms have
the meanings given.
(b) "Adjusted gross income" means federal adjusted gross income as defined in section 62 of the Internal Revenue Code.

(c) "Earned income" has the meaning given in section 32(c) of the Internal Revenue Code.

(d) "Eligible individual" means a resident individual with one or more qualified education loans related to an undergraduate or graduate degree program at a postsecondary educational institution.

(e) "Eligible loan payments" means the amount the eligible individual paid during the taxable year in principal and interest on qualified education loans.

(f) "Postsecondary educational institution" means a public or nonprofit postsecondary institution eligible for state student aid under section 136A.103 or, if the institution is not located in this state, a public or nonprofit postsecondary institution participating in the federal Pell Grant program under title IV of the Higher Education Act of 1965, Public Law 89-329, as amended.

(g) "Qualified education loan" has the meaning given in section 221 of the Internal Revenue Code, but is limited to indebtedness incurred on behalf of the eligible individual.

Subd. 2. Credit allowed. (a) An eligible individual is allowed a credit against the tax due under this chapter.

(b) The credit for an eligible individual equals the least of:

(1) eligible loan payments minus ten percent of an amount equal to adjusted gross income in excess of $10,000, but in no case less than zero;

(2) the earned income for the taxable year of the eligible individual, if any;

(3) the sum of:

(i) the interest portion of eligible loan payments made during the taxable year; and

(ii) ten percent of the original loan amount of all qualified education loans of the eligible individual; or

(4) $750.

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

(d) In the case of a married couple, each spouse is eligible for the credit in this section.
Subd. 3. Credit refundable. If the amount of credit that an individual is eligible to receive under this section exceeds the individual's tax liability under this chapter, the commissioner shall refund the excess to the individual.

Subd. 4. Appropriation. An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 30. [290.0683] MINNESOTA HOUSING TAX CREDIT.

Subdivision 1. Definitions. For purposes of this section:

1) "entity" means a partnership, limited liability company taxed as a partnership, S corporation, or property with multiple owners;

2) "entity member" means a partner, member, shareholder, or owner;

3) "taxpayer" means a taxpayer as defined in section 290.01, subdivision 6, or a taxpayer as defined in section 297I.01, subdivision 16; and

4) terms defined in section 462A.39 have the meanings given in that section.

Subd. 2. Credit allowed. (a) A taxpayer is allowed a credit against the taxes imposed under this chapter and chapter 297I. The credit equals the amount allocated to the taxpayer and indicated on the eligibility statement issued to the taxpayer under section 462A.39, subdivision 3. The taxpayer may claim the amount allocated in the year in which the credit is allocated and in each of the five following taxable years.

(b) A taxpayer eligible for the credit must submit to the commissioner a copy of the eligibility statement issued by the agency or suballocator with respect to the qualified Minnesota project, a copy of the project owner's tax return that must be filed as required under chapter 289A, and any other information required by the commissioner.

(c) Credits granted to an entity are passed through to the entity members based on each entity member's share of the entity's assets or as specially allocated in the organizational documents as of the last day of the taxable year in which the eligibility statement was issued. If a Minnesota housing tax credit is allowed to an entity with multiple tiers of ownership, the credit is passed through to entity members pro rata or as specially allocated in the organizational documents as of the last day of the taxable year in which the eligibility statement was issued at each ownership tier.
Subd. 3. Limitations; carryover. (a) A credit allowed under this section may not exceed liability for tax under this chapter and chapter 297I.

(b) If the amount of the credit under this section exceeds the limitation under paragraph (a), the excess is a credit carryover to each of the 11 succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried.

(c) Credits under this subdivision apply against liability after any net operating loss carryover incorporated in the calculation of federal taxable income.

Subd. 4. Audit powers. Notwithstanding the eligibility statement issued by the agency or a suballocator under section 462A.38, the commissioner may utilize any audit and examination powers under chapter 270C or 289A to the extent necessary to verify that the taxpayer is eligible for the credit and to assess for the amount of any improperly claimed credit and that the owner is in compliance with the compliance agreement.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 31. [290.0684] SECTION 529 COLLEGE SAVINGS PLAN CREDIT.

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

(b) "Federal adjusted gross income" has the meaning given under section 62(a) of the Internal Revenue Code.

(c) "Qualified higher education expenses" has the meaning given in section 529 of the Internal Revenue Code.

Subd. 2. Credit allowed. (a) A credit is allowed to a resident individual against the tax imposed by this chapter. The credit is not allowed to an individual who is eligible to be claimed as a dependent, as defined in sections 151 and 152 of the Internal Revenue Code.

(b) The amount of the credit allowed equals 50 percent of the amount contributed in a taxable year to one or more accounts in plans qualifying under section 529 of the Internal Revenue Code, reduced by any withdrawals from accounts made during the taxable year.

The maximum credit is $500, subject to the phaseout in paragraphs (c) and (d). In no case is the credit less than zero.
(c) For individual filers, the maximum credit is reduced by two percent of adjusted gross income in excess of $75,000.

(d) For married couples filing a joint return, the maximum credit is phased out as follows:

1. For married couples with adjusted gross income in excess of $75,000, but not more than $100,000, the maximum credit is reduced by one percent of adjusted gross income in excess of $75,000;

2. For married couples with adjusted gross income in excess of $100,000, but not more than $135,000, the maximum credit is $250;

3. For married couples with adjusted gross income in excess of $135,000, the maximum credit is $250, reduced by one percent of adjusted gross income in excess of $135,000.

(e) The income thresholds in paragraphs (c) and (d) used to calculate the maximum credit must be adjusted for inflation. The commissioner shall adjust the income thresholds by the percentage determined under the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2016" is substituted for the word "1992."

For 2018, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of the year preceding the taxable year. The income thresholds as adjusted for inflation must be rounded to the nearest $10 amount. If the amount ends in $.5, the amount is rounded up to the nearest $10 amount. The determination of the commissioner under this subdivision is not subject to chapter 14, including section 14.386.

Subd. 3. Credit refundable. If the amount of credit that an individual is eligible to receive under this section exceeds the individual's tax liability under this chapter, the commissioner shall refund the excess to the individual.

Subd. 4. Allocation. For a part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

Subd. 5. Revocation. If an individual makes a withdrawal of contributions for a purpose other than to pay for qualified higher education expenses, then:

1. Contributions used to claim the credit are considered to be the first contributions withdrawn; and

2. Any credit allowed for the contributions is revoked and must be repaid by the individual in the taxable year in which the withdrawal is made.
Subd. 6. **Appropriation.** An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 32. Minnesota Statutes 2016, section 290.0685, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An eligible individual is allowed a credit against the tax imposed by this chapter equal to $2,000 for each birth for which a certificate of birth resulting in stillbirth has been issued under section 144.2151. The credit under this section is allowed only in the taxable year in which the stillbirth occurred and if the child would have been a dependent of the taxpayer as defined in section 152 of the Internal Revenue Code.

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

(c) For purposes of this section, "eligible individual" means:

(1) the individual who gave birth to the child and who is also listed as a parent on the certificate of birth resulting in stillbirth; or

(2) if no individual meets the requirements of clause (1), then the first parent listed on the certificate of birth resulting in stillbirth.

**EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning after December 31, 2015.

Sec. 33. [290.0686] **CREDIT FOR ATTAINING MASTER'S DEGREE IN TEACHER'S LICENSURE FIELD.**

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

(b) "Master's degree program" means a graduate-level program at an accredited university leading to a master of arts or science degree in a core content area directly related to a qualified teacher's licensure field. The master's degree program may not include pedagogy or a pedagogy component. To be eligible under this credit, a licensed elementary school teacher must pursue and complete a master's degree program in a core content area in which the teacher provides direct classroom instruction.

(c) "Qualified teacher" means a person who:
(1) holds a teaching license issued by the licensing division in the Department of
Education on behalf of the Minnesota Board of Teaching both when the teacher begins the
master's degree program and when the teacher completes the master's degree program;
(2) began a master's degree program after June 30, 2017; and
(3) completes the master's degree program during the taxable year.
(d) "Core content area" means the academic subject of reading, English or language arts,
mathematics, science, foreign languages, civics and government, economics, arts, history,
or geography.
Subd. 2. Credit allowed. (a) An individual who is a qualified teacher is allowed a credit
against the tax imposed under this chapter. The credit equals the lesser of $2,500 or the
amount the individual paid for tuition, fees, books, and instructional materials necessary to
completing the master's degree program and for which the individual did not receive
reimbursement from an employer or scholarship.
(b) For a nonresident or a part-year resident, the credit under this subdivision must be
allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph
(e).
(c) A qualified teacher may claim the credit in this section only one time for each master's
degree program completed in a core content area.
Subd. 3. Credit refundable. (a) If the amount of the credit for which an individual is
eligible exceeds the individual's liability for tax under this chapter, the commissioner shall
refund the excess to the individual.
(b) The amount necessary to pay the refunds required by this section is appropriated to
the commissioner from the general fund.
EFFECTIVE DATE. This section is effective for taxable years beginning after December
31, 2016.
Sec. 34. [290.0687] EMPLOYEE CREDIT FOR CERTAIN EMPLOYER-PROVIDED
FITNESS FACILITY EXPENSES.
Subdivision 1. Credit allowed. (a) An individual is allowed a credit against the tax
imposed by this chapter for employer-provided fitness facility expenses. The credit equals
$2.50 for each qualifying month, and the maximum credit is $30. In the case of a married
couple filing a joint return, each spouse is eligible for the credit in this section. The credit
may not exceed the liability for tax under this chapter.
(b) The credit is allowed to an individual whose employer either:

1. pays a portion of any fees, dues, or membership expenses on behalf of the employee to a fitness facility; or

2. reimburses the employee for direct payment of fees, dues, or membership expenses made by the employee to a fitness facility.

(c) For purposes of this section, "qualifying month" means a month in which an individual uses the fitness facility for the preservation, maintenance, encouragement, or development of physical fitness on at least eight days.

(d) For purposes of this section, "fitness facility" means a facility located in the state that:

1. provides instruction in a program of physical exercise; offers facilities for the preservation, maintenance, encouragement, or development of physical fitness; or is the site of such a program of a state or local government;

2. is not a private club owned and operated by its members;

3. does not offer hunting, sailing, horseback riding, or outdoor golf facilities;

4. does not have an overall function and purpose that makes the fitness facility incidental;

5. is compliant with antidiscrimination laws under chapter 363A and applicable federal antidiscrimination laws; and

6. is located off the employer's premises.

(e) The commissioner shall prescribe the form and manner in which eligibility for the credit is determined.

Subd. 2. Limitation. The credit under this section applies only if the employer's payment of fees, dues, or membership expenses to a fitness facility is available on substantially the same terms to each member of a group of employees defined under a reasonable classification by the employer, but no classification may include only highly compensated employees, as defined under section 414(q) of the Internal Revenue Code, or any other group that includes only executives, directors, or other managerial employees.

Subd. 3. Nonresidents and part-year residents. For a nonresident or part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).
EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2017.

Sec. 35. [290.0693] EQUITY AND OPPORTUNITY IN EDUCATION TAX CREDIT.

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

(b) "Eligible student" means a student who:

(1) resides in Minnesota;

(2) is a member of a household that has total annual income during the year prior to initial receipt of a qualified scholarship, without consideration of the benefits under this program that does not exceed an amount equal to two times the income standard used to qualify for a reduced-price meal under the National School Lunch Program; and

(3) meets one of the following criteria:

(i) attended a school, as defined in section 120A.22, subdivision 4, in the semester preceding initial receipt of a qualified scholarship;

(ii) is younger than age seven and not enrolled in kindergarten or first grade in the semester preceding initial receipt of a qualified scholarship;

(iii) previously received a qualified scholarship under this section; or

(iv) lived in Minnesota for less than a year prior to initial receipt of a qualified scholarship.

(c) "Equity and opportunity in education donation" means a donation to a qualified foundation that awards qualified scholarships or makes qualified grants or to a qualified public school foundation.

(d) "Household" means household as used to determine eligibility under the National School Lunch Program.

(e) "National School Lunch Program" means the program in United States Code, title 42, section 1758.

(f) "Qualified charter school" means a charter elementary or secondary school in Minnesota at which at least 30 percent of students qualify for a free or reduced-price meal under the National School Lunch Program.
(g) "Qualified foundation" means a nonprofit organization granted an exemption from the federal income tax under section 501(c)(3) of the Internal Revenue Code that has been approved as a qualified foundation by the commissioner of revenue under subdivision 5.

(h) "Qualified grant" means a grant from a qualified foundation to a qualified charter school for use in support of the school's mission of educating students in academics, arts, or athletics, including transportation.

(i) "Qualified public school foundation" means a qualified foundation formed for the primary purpose of supporting one or more public schools or school districts in Minnesota at which at least 30 percent of students qualify for a free or reduced-price meal under the National School Lunch Program.

(j) "Qualified scholarship" means a payment from a qualified foundation to or on behalf of the parent or guardian of an eligible student for payment of tuition for enrollment in grades kindergarten through 12 at a qualified school. A qualified scholarship must not exceed an amount greater than 70 percent of the state average general education revenue under section 126C.10, subdivision 1, per pupil unit.

(k) "Qualified school" means a school operated in Minnesota that is a nonpublic elementary or secondary school in Minnesota wherein a resident may legally fulfill the state's compulsory attendance laws that is not operated for profit, and that adheres to the provisions of United States Code, title 42, section 1981, and chapter 363A.

(l) "Total annual income" means the income measure used to determine eligibility under the National School Lunch Program.

Subd. 2. Credit allowed. (a) An individual or corporate taxpayer who has been issued a credit certificate under subdivision 3 is allowed a credit against the tax due under this chapter equal to 70 percent of the amount of the equity and opportunity donation made during the taxable year to the qualified foundation, including a qualified public school foundation, designated on the taxpayer's credit certificate. No credit is allowed if the taxpayer designates a specific child as the beneficiary of the contribution. No credit is allowed to a taxpayer for an equity and opportunity in education donation made before the taxpayer was issued a credit certificate as provided in subdivision 3.

(b) The maximum annual credit allowed is:

(1) $21,000 for married joint filers for a one-year donation of $30,000;
(2) $10,500 for other individual filers for a one-year donation of $15,000; and
(3) $105,000 for corporate filers for a one-year donation of $150,000.
(c) A taxpayer must provide a copy of the receipt provided by the qualified foundation when claiming the credit for the donation if requested by the commissioner.

(d) The credit is limited to the liability for tax under this chapter, including the tax imposed by sections 290.0921 and 290.0922.

(e) If the amount of the credit under this subdivision for any taxable year exceeds the limitations under paragraph (d), the excess is a credit carryover to each of the five succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried. The amount of the unused credit that may be added under this paragraph may not exceed the taxpayer's liability for tax, less the credit for the taxable year. No credit may be carried to a taxable year more than five years after the taxable year in which the credit was earned.

Subd. 3. Application for credit certificate. (a) The commissioner must make applications for tax credits for 2018 available on the department's Web site by January 1, 2018. Applications for subsequent years must be made available by January 1 of the taxable year.

(b) A taxpayer must apply to the commissioner for an equity and opportunity in education tax credit certificate. The application must be in the form and manner specified by the commissioner. The application must designate the qualified foundation to which the taxpayer intends to make a donation, and if the donation is for the purpose of awarding qualified scholarships, awarding qualified grants, or to a qualified public school foundation. The commissioner must begin accepting applications for a taxable year on January 1. The commissioner must issue tax credit certificates under this section on a first-come, first-served basis until the maximum statewide credit amounts have been reached. The certificates must list the qualified foundation, or the qualified public school foundation, the taxpayer designated on the application, and if the donation is to be used for awarding qualified scholarships, awarding qualified grants, or making expenditures in support of one or more public schools or school districts.

(c) The maximum statewide credit amount for tax credits for donations to qualified foundations for the purpose of awarding qualified scholarships is $27,000,000 for taxable years beginning after December 31, 2017, and before January 1, 2019, and $13,500,000 per taxable year for taxable years beginning after December 31, 2018.

(d) The maximum statewide credit amount for donations to qualified foundations for the purpose of awarding qualified grants and for donations to qualified public school foundations is $3,000,000 for taxable years beginning after December 31, 2017, and before...
January 1, 2019, and $1,500,000 per taxable year for taxable years beginning after December 31, 2018.

(e) Any portion of a taxable year's credits for which a tax credit certificate is not issued does not cancel and may be carried forward to subsequent taxable years.

(f) The commissioner must not issue a tax credit certificate for an amount greater than the limits in subdivision 2.

(g) The commissioner must not issue a credit certificate for an application that designates a qualified foundation that the commissioner has barred from participation as provided in subdivision 5.

Subd. 4. Responsibilities of qualified foundations. (a) An entity that is eligible to be a qualified foundation must apply to the commissioner by September 15 of the year preceding the year in which it will first receive donations that qualify for a credit under this section. The application must be in the form and manner prescribed by the commissioner. The application must:

(1) demonstrate to the commissioner that the entity is exempt from the federal income tax as an organization described in section 501(c)(3) of the Internal Revenue Code;

(2) demonstrate the entity's financial accountability by submitting its most recent audited financial statement prepared by a certified public accountant firm licensed under chapter 326A using the Statements on Auditing Standards issued by the Audit Standards Board of the American Institute of Certified Public Accountants; and

(3) specify if the entity intends to award qualified scholarships, award qualified grants, or if the entity is a qualified public school foundation. An entity may award both qualified scholarships and qualified grants.

(b) A qualified foundation must provide to taxpayers who make donations or commitments to donate a receipt or verification on a form approved by the commissioner.

(c) A qualified foundation that awards qualified scholarships must:

(1) award qualified scholarships to eligible students;

(2) not restrict the availability of scholarships to students of one qualified school;

(3) not charge a fee of any kind for a child to be considered for a scholarship; and

(4) require a qualified school receiving payment of tuition through a scholarship funded by contributions qualifying for the tax credit under this section to sign an agreement that it will not use different admissions standards for a student with a qualified scholarship.
(d) A qualified foundation that awards qualified scholarships must, in each year it awards qualified scholarships to eligible students to enroll in a qualified school, obtain from the qualified school documentation that the school:

(i) complies with all health and safety laws or codes that apply to nonpublic schools;

(ii) holds a valid occupancy permit if required by its municipality;

(iii) certifies that it adheres to the provisions of chapter 363A and United States Code, title 42, section 1981; and

(iv) provides academic accountability to parents of students in the program by regularly reporting to the parents on the student's progress.

A qualified foundation must make the documentation available to the commissioner on request.

(e) A qualified foundation must, by June 1 of each year following a year in which it receives donations, provide the following information to the commissioner:

(1) financial information that demonstrates the financial viability of the qualified foundation, if it is to receive donations of $150,000 or more during the year;

(2) documentation that it has conducted criminal background checks on all of its employees and board members and has excluded from employment or governance any individuals who might reasonably pose a risk to the appropriate use of contributed funds;

(3) consistent with paragraph (f), document that it has used amounts received as donations to provide qualified scholarships, to make qualified grants, or to make expenditures in support of one or more public schools or school districts, as specified on the tax credit certificates issued for the donations, within one calendar year of the calendar year in which it received the donation;

(4) if the qualified foundation awards qualified scholarships, a list of qualified schools that enrolled eligible students to whom the qualified foundation awarded qualified scholarships;

(5) if the qualified foundation makes qualified grants, a list of qualified charter schools to which the qualified foundation made qualified grants;

(6) if the qualified foundation is a qualified public school foundation, a list of expenditures made in support of the mission of one or more public schools or school districts of educating students in academics, arts, or athletics, including transportation; and
(7) the following information prepared by a certified public accountant regarding donations received in the previous calendar year:

(i) the total number and total dollar amount of donations received from taxpayers;

(ii) the dollar amount of donations used for administrative expenses, as allowed by paragraph (f);

(iii) if the qualified foundation awarded qualified scholarships, the total number and dollar amount of qualified scholarships awarded;

(iv) if the qualified foundation made qualified grants, the total number and dollar amount of qualified grants made; and

(v) if the qualified foundation is a qualified public school foundation, the total number and dollar amount of expenditures made in support of the mission of one or more public schools or school districts of educating students in academics, arts, or athletics, including transportation.

(f) The foundation may use up to five percent of the amounts received as donations for reasonable administrative expenses, including but not limited to fund-raising, scholarship tracking, and reporting requirements.

Subd. 5. Responsibilities of commissioner. (a) The commissioner must make applications for an entity to be approved as a qualified foundation for a taxable year available on the department's Web site by August 1 of the year preceding the taxable year. The commissioner must approve an application that provides the documentation required in subdivision 4, paragraph (a), clauses (1) to (3), within 60 days of receiving the application. The commissioner must notify a foundation that provides incomplete documentation and the foundation may resubmit its application within 30 days.

(b) By November 15 of each year, the commissioner must post on the department's Web site the names and addresses of qualified foundations for the next taxable year. For each qualified foundation, the list must indicate if the foundation intends to award qualified scholarships, award qualified grants, or is a qualified public school foundation. The commissioner must regularly update the names and addresses of any qualified foundations that have been barred from participating in the program.

(c) The commissioner must prescribe a standardized format for a receipt to be issued by a qualified foundation to a taxpayer to indicate the amount of a donation received and of a commitment to make a donation.
(d) The commissioner must prescribe a standardized format for qualified foundations to report the information required under subdivision 4, paragraph (e).

(e) The commissioner may conduct either a financial review or audit of a qualified foundation upon finding evidence of fraud or intentional misreporting. If the commissioner determines that the qualified foundation committed fraud or intentionally misreported information, the qualified foundation is barred from further program participation.

(f) If a qualified foundation fails to submit the documentation required under subdivision 4, paragraph (e), by June 1, the commissioner must notify the qualified foundation by July 1. A qualified foundation that fails to submit the required information by August 1 is barred from participation for the next taxable year.

(g) If a qualified foundation fails to comply with the requirements of subdivision 4, paragraph (e), the commissioner must by September 1 notify the qualified foundation that it has until November 1 to document that it has remedied its noncompliance. A qualified foundation that fails to document that it has remedied its noncompliance by November 1 is barred from participation for the next taxable year.

(h) A qualified foundation barred under paragraph (f) or (g) may become eligible to participate by submitting the required information in future years.

(i) Determinations of the commissioner under this subdivision are not considered rules and are not subject to the Administrative Procedures Act in chapter 14.

EFFECTIVE DATE. This section is effective the day following final enactment for donations made and credits allowed in taxable years beginning after December 31, 2017.

Sec. 36. [290.0803] SOCIAL SECURITY SUBTRACTION.

(a) An individual is allowed a subtraction from federal taxable income equal to Social Security benefits to the extent included in federal taxable income. The subtraction under this section is reduced by the amount of provisional income over a threshold amount, but in no case is the subtraction less than zero. For married couples filing joint returns and surviving spouses the threshold is $72,000. For all other filers the threshold is $56,000.

(b) For purposes of this section, "provisional income" means modified adjusted gross income, as defined in section 86(b)(2) of the Internal Revenue Code, plus one-half of the amount of Social Security benefits received during the taxable year.

(c) Notwithstanding the thresholds provided in paragraph (a), for taxable years beginning after December 31, 2016, and before January 1, 2019, the threshold for married couples...
filing joint returns and surviving spouses is $61,000 and the threshold for all other filers is $46,500.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 37. [290.0804] SECTION 179 SUBTRACTION.

**Subdivision 1. Current year section 179 allowance.** (a) In each of the five taxable years immediately following the taxable year in which an addition is required under section 290.0131, subdivision 10, or its predecessor provisions, the current year allowance equals one-fifth of the addition made by the taxpayer under section 290.0131, subdivision 10.

(b) For a shareholder of an S corporation, the current year allowance is reduced by the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the taxable year of the addition and, if the net operating loss exceeds the addition for the taxable year, the current year allowance is zero.

(c) A taxpayer is allowed a current year section 179 allowance subtraction from federal taxable income under section 290.0132, subdivision 14, as determined under this subdivision.

**Subd. 2. Carryover section 179 allowance.** (a) For purposes of this subdivision, the current year allowance under subdivision 1 is the last modification allowed under section 290.0132 in determining net income. If the amount allowed under subdivision 1 exceeds net income computed without regard to the current year allowance, then the excess is a carryover allowance in each of the ten succeeding taxable years. The entire amount of the carryover allowance is carried first to the earliest taxable year to which the carryover may be carried, and then to each succeeding year to which the carryover may be carried.

(b) If applying paragraph (a) to a taxable year beginning after December 31, 2013, and before January 1, 2017, would result in a carryover allowance in that year, the taxpayer may use the resulting amount as a carryover allowance starting in a taxable year beginning after December 31, 2016, and the first year of the ten-year period under paragraph (a) is taxable year 2017.

(c) A taxpayer is allowed a carryover section 179 allowance subtraction under section 290.0132, subdivision 26, as determined under this subdivision.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.
Sec. 38. Minnesota Statutes 2016, section 290.091, subdivision 2, is amended to read:

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

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

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

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

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

      (ii) the medical expense deduction;

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

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

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

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

   (5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.0131, subdivision 2; and

   (6) the amount of addition required by section 290.0131, subdivisions 9 to 11;

   less the sum of the amounts determined under the following:

   (1) interest income as defined in section 290.0132, subdivision 2;

   (2) an overpayment of state income tax as provided by section 290.0132, subdivision 3, to the extent included in federal alternative minimum taxable income;

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

(4) amounts subtracted from federal taxable income as provided by section 290.0132, subdivisions 7, 9 to 15, 17, and 21, and 24 to 27; and

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

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

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

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

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

(e) "Tentative minimum tax" equals 6.75 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 39. Minnesota Statutes 2016, section 291.005, subdivision 1, as amended by Laws 2017, chapter 1, section 8, is amended to read:

Subdivision 1. Scope. Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(2) "Federal gross estate" means the gross estate of a decedent as required to be valued and otherwise determined for federal estate tax purposes under the Internal Revenue Code, increased by the value of any property in which the decedent had a qualifying income interest for life and for which an election was made under section 291.03, subdivision 1d, for Minnesota estate tax purposes, but was not made for federal estate tax purposes.

(3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through December 16, 2016.
(4) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included in the estate which has its situs outside Minnesota, and (b) including any property omitted from the federal gross estate which is includable in the estate, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

(5) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(6) "Personal representative" means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

(7) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota. The provisions of section 290.01, subdivision 7, paragraphs (c) and (d), apply to determinations of domicile under this chapter.

(8) "Situs of property" means, with respect to:

(i) real property, the state or country in which it is located;

(ii) tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death or for a gift of tangible personal property within three years of death, the state or country in which it was normally kept or located when the gift was executed;

(iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue Code, owned by a nonresident decedent and that is normally kept or located in this state because it is on loan to an organization, qualifying as exempt from taxation under section 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

(iv) intangible personal property, the state or country in which the decedent was domiciled at death or for a gift of intangible personal property within three years of death, the state or country in which the decedent was domiciled when the gift was executed.

For a nonresident decedent with an ownership interest in a pass-through entity with assets that include real or tangible personal property, situs of the real or tangible personal property, including qualified works of art, is determined as if the pass-through entity does
not exist and the real or tangible personal property is personally owned by the decedent. If
the pass-through entity is owned by a person or persons in addition to the decedent, ownership
of the property is attributed to the decedent in proportion to the decedent's capital ownership
share of the pass-through entity.

(9) "Pass-through entity" includes the following:

(i) an entity electing S corporation status under section 1362 of the Internal Revenue
Code;

(ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;

(iii) a single-member limited liability company or similar entity, regardless of whether
it is taxed as an association or is disregarded for federal income tax purposes under Code
of Federal Regulations, title 26, section 301.7701-3; or

(iv) a trust to the extent the property is includible in the decedent's federal gross estate;

but excludes

(v) an entity whose ownership interest securities are traded on an exchange regulated
by the Securities and Exchange Commission as a national securities exchange under section

EFFECTIVE DATE. This section is effective retroactively for estates of decedents
dying after December 31, 2016.

Sec. 40. Minnesota Statutes 2016, section 291.016, subdivision 3, is amended to read:

Subd. 3. Subtraction. The value of qualified small business property under section
291.03, subdivision 9, and the value of qualified farm property under section 291.03,
subdivision 10, or the result of $5,000,000 minus the amount for the year of death listed in
clauses (1) to (5), whichever is less, decedent's applicable federal exclusion amount under
section 2010(c)(2) of the Internal Revenue Code may be subtracted in computing the
Minnesota taxable estate but must not reduce the Minnesota taxable estate to less than zero:

(1) $1,200,000 for estates of decedents dying in 2014;

(2) $1,400,000 for estates of decedents dying in 2015;

(3) $1,600,000 for estates of decedents dying in 2016;

(4) $1,800,000 for estates of decedents dying in 2017; and

(5) $2,000,000 for estates of decedents dying in 2018 and thereafter.
EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2016.

Sec. 41. Minnesota Statutes 2016, section 291.03, subdivision 1, is amended to read:

Subdivision 1. Tax amount. The tax imposed must be computed by applying to the Minnesota taxable estate the following schedule of rates and then the resulting amount multiplied by a fraction, not greater than one, the numerator of which is the value of the Minnesota gross estate plus the value of gifts under section 291.016, subdivision 2, clause (3), with a Minnesota situs, and the denominator of which is the federal gross estate plus the value of gifts under section 291.016, subdivision 2, clause (3):

(a) For estates of decedents dying in 2014:

<table>
<thead>
<tr>
<th>Amount of Minnesota Taxable Estate</th>
<th>Rate of Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $1,200,000</td>
<td>None</td>
</tr>
<tr>
<td>Over $1,200,000 but not over $1,400,000</td>
<td>nine percent of the excess over $1,200,000</td>
</tr>
<tr>
<td>Over $1,400,000 but not over $2,600,000</td>
<td>$18,000 plus ten percent of the excess over $1,400,000</td>
</tr>
<tr>
<td>Over $2,600,000 but not over $4,100,000</td>
<td>$238,000 plus 10.4 percent of the excess over $2,600,000</td>
</tr>
<tr>
<td>Over $4,100,000 but not over $5,100,000</td>
<td>$290,000 plus 11.2 percent of the excess over $4,100,000</td>
</tr>
<tr>
<td>Over $5,100,000 but not over $6,100,000</td>
<td>$402,000 plus 12 percent of the excess over $5,100,000</td>
</tr>
<tr>
<td>Over $6,100,000 but not over $7,100,000</td>
<td>$522,000 plus 12.8 percent of the excess over $6,100,000</td>
</tr>
<tr>
<td>Over $7,100,000 but not over $8,100,000</td>
<td>$650,000 plus 13.6 percent of the excess over $7,100,000</td>
</tr>
<tr>
<td>Over $8,100,000 but not over $9,100,000</td>
<td>$786,000 plus 14.4 percent of the excess over $8,100,000</td>
</tr>
<tr>
<td>Over $9,100,000 but not over $10,100,000</td>
<td>$930,000 plus 15.2 percent of the excess over $9,100,000</td>
</tr>
<tr>
<td>Over $10,100,000</td>
<td>$1,082,000 plus 16 percent of the excess over $10,100,000</td>
</tr>
</tbody>
</table>

(b) For estates of decedents dying in 2015:

<table>
<thead>
<tr>
<th>Amount of Minnesota Taxable Estate</th>
<th>Rate of Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $1,400,000</td>
<td>None</td>
</tr>
<tr>
<td>Over $1,400,000 but not over $3,600,000</td>
<td>ten percent of the excess over $1,400,000</td>
</tr>
<tr>
<td>Over $3,600,000 but not over $6,100,000</td>
<td>$220,000 plus 12 percent of the excess over $3,600,000</td>
</tr>
<tr>
<td>Over $6,100,000 but not over $7,100,000</td>
<td>$520,000 plus 12.8 percent of the excess over $6,100,000</td>
</tr>
<tr>
<td>Over $7,100,000 but not over $8,100,000</td>
<td>$648,000 plus 13.6 percent of the excess over $7,100,000</td>
</tr>
<tr>
<td>Over $8,100,000 but not over $9,100,000</td>
<td>$784,000 plus 14.4 percent of the excess over $8,100,000</td>
</tr>
<tr>
<td>Amount of Minnesota Taxable Estate</td>
<td>Rate of Tax</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>None</td>
<td></td>
</tr>
<tr>
<td>Not over $1,600,000</td>
<td></td>
</tr>
<tr>
<td>Over $1,600,000 but not over $2,600,000</td>
<td>ten percent of the excess over $1,600,000</td>
</tr>
<tr>
<td>Over $2,600,000 but not over $6,100,000</td>
<td>$100,000 plus 12 percent of the excess over $2,600,000</td>
</tr>
<tr>
<td>Over $6,100,000 but not over $7,100,000</td>
<td>$520,000 plus 12.8 percent of the excess over $6,100,000</td>
</tr>
<tr>
<td>Over $7,100,000 but not over $8,100,000</td>
<td>$648,000 plus 13.6 percent of the excess over $7,100,000</td>
</tr>
<tr>
<td>Over $8,100,000 but not over $9,100,000</td>
<td>$784,000 plus 14.4 percent of the excess over $8,100,000</td>
</tr>
<tr>
<td>Over $9,100,000 but not over $10,100,000</td>
<td>$928,000 plus 15.2 percent of the excess over $9,100,000</td>
</tr>
<tr>
<td>Over $10,100,000</td>
<td>$1,080,000 plus 16 percent of the excess over $10,100,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amount of Minnesota Taxable Estate</th>
<th>Rate of Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td></td>
</tr>
<tr>
<td>Not over $1,800,000</td>
<td></td>
</tr>
<tr>
<td>Over $1,800,000 but not over $2,100,000</td>
<td>ten percent of the excess over $1,800,000</td>
</tr>
<tr>
<td>Over $2,100,000 but not over $5,100,000</td>
<td>$300,000 plus 12 percent of the excess over $2,100,000</td>
</tr>
<tr>
<td>Over $5,100,000 but not over $7,100,000</td>
<td>$390,000 plus 12.8 percent of the excess over $5,100,000</td>
</tr>
<tr>
<td>Over $7,100,000 but not over $8,100,000</td>
<td>$646,000 plus 13.6 percent of the excess over $7,100,000</td>
</tr>
<tr>
<td>Over $8,100,000 but not over $9,100,000</td>
<td>$782,000 plus 14.4 percent of the excess over $8,100,000</td>
</tr>
<tr>
<td>Over $9,100,000 but not over $10,100,000</td>
<td>$926,000 plus 15.2 percent of the excess over $9,100,000</td>
</tr>
<tr>
<td>Over $10,100,000</td>
<td>$1,078,000 plus 16 percent of the excess over $10,100,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amount of Minnesota Taxable Estate</th>
<th>Rate of Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td></td>
</tr>
<tr>
<td>Not over $2,000,000</td>
<td></td>
</tr>
<tr>
<td>Over $2,000,000 but not over $2,600,000</td>
<td>ten percent of the excess over $2,000,000</td>
</tr>
<tr>
<td>Over $2,600,000 but not over $7,100,000</td>
<td>$600,000 plus 13 percent of the excess over $2,600,000</td>
</tr>
<tr>
<td>Over $7,100,000 but not over $8,100,000</td>
<td>$645,000 plus 13.6 percent of the excess over $7,100,000</td>
</tr>
<tr>
<td>Over $8,100,000 but not over $9,100,000</td>
<td>$781,000 plus 14.4 percent of the excess over $8,100,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amount of Minnesota Taxable Estate</th>
<th>Rate of Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td></td>
</tr>
<tr>
<td>Not over $2,000,000</td>
<td></td>
</tr>
<tr>
<td>Over $2,000,000 but not over $2,600,000</td>
<td>ten percent of the excess over $2,000,000</td>
</tr>
<tr>
<td>Over $2,600,000 but not over $7,100,000</td>
<td>$600,000 plus 13 percent of the excess over $2,600,000</td>
</tr>
<tr>
<td>Over $7,100,000 but not over $8,100,000</td>
<td>$645,000 plus 13.6 percent of the excess over $7,100,000</td>
</tr>
<tr>
<td>Over $8,100,000 but not over $9,100,000</td>
<td>$781,000 plus 14.4 percent of the excess over $8,100,000</td>
</tr>
</tbody>
</table>

(d) For estates of decedents dying in 2017 and thereafter:
Over $9,100,000 but not over $10,100,000

$925,000

$1,203,000 plus 15.2 percent of the excess over $9,100,000

Over $10,100,000

$1,077,000

$1,355,000 plus 16 percent of the excess over $10,100,000

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2016.

Sec. 42. Minnesota Statutes 2016, section 297I.20, is amended by adding a subdivision to read:

Subd. 4. Minnesota housing tax credit. An insurance company may claim a credit against the premiums tax imposed under this chapter equal to the amount indicated on the eligibility statement issued to the company under section 462A.39, subdivision 3. If the amount of the credit exceeds the liability for tax under this chapter, the excess is a credit carryover to each of the 11 succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. This credit does not affect the calculation of police and fire aid under section 69.021.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 43. [462A.39] MINNESOTA HOUSING TAX CREDIT.

Subdivision 1. Definitions. (a) For purposes of this section, the following terms have the meanings given unless the context clearly requires otherwise.

(b) "Compliance agreement" means an agreement:

(1) between the owner of a qualified Minnesota project and the agency or suballocator;

(2) that is recorded as an affordable housing restriction on the real property on which the qualified Minnesota project is located; and

(3) that requires the project to be operated under the requirements of this section for the compliance period.

The agreement may be subordinated to the lien of a bank or other institutional lender providing financing to the qualified Minnesota project upon the request of the bank or lender.

(c) "Compliance period" means the 15-year period beginning with the first taxable year a credit is allowed under this section.
(d) "Eligibility statement" means a statement issued by the agency or suballocator to the
owner certifying that a project is a qualified Minnesota project and documenting allocation
of the Minnesota housing tax credit. The eligibility statement must specify the annual amount
of the credit allocated to the project for the taxable year and for the five following taxable
years and be in a form prescribed by the commissioner of the agency, in consultation with
the commissioner of revenue.

(e) "Federal low-income housing tax credit" means the federal tax credit provided in
section 42 of the Internal Revenue Code.

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

(g) "Internal Revenue Code" has the meaning given in section 290.01, subdivision 31.

(h) "Minnesota credit period" means the six taxable years beginning in the taxable year
in which a credit is allocated under subdivision 2.

(i) "Owner" means the owner of a qualified Minnesota project.

(j) "Qualified Minnesota project" means a low-income housing project that is:

(1) located in Minnesota;

(2) financed with tax-exempt bonds pursuant to section 42(i)(2) of the Internal Revenue
Code;

(3) determined by the agency to be eligible for a federal low-income housing tax credit
without regard to whether or not a federal low-income housing credit is allocated to the
project; and

(4) a project for which the owner has entered into a compliance agreement with the
agency or the suballocator that is enforceable by state and local agencies.

(k) "Suballocator" means an allocating agency, other than the agency, of low-income
federal housing credits and credits under this section as provided in section 462A.222.

(l) "Taxpayer" has the meaning given in section 290.0683, subdivision 1.

(m) Terms not otherwise defined in this subdivision have the meanings given in section
42 of the Internal Revenue Code.

Subd. 2. Minnesota housing tax credit; allocation. (a) The agency and all suballocators
may annually allocate credits during a four-year period beginning January 1, 2017, and
ending December 31, 2020. The amount of credits that may be allocated each year is the sum of:

(1) $7,000,000; and

(2) any unused tax credits, if any, for the preceding calendar years.

(b) The agency shall allocate credits only to qualified Minnesota projects that the agency determines:

(1) are eligible for the federal low-income housing tax credit; and

(2) are not financially feasible without the credit.

(c) The agency must allocate 50 percent of the total amount allocated to qualified Minnesota projects in greater Minnesota.

(d) The agency may not allocate more than one credit to any one qualified Minnesota project.

(e) The allocation to any one qualified Minnesota project equals one-sixth of the total federal low-income housing tax credit allowable over the ten-year federal credit period, without regard to whether the project was allowed a federal low-income housing tax credit.

Subd. 3. Credit allowed. When the agency or a suballocator allocates a credit amount to the owner of a project, the agency or suballocator must issue an eligibility statement to the owner. The owner may claim the amount allocated in each year of the Minnesota credit period.

Subd. 4. Credit duration. Except for unused credits carried forward under section 290.0683, the agency may allocate a credit and issue an eligibility statement to a taxpayer for a Minnesota housing tax credit for a project one time, with the credit allowed in each year of the Minnesota credit period.

Subd. 5. Recapture; repayment. (a) If within the Minnesota credit period the agency or suballocator finds that a qualified project issued an eligibility statement is not meeting the terms of the compliance agreement, the owner must repay the following percentage of the credit awarded to the project by the agency or the suballocator:

<table>
<thead>
<tr>
<th>Year of the compliance period</th>
<th>Percentage of credit required to be repaid</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>100 percent</td>
</tr>
<tr>
<td>Second</td>
<td>83 percent</td>
</tr>
<tr>
<td>Third</td>
<td>66 percent</td>
</tr>
</tbody>
</table>
(b) No holder of the credit other than the owner is responsible for repayment of the credit.

(c) Amounts repaid under this subdivision are credited to the general fund.

Subd. 6. Data privacy. Data related to Minnesota housing tax credits are nonpublic data, or private data on individuals, as defined in section 13.02, subdivision 9 or 12, except that for each eligibility statement issued under subdivision 3 the location of the qualified Minnesota housing project is public.

Subd. 7. Report. (a) By January 15 of each year following a year in which the agency allocates a credit under this section, the agency shall submit a written report to the chairs and ranking minority members of the legislative committees with jurisdiction over housing and taxes, in compliance with sections 3.195 and 3.197, on the success and efficiency of the Minnesota housing tax credit program.

(b) The report must:

(1) specify the number of qualified Minnesota projects that were allocated tax credits in the year and the total number of housing units supported in each project;

(2) provide descriptive information about each qualified Minnesota housing project that was allocated credits, including:

(i) the geographic location of the project; and

(ii) demographic information about residents intended to be served by the project, including household type, income levels, and rents or set-asides; and

(3) provide housing market and demographic information that demonstrates how the qualified Minnesota projects that were allocated tax credits address the need for affordable housing in the communities they serve as well as information about any remaining disparities in affordability of housing in those communities.

EFFECTIVE DATE. This section is effective the day following final enactment with credit allocations allowed for taxable years beginning after December 31, 2016.

Sec. 44. [462D.01] CITATION.

This chapter may be cited as the "First-Time Home Buyer Savings Account Act."
EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 45. [462D.02] DEFINITIONS.

Subdivision 1. Definitions. For purposes of this chapter, the following terms have the meanings given.

Subd. 2. Account holder. "Account holder" means an individual who establishes, individually or jointly with one or more other individuals, a first-time home buyer savings account.

Subd. 3. Allowable closing costs. "Allowable closing costs" means a disbursement listed on a settlement statement for the purchase of a single-family residence in Minnesota by a qualified beneficiary.

Subd. 4. Commissioner. "Commissioner" means the commissioner of revenue.

Subd. 5. Eligible costs. "Eligible costs" means the down payment and allowable closing costs for the purchase of a single-family residence in Minnesota by a qualified beneficiary. Eligible costs include paying for the cost of construction of or financing the construction of a single-family residence.

Subd. 6. Financial institution. "Financial institution" means a bank, bank and trust, trust company with banking powers, savings bank, savings association, or credit union, organized under the laws of this state, any other state, or the United States; an industrial loan and thrift under chapter 53 or the laws of another state and authorized to accept deposits; or a money market mutual fund registered under the federal Investment Company Act of 1940 and regulated under rule 2a-7, promulgated by the Securities and Exchange Commission under that act.

Subd. 7. First-time home buyer. "First-time home buyer" means an individual, and if married, the individual's spouse, who has no present ownership interest in a principal residence during the three-year period ending on the earlier of:

1) the date of the purchase of the single-family residence funded, in part, with proceeds from the first-time home buyer savings account; or

2) the close of the taxable year for which a subtraction is claimed under sections 290.0132 and 462D.06.

Subd. 8. First-time home buyer savings account. "First-time home buyer savings account" or "account" means an account with a financial institution that an account holder designates as a first-time home buyer savings account, as provided in section 462D.03, to
pay or reimburse eligible costs for the purchase of a single-family residence by a qualified beneficiary.

Subd. 9. **Internal Revenue Code.** "Internal Revenue Code" has the meaning given in section 290.01.

Subd. 10. **Principal residence.** "Principal residence" has the meaning given in section 121 of the Internal Revenue Code.

Subd. 11. **Qualified beneficiary.** "Qualified beneficiary" means a first-time home buyer who is a Minnesota resident and is designated as the qualified beneficiary of a first-time home buyer savings account by the account holder.

Subd. 12. **Single-family residence.** "Single-family residence" means a single-family residence located in this state and owned and occupied by or to be occupied by a qualified beneficiary as the qualified beneficiary's principal residence, which may include a manufactured home, trailer, mobile home, condominium unit, townhome, or cooperative.

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

Sec. 46. [462D.03] **ESTABLISHMENT OF ACCOUNTS.**

Subdivision 1. **Accounts established.** An individual may open an account with a financial institution and designate the account as a first-time home buyer savings account to be used to pay or reimburse the designated qualified beneficiary's eligible costs.

Subd. 2. **Designation of qualified beneficiary.** (a) The account holder must designate a first-time home buyer as the qualified beneficiary of the account by April 15 of the year following the taxable year in which the account was established. The account holder may be the qualified beneficiary. The account holder may change the designated qualified beneficiary at any time, but no more than one qualified beneficiary may be designated for an account at any one time. For purposes of the one beneficiary restriction, a married couple qualifies as one beneficiary. Changing the designated qualified beneficiary of an account does not affect computation of the ten-year period under section 462D.06, subdivision 2.

(b) The commissioner shall establish a process for account holders to notify the state that permits recording of the account, the account holder or holders, any transfers under section 462D.04, subdivision 2, and the designated qualified beneficiary for each account. This may be done upon filing the account holder's income tax return or in any other way the commissioner determines to be appropriate.
Subd. 3. **Joint account holders.** An individual may jointly own a first-time home buyer account with another person if the joint account holders file a married joint income tax return.

Subd. 4. **Multiple accounts.** (a) An individual may be the account holder of more than one first-time home buyer savings account, but must not hold or own multiple accounts that designate the same qualified beneficiary.

(b) An individual may be designated as the qualified beneficiary on more than one first-time home buyer savings account.

Subd. 5. **Contributions.** Only cash may be contributed to a first-time home buyer savings account. Individuals other than the account holder may contribute to an account. No limitation applies to the amount of contributions that may be made to or retained in a first-time home buyer savings account.

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

Sec. 47. [462D.04] **ACCOUNT HOLDER RESPONSIBILITIES.**

Subdivision 1. **Expenses; reporting.** The account holder must:

(1) not use funds in a first-time home buyer savings account to pay expenses of administering the account, except that a service fee may be deducted from the account by the financial institution in which the account is held; and

(2) submit to the commissioner, in the form and manner required by the commissioner:

(i) detailed information regarding the first-time home buyer savings account, including a list of transactions for the account during the taxable year and the Form 1099 issued by the financial institution for the account for the taxable year; and

(ii) upon withdrawal of funds from the account, a detailed account of the eligible costs for which the account funds were expended and a statement of the amount of funds remaining in the account, if any.

Subd. 2. **Transfers.** An account holder may withdraw funds, in whole or part, from a first-time home buyer savings account and deposit the funds in another first-time home buyer savings account held by a different financial institution or the same financial institution.

**EFFECTIVE DATE.** This section is effective the day following final enactment.
Sec. 48.  [462D.05] FINANCIAL INSTITUTIONS.

(a) A financial institution is not required to take any action to ensure compliance with this chapter, including to:

1. designate an account, designate qualified beneficiaries, or modify the financial institution's account contracts or systems in any way;
2. track the use of money withdrawn from a first-time home buyer savings account;
3. allocate funds in a first-time home buyer savings account among joint account holders or multiple qualified beneficiaries; or
4. report any information to the commissioner or any other government that is not otherwise required by law.

(b) A financial institution is not responsible or liable for:

1. determining or ensuring that an account satisfies the requirements of this chapter or that its funds are used for eligible costs; or
2. reporting or remitting taxes or penalties related to the use of a first-time home buyer savings account.

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

Sec. 49.  [462D.06] SUBTRACTION; ADDITION; ADDITIONAL TAX.

Subdivision 1. Subtraction. (a) An account holder is allowed a subtraction from federal taxable income equal to the sum of:

1. the amount the individual contributed to a first-time home buyer savings account during the taxable year not to exceed $5,000, or $10,000 for a married couple filing a joint return; and
2. interest or dividends earned on the first-time home buyer savings account during the taxable year.

(b) The subtraction under paragraph (a) is allowed each year in which a contribution is made for the ten taxable years including and following the taxable year in which the account was established. The total subtraction for all taxable years and for all first-time home buyer accounts established by the individual for a qualified beneficiary is limited to $50,000. No person other than the account holder who deposits funds in a first-time home buyer savings account is allowed a subtraction under this section.
Subd. 2. Addition. (a) An account holder must add to federal taxable income the sum of the following amounts:

1. any amount withdrawn from a first-time home buyer savings account during the taxable year and used neither to pay eligible costs nor for a transfer permitted under section 462D.04, subdivision 2; and
2. any amount remaining in the first-time home buyer savings account at the close of the tenth taxable year after the taxable year in which the account was established.

(b) For an account that received a transfer under section 462D.04, subdivision 2, the ten-year period under paragraph (a), clause (2), ends at the close of the earliest taxable year that applies to either account under that clause.

Subd. 3. Additional tax. The account holder is liable for an additional tax equal to ten percent of the addition under subdivision 2 for the taxable year. This amount must be added to the amount due under section 290.06. The tax under this subdivision does not apply to:

1. a withdrawal because of the account holder's or designated qualified beneficiary's death or disability; and
2. a disbursement of assets of the account under federal bankruptcy law.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 50. RECAPTURE TAX; EMINENT DOMAIN.

The tax under Minnesota Statutes, section 291.03, subdivision 11, does not apply to acquisition of title or possession of the qualified property by a federal, state, or local government unit, or any other entity with the power of eminent domain for a public purpose, as defined in Minnesota Statutes, section 117.025, subdivision 11, within the three-year holding period.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after June 30, 2011, and before January 1, 2017.

Sec. 51. REPEALER.

(a) Minnesota Statutes 2016, sections 289A.10, subdivision 1a; 289A.12, subdivision 18; 289A.18, subdivision 3a; 289A.20, subdivision 3a; and 291.03, subdivisions 8, 9, 10, and 11, are repealed.

(b) Minnesota Statutes 2016, section 290.067, subdivision 2, is repealed.
Paragraph (a) is effective retroactively for estates of decedents dying after December 31, 2016. Paragraph (b) is effective for taxable years beginning after December 31, 2016.

ARTICLE 2

PROPERTY TAX

Section 1. Minnesota Statutes 2016, section 40A.18, subdivision 2, is amended to read:

Subd. 2. Allowed commercial and industrial operations. (a) Commercial and industrial operations are not allowed on land within an agricultural preserve except:

(1) small on-farm commercial or industrial operations normally associated with and important to farming in the agricultural preserve area;

(2) storage use of existing farm buildings that does not disrupt the integrity of the agricultural preserve; and

(3) small commercial use of existing farm buildings for trades not disruptive to the integrity of the agricultural preserve such as a carpentry shop, small scale mechanics shop, and similar activities that a farm operator might conduct; and

(4) wireless communication installments and related equipment and structure capable of providing technology potentially beneficial to farming activities.

(b) For purposes of paragraph (a), clauses (2) and (3), "existing" in clauses (2) and (3) means existing on August 1, 1989.

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

Sec. 2. [103C.333] COUNTY LEVY AUTHORITY.

Notwithstanding any other law to the contrary, a county levying a tax under section 103C.331 shall not include any taxes levied under those authorities in the levy certified under section 275.07, subdivision 1, paragraph (a). A county levying under section 103C.331 shall separately certify that amount, and the auditor shall extend that levy as a special taxing district levy under sections 275.066 and 275.07, subdivision 1, paragraph (b).

EFFECTIVE DATE. This section is effective for certifications made in 2017 and thereafter.
Sec. 3. Minnesota Statutes 2016, section 272.02, subdivision 23, is amended to read:

Subd. 23. Secondary liquid agricultural chemical containment facilities. Secondary containment tanks, cache basins, and that portion of the structure needed for the containment facility used to confine agricultural chemicals as defined in section 18D.01, subdivision 3, as required by the commissioner of agriculture under chapter 18B or 18C, berms used by a reseller to contain agricultural chemical spills from primary storage containers and prevent runoff or leaching of liquid agricultural chemicals as defined in section 18D.01, subdivision 3, are exempt. For purposes of this subdivision, "reseller" means a person licensed by the commissioner of agriculture under section 18B.316 or 18C.415.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2016 provided that nothing in this section shall cause property that was classified as exempt property for taxes payable in 2016 to lose its exempt status for taxes payable in that year.

Sec. 4. Minnesota Statutes 2016, section 272.02, subdivision 86, is amended to read:

Subd. 86. Apprenticeship training facilities. All or a portion of a building used exclusively for a state-approved apprenticeship program through the Department of Labor and Industry is exempt if:

1. it is owned by a nonprofit organization or a nonprofit trust, and operated by a nonprofit organization or a nonprofit trust;
2. the program participants receive no compensation; and
3. it is located:
   1. in the Minneapolis and St. Paul standard metropolitan statistical area as determined by the 2000 federal census;
   2. in a city outside the Minneapolis and St. Paul standard metropolitan statistical area that has a population of 7,400 or greater according to the most recent federal census; or
   3. in a township that has a population greater than 1,400 but less than 3,000 determined by the 2000 federal census and the building was previously used by a school and was exempt for taxes payable in 2010.

Use of the property for advanced skills training of incumbent workers does not disqualify the property for the exemption under this subdivision. This exemption includes up to five acres of the land on which the building is located and associated parking areas on that land, except that if the building meets the requirements of clause (3), item (iii), then the exemption includes up to ten acres of land on which the building is located and associated parking.
areas on that land. If a parking area associated with the facility is used for the purposes of
the facility and for other purposes, a portion of the parking area shall be exempt in proportion
to the square footage of the facility used for purposes of apprenticeship training.

Sec. 5. Minnesota Statutes 2016, section 272.02, is amended by adding a subdivision to
read:

Subd. 100. Electric generation facility; personal property. (a) Notwithstanding
subdivision 9, clause (a), attached machinery and other personal property that is part of an
electric generation facility with more than 35 megawatts and less than 40 megawatts of
installed capacity and that meets the requirements of this subdivision is exempt from taxation
and payments in lieu of taxation. The facility must:

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

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

(3) be located within 800 feet of an existing natural gas pipeline;

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

(5) be located outside the metropolitan area as defined under section 473.121, subdivision
2; and

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

(b) Construction of the facility must have been commenced after January 1, 2015, and
before January 1, 2017. Property eligible for this exemption does not include electric
transmission lines and interconnections or gas pipelines and interconnections appurtenant
to the property or the facility.

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

Sec. 6. Minnesota Statutes 2016, section 272.0213, is amended to read:

272.0213 LEASED SEASONAL-RECREATIONAL LAND.

(a) A county board may elect, by resolution, to Qualified lands, as defined in this section,
are exempt from taxation, including the tax under section 273.19, qualified lands. "Qualified
lands" for purposes of this section means property land that:
(1) is owned by a county, city, town, or the state; and

(2) is rented by the entity for noncommercial seasonal-recreational or noncommercial seasonal-recreational residential use, and, or class 1c commercial seasonal-recreational residential use.

(3) was rented for the purposes specified in clause (2) and was exempt from taxation for property taxes payable in 2008.

(b) Lands owned by the federal government and rented for noncommercial seasonal-recreational or, noncommercial seasonal-recreational residential, or class 1c commercial seasonal-recreational residential use are exempt from taxation, including the tax under section 273.19.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2018.

Sec. 7. Minnesota Statutes 2016, section 272.029, subdivision 2, is amended to read:

Subd. 2. Definitions. (a) For the purposes of this section, the term:

(1) "wind energy conversion system" has the meaning given in section 216C.06, subdivision 19, and also includes a substation that is used and owned by one or more wind energy conversion facilities;

(2) "large scale wind energy conversion system" means a wind energy conversion system of more than 12 megawatts, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b);

(3) "medium scale wind energy conversion system" means a wind energy conversion system of over two and not more than 12 megawatts, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b); and

(4) "small scale wind energy conversion system" means a wind energy conversion system of two megawatts and under, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b).

(b) For systems installed and contracted for after January 1, 2002, the total size of a wind energy conversion system under this subdivision shall be determined according to this paragraph. Unless the systems are interconnected with different distribution systems, the nameplate capacity of one wind energy conversion system shall be combined with the nameplate capacity of any other wind energy conversion system that is:

(1) located within five miles of the wind energy conversion system;
(2) constructed within the same calendar year as the wind energy conversion system;

and

(3) under common ownership.

In the case of a dispute, the commissioner of commerce shall determine the total size of
the system, and shall draw all reasonable inferences in favor of combining the systems.

(c) In making a determination under paragraph (b), the commissioner of commerce may
determine that two wind energy conversion systems are under common ownership when
the underlying ownership structure contains similar persons or entities, even if the
ownership shares differ between the two systems. Wind energy conversion systems are not
under common ownership solely because the same person or entity provided equity financing
for the systems. Wind energy conversion systems that were determined by the commissioner
of commerce to be eligible for a renewable energy production incentive under section
216C.41 are not under common ownership unless a change in the qualifying owner was
made to an owner of another wind energy conversion system subsequent to the determination
by the commissioner of commerce.

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

Sec. 8. Minnesota Statutes 2016, section 272.162, is amended to read:

272.162 RESTRICTIONS ON TRANSFERS OF SPECIFIC PARTS.

Subdivision 1. Conditions restricting transfer. When a deed or other instrument
conveying a parcel of land is presented to the county auditor for transfer or division under
sections 272.12, 272.16, and 272.161, the auditor shall not transfer or divide the land or its
net tax capacity in the official records and shall not certify the instrument as provided in
section 272.12, if:

(a) The land conveyed is less than a whole parcel of land as charged in the tax lists;

(b) The part conveyed appears within the area of application of municipal or county
subdivision regulations adopted and filed under section 394.35 or section 462.36, subdivision
1; and

(c) The part conveyed is part of or constitutes a subdivision as defined in section 462.352,
subdivision 12.

Subd. 2. Conditions allowing transfer. (a) Notwithstanding the provisions of subdivision
1, the county auditor may transfer or divide the land and its net tax capacity and may certify
the instrument if the instrument contains a certification by the clerk of the municipality or designated county planning official:

(a) (1) that the municipality's or county's subdivision regulations do not apply;

(b) (2) that the subdivision has been approved by the governing body of the municipality or county; or

(c) (3) that the restrictions on the division of taxes and filing and recording have been waived by resolution of the governing body of the municipality or county in the particular case because compliance would create an unnecessary hardship and failure to comply would not interfere with the purpose of the regulations.

(b) If any of the conditions for certification by the municipality or county as provided in this subdivision exist and the municipality or county does not certify that they exist within 24 hours after the instrument of conveyance has been presented to the clerk of the municipality or designated county planning official, the provisions of subdivision 1 do not apply.

(c) If an unexecuted instrument is presented to the municipality or county and any of the conditions for certification by the municipality or county as provided in this subdivision exist, the unexecuted instrument must be certified by the clerk of the municipality or the designated county planning official.

Subd. 3. Applicability of restrictions. (a) This section does not apply to the exceptions set forth in section 272.12.

(b) This section applies only to land within municipalities or counties which choose to be governed by its provisions. A municipality or county may choose to have this section apply to the property within its boundaries by filing a certified copy of a resolution of its governing body making that choice with the auditor and recorder of the county in which it is located.

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

Sec. 9. Minnesota Statutes 2016, section 273.124, subdivision 3a, is amended to read:

Subd. 3a. Manufactured home park cooperative. (a) When a manufactured home park is owned by a corporation or association organized under chapter 308A or 308B, and each person who owns a share or shares in the corporation or association is entitled to occupy a lot within the park, the corporation or association may claim homestead treatment for the
park. Each lot must be designated by legal description or number, and each lot is limited to not more than one-half acre of land.

(b) The manufactured home park shall be entitled to homestead treatment if all of the following criteria are met:

(1) the occupant or the cooperative corporation or association is paying the ad valorem property taxes and any special assessments levied against the land and structure either directly, or indirectly through dues to the corporation or association; and

(2) the corporation or association organized under chapter 308A or 308B is wholly owned by persons having a right to occupy a lot owned by the corporation or association.

c) A charitable corporation, organized under the laws of Minnesota with no outstanding stock, and granted a ruling by the Internal Revenue Service for 501(c)(3) tax-exempt status, qualifies for homestead treatment with respect to a manufactured home park if its members hold residential participation warrants entitling them to occupy a lot in the manufactured home park.

d) "Homestead treatment" under this subdivision means the classification rate provided for class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause (5), item (ii), and the homestead market value exclusion under section 273.13, subdivision 35, does not apply and the property taxes assessed against the park shall not be included in the determination of taxes payable for rent paid under section 290A.03.

EFFECTIVE DATE. This section is effective beginning with claims for taxes payable in 2018.

Sec. 10. Minnesota Statutes 2016, section 273.124, subdivision 14, is amended to read:

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

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

(2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20 acres;
(3) the noncontiguous land is located not farther than four townships or cities, or a
combination of townships or cities from the homestead; and

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

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

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

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

(2) the owner, the owner's spouse, or a grandchild, child, sibling, or parent of the owner
or of the owner's spouse, is actively farming the agricultural property, either on the person's
own behalf as an individual or on behalf of a partnership operating a family farm, family
farm corporation, joint family farm venture, or limited liability company of which the person
is a partner, shareholder, or member;

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

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

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

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

(ii) Agricultural property held by a trustee under a trust is eligible for agricultural
homestead classification under this paragraph if the qualifications in clause (i) are met,
except that "owner" means the grantor of the trust.
(iii) Property containing the residence of an owner who owns qualified property under clause (i) shall be classified as part of the owner's agricultural homestead, if that property is also used for noncommercial storage or drying of agricultural crops.

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

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

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

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

1. the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the April 1997 floods;

2. the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or Wilkin;

3. the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1997 assessment year and continue to be used for agricultural purposes;

4. the dwelling occupied by the owner is located in Minnesota and is within 30 miles of one of the parcels of agricultural land that is owned by the taxpayer; and
(f) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified agricultural homesteads for subsequent assessments if:

1. the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by a March 29, 1998, tornado;
2. the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur, Nicollet, Nobles, or Rice;
3. the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1998 assessment year;
4. the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and
5. the owner notifies the county assessor that the relocation was due to a March 29, 1998, tornado, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the owner must notify the assessor by December 1, 1998. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(g) Agricultural property of a family farm corporation, joint family farm venture, family farm limited liability company, or partnership operating a family farm as described under subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

1. the property consists of at least 40 acres including undivided government lots and correctional 40's;
2. a shareholder, member, or partner of that entity is actively farming the agricultural property;
3. that shareholder, member, or partner who is actively farming the agricultural property is a Minnesota resident;
(4) neither that shareholder, member, or partner, nor the spouse of that shareholder, member, or partner claims another agricultural homestead in Minnesota; and

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

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

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

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

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

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

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

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

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

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

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

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by the August 2007 floods;
(2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted, Steele, Wabasha, or Winona;

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

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

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

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective beginning for property taxes payable in 2018.
Sec. 11. Minnesota Statutes 2016, section 273.124, subdivision 21, is amended to read:

Subd. 21. **Trust property; homestead.** Real or personal property, including agricultural
property, held by a trustee under a trust is eligible for classification as homestead property
if the property satisfies the requirements of paragraph (a), (b), (c), or (d), or (e).

(a) The grantor or surviving spouse of the grantor of the trust occupies and uses the
property as a homestead.

(b) A relative or surviving relative of the grantor who meets the requirements of
subdivision 1, paragraph (c), in the case of residential real estate; or subdivision 1, paragraph
(d), in the case of agricultural property, occupies and uses the property as a homestead.

(c) A family farm corporation, joint farm venture, limited liability company, or partnership
operating a family farm in which the grantor or the grantor's surviving spouse is a
shareholder, member, or partner rents the property; and, either (1) a shareholder, member,
or partner of the corporation, joint farm venture, limited liability company, or partnership
occupies and uses the property as a homestead; or (2) the property is at least 40 acres,
including undivided government lots and correctional 40's, and a shareholder, member, or
partner of the tenant-entity is actively farming the property on behalf of the corporation,
joint farm venture, limited liability company, or partnership.

(d) A person who has received homestead classification for property taxes payable in
2000 on the basis of an unqualified legal right under the terms of the trust agreement to
occupy the property as that person's homestead and who continues to use the property as a
homestead; or, a person who received the homestead classification for taxes payable in 2005
under paragraph (c) who does not qualify under paragraph (c) for taxes payable in 2006 or
thereafter but who continues to qualify under paragraph (c) as it existed for taxes payable
in 2005.

(e) The qualifications under subdivision 14, paragraph (b), clause (i), are met. For
purposes of this paragraph, "owner" means the grantor of the trust or the surviving spouse
of the grantor.

(f) For purposes of this subdivision, the following terms have the meanings given them:

(1) "agricultural property" means the house, garage, other farm buildings and structures,
and agricultural land;

(2) "agricultural land" has the meaning given in section 273.13, subdivision 23, except
that the phrases "owned by same person" or "under the same ownership" as used in that
subdivision mean and include contiguous tax parcels owned by:
(i) an individual and a trust of which the individual, the individual's spouse, or the individual's deceased spouse is the grantor; or

(ii) different trusts of which the grantors of each trust are any combination of an individual, the individual's spouse, or the individual's deceased spouse; and

For purposes of this subdivision, (3) "grantor" is defined as means the person creating or establishing a testamentary, inter Vivos, revocable or irrevocable trust by written instrument or through the exercise of a power of appointment.

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

EFFECTIVE DATE. This section is effective beginning for property taxes payable in 2018.

Sec. 12. Minnesota Statutes 2016, section 273.125, subdivision 8, is amended to read:

Subd. 8. Manufactured homes; sectional structures. (a) In this section, "manufactured home" means a structure transportable in one or more sections, which is built on a permanent chassis, and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and contains the plumbing, heating, air conditioning, and electrical systems in it. Manufactured home includes any accessory structure that is an addition or supplement to the manufactured home and, when installed, becomes a part of the manufactured home.

(b) Except as provided in paragraph (c), a manufactured home that meets each of the following criteria must be valued and assessed as an improvement to real property, the appropriate real property classification applies, and the valuation is subject to review and the taxes payable in the manner provided for real property:

(1) the owner of the unit holds title to the land on which it is situated;

(2) the unit is affixed to the land by a permanent foundation or is installed at its location in accordance with the Manufactured Home Building Code in sections 327.31 to 327.34, and rules adopted under those sections, or is affixed to the land like other real property in the taxing district; and

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the unit is connected to public utilities, has a well and septic tank system, or is serviced by water and sewer facilities comparable to other real property in the taxing district.

(c) A manufactured home that meets each of the following criteria must be assessed at the rate provided by the appropriate real property classification but must be treated as personal property, and the valuation is subject to review and the taxes payable in the manner provided in this section:

(1) the owner of the unit is a lessee of the land under the terms of a lease, or the unit is located in a manufactured home park but is not the homestead of the park owner;

(2) the unit is affixed to the land by a permanent foundation or is installed at its location in accordance with the Manufactured Home Building Code contained in sections 327.31 to 327.34, and the rules adopted under those sections, or is affixed to the land like other real property in the taxing district; and

(3) the unit is connected to public utilities, has a well and septic tank system, or is serviced by water and sewer facilities comparable to other real property in the taxing district.

(d) Sectional structures must be valued and assessed as an improvement to real property if the owner of the structure holds title to the land on which it is located or is a qualifying lessee of the land under section 273.19. In this paragraph "sectional structure" means a building or structural unit that has been in whole or substantial part manufactured or constructed at an off-site location to be wholly or partially assembled on site alone or with other units and attached to a permanent foundation.

(e) The commissioner of revenue may adopt rules under the Administrative Procedure Act to establish additional criteria for the classification of manufactured homes and sectional structures under this subdivision.

(f) A storage shed, deck, or similar improvement constructed on property that is leased or rented as a site for a manufactured home, sectional structure, park trailer, or travel trailer is taxable as provided in this section. In the case of property that is leased or rented as a site for a travel trailer, a storage shed, deck, or similar improvement on the site that is considered personal property under this paragraph is taxable only if its total estimated market value is over $1,000. The property is taxable as personal property to the lessee of the site if it is not owned by the owner of the site. The property is taxable as real estate if it is owned by the owner of the site. As a condition of permitting the owner of the manufactured home, sectional structure, park trailer, or travel trailer to construct improvements on the leased or rented site, the owner of the site must obtain the permanent home address of the lessee or
user of the site. The site owner must provide the name and address to the assessor upon request.

Sec. 13. Minnesota Statutes 2016, section 273.13, subdivision 22, is amended to read:

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

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

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

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

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

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

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

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

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first $50,000 market value of class 1b property has a net classification rate of .45 percent of its market value. The remaining market value of class 1b property has a classification rate using the rates for class 1a or class 2a property, whichever is appropriate, of similar market value.
(c) Class 1c property is commercial use real and personal property that abuts public water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by the Department of Natural Resources, and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort even if, whether the title to the homestead is held by the corporation, partnership, or limited liability company, or by a shareholder of a corporation who owns the resort, a partner in a partnership who owns the resort, or a member of a limited liability company who owns the resort. For purposes of this paragraph, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. Class 1c property must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 1c property must provide recreational activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. Any unit in which the right to use the property is transferred to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c even though it may remain available for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. If the same owner owns two separate parcels that are located in the same township, and one of those properties is classified as a class 1c property and the other would be eligible to be classified as a class 1c property if it was used as the homestead of the owner, both properties will be assessed as a single class 1c property; for purposes of this sentence, properties are deemed to be owned by the same owner if each of them is owned by a limited liability company, and both limited liability companies have the same membership. The portion of the property used as a homestead is class 1a property under paragraph (a). The remainder of the property is classified as follows: the first $600,000 of market value is tier I, the next $1,700,000 of market value is tier II, and any remaining market value is tier III. The classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes in which all or a portion of the property was devoted to

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commercial purposes for not more than 250 days in the year preceding the year of assessment

desiring classification as class 1c, must submit a declaration to the assessor designating the

cabins or units occupied for 250 days or less in the year preceding the year of assessment

by January 15 of the assessment year. Those cabins or units and a proportionate share of

the land on which they are located must be designated as class 1c as otherwise provided.

The remainder of the cabins or units and a proportionate share of the land on which they

are located must be designated as class 3a commercial. The owner of property desiring

designation as class 1c property must provide guest registers or other records demonstrating

that the units for which class 1c designation is sought were not occupied for more than 250
days in the year preceding the assessment if so requested. The portion of a property operated

as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5)

other nonresidential facility operated on a commercial basis not directly related to temporary

and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

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

(1) the structure is located on property that is classified as agricultural property under

section 273.13, subdivision 23;

(2) the structure is occupied exclusively by seasonal farm workers during the time when

they work on that farm, and the occupants are not charged rent for the privilege of occupying

the property, provided that use of the structure for storage of farm equipment and produce

does not disqualify the property from classification under this paragraph;

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

season; and

(4) the structure is not salable as residential property because it does not comply with

local ordinances relating to location in relation to streets or roads.

The market value of class 1d property has the same classification rates as class 1a property

under paragraph (a).

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

Sec. 14. Minnesota Statutes 2016, section 273.13, subdivision 23, is amended to read:

Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural land

that is homesteaded, along with any class 2b rural vacant land that is contiguous to the class

2a land under the same ownership. The market value of the house and garage and immediately

surrounding one acre of land has the same classification rates as class 1a or 1b property

under subdivision 22. The value of the remaining land including improvements up to the
first tier valuation limit of agricultural homestead property has a classification rate of 0.5 percent of market value. The remaining property over the first tier has a classification rate of one percent of market value. For purposes of this subdivision, the "first tier valuation limit of agricultural homestead property" and "first tier" means the limit certified under section 273.11, subdivision 23.

(b) Class 2a agricultural land consists of parcels of property, or portions thereof, that are agricultural land and buildings. Class 2a property has a classification rate of one percent of market value, unless it is part of an agricultural homestead under paragraph (a). Class 2a property must also include any property that would otherwise be classified as 2b, but is interspersed with class 2a property, including but not limited to sloughs, wooded wind shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback requirement, and other similar land that is impractical for the assessor to value separately from the rest of the property or that is unlikely to be able to be sold separately from the rest of the property. An assessor may classify the part of a parcel described in this subdivision that is used for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

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

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

(e) Agricultural land as used in this section means:

(1) contiguous acreage of ten acres or more, used during the preceding year for
agricultural purposes; or

(2) contiguous acreage used during the preceding year for an intensive livestock or
poultry confinement operation, provided that land used only for pasturing or grazing does
not qualify under this clause.

"Agricultural purposes" as used in this section means the raising, cultivation, drying, or
storage of agricultural products for sale, or the storage of machinery or equipment used in
support of agricultural production by the same farm entity. For a property to be classified
as agricultural based only on the drying or storage of agricultural products, the products
being dried or stored must have been produced by the same farm entity as the entity operating
the drying or storage facility. "Agricultural purposes" also includes enrollment in the Reinvest
in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation
Reserve Program as contained in Public Law 99-198 or a similar local, state, or federal
conservation program if the property was classified as agricultural (i) under this subdivision
for taxes payable in 2003 because of its enrollment in a qualifying program and the land
remains enrolled or (ii) in the year prior to its enrollment. For purposes of this section, a
local conservation program means a program administered by a town, statutory or home
rule charter city, or county, including a watershed district, water management organization,
or soil and water conservation district, in which landowners voluntarily enroll land and
receive incentive payments in exchange for use or other restrictions placed on the land.
Agricultural classification shall not be based upon the market value of any residential
structures on the parcel or contiguous parcels under the same ownership.

"Contiguous acreage," for purposes of this paragraph, means all of, or a contiguous
portion of, a tax parcel as described in section 272.193, or all of, or a contiguous portion
of, a set of contiguous tax parcels under that section that are owned by the same person.

(f) Agricultural land under this section also includes:

(1) contiguous acreage that is less than ten acres in size and exclusively used in the
preceding year for raising or cultivating agricultural products; or
(2) contiguous acreage that contains a residence and is less than 11 acres in size, if the contiguous acreage exclusive of the house, garage, and surrounding one acre of land was used in the preceding year for one or more of the following three uses:

(i) for an intensive grain drying or storage operation, or for intensive machinery or equipment storage activities used to support agricultural activities on other parcels of property operated by the same farming entity;

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

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

"Contiguous acreage," for purposes of this paragraph, means all of a tax parcel as described in section 272.193, or all of a set of contiguous tax parcels under that section that are owned by the same person.

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

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

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

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

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

(2) fish bred aquacultural products for sale and consumption, as defined under section 17.47, if the fish breeding aquaculture occurs on land zoned for agricultural use;

(3) the commercial boarding of horses, which may include related horse training and riding instruction, if the boarding is done on property that is also used for raising pasture to graze horses or raising or cultivating other agricultural products as defined in clause (1);
(4) property which is owned and operated by nonprofit organizations used for equestrian activities, excluding racing;

(5) game birds and waterfowl bred and raised (i) on a game farm licensed under section 97A.105, provided that the annual licensing report to the Department of Natural Resources, which must be submitted annually by March 30 to the assessor, indicates that at least 500 birds were raised or used for breeding stock on the property during the preceding year and that the owner provides a copy of the owner's most recent schedule F; or (ii) for use on a shooting preserve licensed under section 97A.115;

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

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

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

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

(1) wholesale and retail sales;

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

(3) warehousing or storage of processed goods; and

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

the assessor shall classify the part of the parcel used for agricultural purposes as class 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use.

The grading, sorting, and packaging of raw agricultural products for first sale is considered an agricultural purpose. A greenhouse or other building where horticultural or nursery products are grown that is also used for the conduct of retail sales must be classified as agricultural if it is primarily used for the growing of horticultural or nursery products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products. Use of a greenhouse or building only for the display of already grown horticultural or nursery products does not qualify as an agricultural purpose.

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

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

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

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

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

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

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

(1) a legal description of the property;

(2) a disclosure that the property contains a commercial aggregate deposit that is not actively being mined but is present on the entire parcel enrolled;
(3) documentation that the conditional use under the county or local zoning ordinance of this property is for mining; and

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

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

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

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

EFFECTIVE DATE. This section is effective beginning with assessment year 2018.

Sec. 15. Minnesota Statutes 2016, section 273.13, subdivision 25, is amended to read:

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

(b) Class 4b includes:

(1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential recreational property;
(2) manufactured homes not classified under any other provision;
(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units; and
(4) unimproved property that is classified residential as determined under subdivision 33.

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

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential recreational property, and a single-family dwelling, garage;
(2) single-family dwellings including garages and the surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b); and
(3) condominium-type storage units having individual legal descriptions that are not used for commercial purposes.

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

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

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), real and personal property devoted to commercial temporary and seasonal residential occupancy for recreation purposes, for not more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. Class 4c property under this clause must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site.
equipped with water and electrical hookups for recreational vehicles. A camping pad offered
for rent by a property that otherwise qualifies for class 4c under this clause is also class 4c
under this clause regardless of the term of the rental agreement, as long as the use of the
camping pad does not exceed 250 days. In order for a property to be classified under this
clause, either (i) the business located on the property must provide recreational activities,
at least 40 percent of the annual gross lodging receipts related to the property must be from
business conducted during 90 consecutive days, and either (A) at least 60 percent of all paid
bookings by lodging guests during the year must be for periods of at least two consecutive
nights; or (B) at least 20 percent of the annual gross receipts must be from charges for
providing recreational activities, or (ii) the business must contain 20 or fewer rental units,
and must be located in a township or a city with a population of 2,500 or less located outside
the metropolitan area, as defined under section 473.121, subdivision 2, that contains a portion
of a state trail administered by the Department of Natural Resources. For purposes of item
(i)(A), a paid booking of five or more nights shall be counted as two bookings. Class 4c
property also includes commercial use real property used exclusively for recreational
purposes in conjunction with other class 4c property classified under this clause and devoted
to temporary and seasonal residential occupancy for recreational purposes, up to a total of
two acres, provided the property is not devoted to commercial recreational use for more
than 250 days in the year preceding the year of assessment and is located within two miles
of the class 4c property with which it is used. In order for a property to qualify for
classification under this clause, the owner must submit a declaration to the assessor
designating the cabins or units occupied for 250 days or less in the year preceding the year
of assessment by January 15 of the assessment year. Those cabins or units and a proportionate
share of the land on which they are located must be designated class 4c under this clause
as otherwise provided. The remainder of the cabins or units and a proportionate share of
the land on which they are located will be designated as class 3a. The owner of property
desiring designation as class 4c property under this clause must provide guest registers or
other records demonstrating that the units for which class 4c designation is sought were not
occupied for more than 250 days in the year preceding the assessment if so requested. The
portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center
or meeting room, and (5) other nonresidential facility operated on a commercial basis not
directly related to temporary and seasonal residential occupancy for recreation purposes
does not qualify for class 4c. For the purposes of this paragraph, "recreational activities"
means renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country
ski equipment; providing marina services, launch services, or guide services; or selling bait
and fishing tackle;
(2) qualified property used as a golf course if:

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

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

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

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

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

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

For purposes of this clause:

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

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

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

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

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

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

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

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

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

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

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

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

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be
filed by the new owner with the assessor of the county where the property is located within
60 days of the sale;
(8) a privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land abuts a public airport; and

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

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

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

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

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

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

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

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

(11) lakeshore and riparian property and adjacent land, not to exceed six acres, used as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to the public and devoted to recreational use for marina services. The marina owner must annually provide...
evidence to the assessor that it provides services, including lake or river access to the public by means of an access ramp or other facility that is either located on the property of the marina or at a publicly owned site that abuts the property of the marina. No more than 800 feet of lakeshore may be included in this classification. Buildings used in conjunction with a marina for marina services, including but not limited to buildings used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing tackle, are classified as class 3a property; and

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

Class 4c property has a classification rate of 1.5 percent of market value, except that (i) each parcel of noncommercial seasonal residential recreational property under clause (12) has the same classification rates as class 4bb property, (ii) manufactured home parks assessed under clause (5), item (i), have the same classification rate as class 4b property, and the market value of manufactured home parks assessed under clause (5), item (ii), has a classification rate of 0.75 percent if more than 50 percent of the lots in the park are occupied by shareholders in the cooperative corporation or association and a classification rate of one percent if 50 percent or less of the lots are so occupied, (iii) commercial-use seasonal residential recreational property and marina recreational land as described in clause (11), has a classification rate of one percent for the first $500,000 of market value, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a classification rate of one percent, (v) the market value of property described in clauses (2), (6), and (10) has a classification rate of 1.25 percent, and (vi) that portion of the market value of property in clause (9) qualifying for class 4c property has a classification rate of 1.25 percent, and (vii) property qualifying for classification under clause (3) that is owned or operated by a congressionally chartered veterans organization has a classification rate of one percent. The commissioner of veterans affairs must provide a list of congressionally chartered veterans organizations to the commissioner of revenue by June 30, 2017, and by January 1, 2018, and each year thereafter.

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

(f) The first tier of market value of class 4d property has a classification rate of 0.75 percent. The remaining value of class 4d property has a classification rate of 0.25 percent. For the purposes of this paragraph, the "first tier of market value of class 4d property" means the market value of each housing unit up to the first tier limit. For the purposes of this paragraph, all class 4d property value must be assigned to individual housing units. The first tier limit is $100,000 for assessment year 2014. For subsequent years, the limit is adjusted each year by the average statewide change in estimated market value of property classified as class 4a and 4d under this section for the previous assessment year, excluding valuation change due to new construction, rounded to the nearest $1,000, provided, however, that the limit may never be less than $100,000. Beginning with assessment year 2015, the commissioner of revenue must certify the limit for each assessment year by November 1 of the previous year.

EFFECTIVE DATE. This section is effective beginning with taxes assessed in 2017 and payable in 2018.

Sec. 16. Minnesota Statutes 2016, section 273.13, subdivision 34, is amended to read:

Subd. 34. Homestead of disabled veteran or family caregiver. (a) All or a portion of the market value of property owned by a veteran and serving as the veteran's homestead under this section is excluded in determining the property's taxable market value if the veteran has a service-connected disability of 70 percent or more as certified by the United States Department of Veterans Affairs. To qualify for exclusion under this subdivision, the veteran must have been honorably discharged from the United States armed forces, as indicated by United States Government Form DD214 or other official military discharge papers.

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

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

(c) If a disabled veteran qualifying for a valuation exclusion under paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exclusion shall carry over to the benefit of the veteran's spouse for the current taxes payable year and
for eight additional taxes payable years or until such time as the spouse remarries, or sells, transfers, or otherwise disposes of the property, whichever comes first. Qualification under this paragraph requires an annual application under paragraph (h), and a spouse must notify the assessor if there is a change in the spouse's marital status, ownership of the property, or use of the property as a permanent residence.

(d) If the spouse of a member of any branch or unit of the United States armed forces who dies due to a service-connected cause while serving honorably in active service, as indicated on United States Government Form DD1300 or DD2064, holds the legal or beneficial title to a homestead and permanently resides there, the spouse is entitled to the benefit described in paragraph (b), clause (2), for eight taxes payable years, or until such time as the spouse remarries or sells, transfers, or otherwise disposes of the property, whichever comes first.

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

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

(g) A property qualifying for a valuation exclusion under this subdivision is not eligible for the market value exclusion under subdivision 35, or classification under subdivision 22, paragraph (b).

(h) To qualify for a valuation exclusion under this subdivision a property owner must apply to the assessor by July 1 of each assessment year, except that an annual reapplication is not required once a property has been accepted for a valuation exclusion under paragraph (a) and qualifies for the benefit described in paragraph (b), clause (2), and the property continues to qualify until there is a change in ownership of the first assessment year for which the exclusion is sought. For an application received after July 1 of any calendar year, the exclusion shall become effective for the following assessment year. Except as provided in paragraph (c), the owner of a property that has been accepted for a valuation exclusion must notify the assessor if there is a change in ownership of the property or in the use of the property as a homestead.

(i) A first-time application by a qualifying spouse for the market value exclusion under paragraph (d) must be made any time within two years of the death of the service member.
(j) For purposes of this subdivision:

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

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

(3) "primary family caregiver" means a person who is approved by the secretary of the United States Department of Veterans Affairs for assistance as the primary provider of personal care services for an eligible veteran under the Program of Comprehensive Assistance for Family Caregivers, codified as United States Code, title 38, section 1720G; and

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

(k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit under paragraph (b), clause (2), for eight taxes payable years or until the spouse remarries or sells, transfers, or otherwise disposes of the property if:

(1) the spouse files a first-time application within two years of the death of the service member or by June 1, 2019, whichever is later;

(2) upon the death of the veteran, the spouse holds the legal or beneficial title to the homestead and permanently resides there;

(3) the veteran met the honorable discharge requirements of paragraph (a); and

(4) the United States Department of Veterans Affairs certifies that:

(i) the veteran met the total (100 percent) and permanent disability requirement under paragraph (b), clause (2); or

(ii) the spouse has been awarded dependency and indemnity compensation.

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

(m) By July 1, the county veterans service officer must certify the disability rating of each veteran receiving the benefit under paragraph (b) to the assessor.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2018.
Sec. 17. [274.132] PROPERTY OVERVALUED.

Subdivision 1. Valuation appeals. Notwithstanding any other law to the contrary, when the value of a property is reduced by a local, special, or county board of appeal and equalization, the state board of equalization, an order from the Minnesota Tax Court, or an abatement to correct an error in valuation, a property owner may appeal the valuation of the property for the taxes payable year immediately preceding the year for which the value is reduced, provided that the valuation of the property for the immediately preceding taxes payable year was not previously appealed. An appeal under this subdivision may only be taken to the Minnesota Tax Court.

Subd. 2. Credit for overpayment of tax. (a) The county auditor shall credit any refund determined by the Minnesota Tax Court under subdivision 1 against the succeeding year's tax payable on the property according to the following schedule:

(1) if the refund is less than 25 percent of the total tax payable on the property for the current year, it shall be credited to the tax payable on the property in the succeeding taxes payable year; or

(2) if the refund is 25 percent or more of the total tax payable on the property for the current year, beginning in the succeeding taxes payable year, it shall be credited to the tax payable on the property at a rate of 25 percent of the property taxes due per year until credited in full.

(b) The credit under this subdivision shall reduce the tax payable to each jurisdiction in proportion to the total tax payable on the property.

EFFECTIVE DATE. This section is effective for appeals, orders, and abatements in 2018 and thereafter.

Sec. 18. Minnesota Statutes 2016, section 275.025, subdivision 1, is amended to read:

Subdivision 1. Levy amount. The state general levy is levied against commercial-industrial property and seasonal residential recreational property, as defined in this section. The state general levy base amount is $592,000,000 for commercial-industrial property is $713,050,000 for taxes payable in 2018 and thereafter. For taxes payable in subsequent years, the levy 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. The state general levy for seasonal-recreational property is $43,130,000 for taxes payable in 2018 and thereafter. 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.

The commissioner shall increase or decrease the preliminary or final rate 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.

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 2018 and thereafter.

Sec. 19. Minnesota Statutes 2016, 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:

1. the tax capacity attributable to the first $200,000 of market value of each parcel of commercial-industrial property as defined under section 273.13, subdivision 24, clauses (1) and (2);
2. electric generation attached machinery under class 3; and
3. property described in section 473.625.

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. For purposes of this subdivision, the procedures...
for determining eligibility for tier 1 under section 273.13, subdivision 24, clauses (1) and
(2), shall apply in determining the portion of a property eligible to be considered within the
first $200,000 of market value.

EFFECTIVE DATE. This section is effective for taxes payable in 2018 and thereafter.

Sec. 20. Minnesota Statutes 2016, 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 rates to each county auditor that shall be used in spreading taxes.

EFFECTIVE DATE. This section is effective for taxes payable in 2018 and thereafter.

Sec. 21. Minnesota Statutes 2016, section 275.025, is amended by adding a subdivision
to read:

Subd. 5. Underserved municipalities distribution. (a) Any municipality that:

(1) lies wholly or partially within the metropolitan area as defined under section 473.121,
subdivision 2, but outside the transit taxing district as defined under section 473.446,
subdivision 2; and

(2) has a net fiscal disparities contribution equal to or greater than eight percent of its
total taxable net tax capacity,

is eligible for a distribution from the proceeds of the state general levy imposed on taxpayers
within the municipality.

(b) The distribution is equal to (1) the municipality's net tax capacity tax rate, times (2)
the municipality's net fiscal disparities contribution in excess of eight percent of its total
taxable net tax capacity; provided, however, that the distribution may not exceed the tax
under this section imposed on taxpayers within the municipality.

(c) The distribution under this subdivision must be paid to the qualifying municipality
at the same time taxes are settled under sections 276.09 to 276.111.

(d) For purposes of this subdivision, the following terms have the meanings given.
(1) "Municipality" means a home rule or statutory city, or a town, except that in the case of a city that lies only partially within the metropolitan area, municipality means the portion of the city lying within the metropolitan area.

(2) "Net fiscal disparities contribution" means a municipality's fiscal disparities contribution tax capacity minus its distribution net tax capacity.

(3) "Total taxable net tax capacity" means the total net tax capacity of all properties in the municipality under section 273.13 minus (i) the net fiscal disparities contribution, and (ii) the municipality's tax increment captured net tax capacity.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2018 and thereafter.

Sec. 22. Minnesota Statutes 2016, section 275.066, is amended to read:

275.066 SPECIAL TAXING DISTRICTS; DEFINITION.

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

(1) watershed districts under chapter 103D;

(2) sanitary districts under sections 442A.01 to 442A.29;

(3) regional sanitary sewer districts under sections 115.61 to 115.67;

(4) regional public library districts under section 134.201;

(5) park districts under chapter 398;

(6) regional railroad authorities under chapter 398A;

(7) hospital districts under sections 447.31 to 447.38;

(8) St. Cloud Metropolitan Transit Commission under sections 458A.01 to 458A.15;

(9) Duluth Transit Authority under sections 458A.21 to 458A.37;

(10) regional development commissions under sections 462.381 to 462.398;

(11) housing and redevelopment authorities under sections 469.001 to 469.047;

(12) port authorities under sections 469.048 to 469.068;

(13) economic development authorities under sections 469.090 to 469.1081;

(14) Metropolitan Council under sections 473.123 to 473.549;

(15) Metropolitan Airports Commission under sections 473.601 to 473.679;
(16) Metropolitan Mosquito Control Commission under sections 473.701 to 473.716;

(17) Morrison County Rural Development Financing Authority under Laws 1982, chapter 437, section 1;

(18) Croft Historical Park District under Laws 1984, chapter 502, article 13, section 6;

(19) East Lake County Medical Clinic District under Laws 1989, chapter 211, sections 1 to 6;

(20) Floodwood Area Ambulance District under Laws 1993, chapter 375, article 5, section 39;

(21) Middle Mississippi River Watershed Management Organization under sections 103B.211 and 103B.241;

(22) emergency medical services special taxing districts under section 144F.01;

(23) a county levying under the authority of section 103B.241, 103B.245, or 103B.251, or 103C.331;

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

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

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

Sec. 23. Minnesota Statutes 2016, section 276.017, subdivision 3, is amended to read:

Subd. 3. United States Postal Service postmark Proof of timely payment. The postmark or registration mark of the United States Postal Service qualifies as proof of timely mailing for this section. If the payment is sent by United States registered mail, the date of registration is the postmark date. If the payment is sent by United States certified mail, the date of the United States Postal Service postmark on the receipt given to the person presenting the payment for delivery is the date of mailing. Mailing, or the time of mailing, may also be established by a delivery service's records or other available evidence except that the postmark of a private postage meter or internet stamp may not be used as proof of a timely mailing made under this section.
Sec. 24. Minnesota Statutes 2016, section 279.01, subdivision 1, is amended to read:

Subdivision 1. Due dates; penalties. Except as provided in subdivisions 3 to 5, on May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, a penalty accrues and thereafter is charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer. The 

(a) When the taxes against any tract or lot exceed $100, one-half of the amount of tax due must be paid prior to May 16, and the remaining one-half must be paid prior to the following October 16. If either tax amount is unpaid as of its due date, a penalty is imposed at a rate of two percent on homestead property until May 31 and four percent on nonhomestead property. If complete payment has not been made by the first day of the month following either due date, an additional penalty of two percent on June 1. The penalty on nonhomestead property is at a rate of four percent until May 31 homestead property and eight percent on June 1. This penalty does not accrue until June 1 of each year, or 21 days after the postmark date on the envelope containing the property tax statements, whichever is later, on commercial use real property used for seasonal residential recreational purposes and classified as class 1c or 4c, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. In order for the first half of the tax due on class 3a property to be paid after May 15 and before June 1, or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, without penalty, the owner of the property must attach an affidavit to the payment attesting to compliance with the income provision of this subdivision nonhomestead property is imposed. Thereafter, for both homestead and nonhomestead property, on the first day of each subsequent month beginning July 1, up to and including October 1 following through December, an additional penalty of one percent for each month accrues and is charged on all such unpaid taxes provided that if the due date was extended beyond May 15 as the result of any delay in mailing property tax statements no additional penalty shall accrue if the tax is paid by the extended due date. If the tax is not paid by the extended due date, then all penalties that would have accrued if the due date had been May 15 shall be charged. When the taxes against any tract or lot exceed $100, one-half thereof may be paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later; and, if so paid, no penalty attaches; the remaining one-half may be paid at any time prior to October 16 following, without penalty; but, if not so paid, then a penalty of two percent accrues thereon for homestead property and a penalty of four percent on nonhomestead property. Thereafter, for homestead property, on the first day of November an additional penalty of four percent accrues and on the first day of December following.
an additional penalty of two percent accrues and is charged on all such unpaid taxes. Thereafter, for nonhomestead property, on the first day of November and December following, an additional penalty of four percent for each month accrues and is charged on all such unpaid taxes. If one-half of such taxes are not paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, the same may be paid at any time prior to October 16, with accrued penalties to the date of payment added, and thereupon no penalty attaches to the remaining one-half until October following the penalty must not exceed eight percent in the case of homestead property, or 12 percent in the case of nonhomestead property.

(b) If the property tax statement was not postmarked prior to April 25, the first half payment due date in paragraph (a) shall be 21 days from the postmark date of the property tax statement, and all penalties referenced in paragraph (a) shall be determined with regard to the later due date.

(c) In the case of a tract or lot with taxes of $100 or less, the due date and penalties as specified in paragraph (a) or (b) for the first half payment shall apply to the entire amount of the tax due.

(d) For commercial use real property used for seasonal residential recreational purposes and classified as class 1c or 4c, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August, the first half payment is due prior to June 1. For a class 3a property to qualify for the later due date, the owner of the property must attach an affidavit to the payment attesting to compliance with the income requirements of this paragraph.

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

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

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

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

Sec. 25. Minnesota Statutes 2016, section 279.01, subdivision 2, is amended to read:

Subd. 2. **Abatement of penalty.** (a) The county board may, with the concurrence of the county treasurer, delegate to the county treasurer the power to abate the penalty provided for late payment of taxes in the current year. Notwithstanding section 270C.86, if any county board so elects, the county treasurer may abate the penalty on finding that the imposition of the penalty would be unjust and unreasonable.

(b) The county treasurer shall abate the penalty provided for late payment of taxes in the current year if the property tax payment is delivered by mail to the county treasurer and the envelope containing the payment is postmarked by the United States Postal Service within one business day of the due date prescribed under this section, but only if the property owner requesting the abatement has not previously received an abatement of penalty for late payment of tax under this paragraph.

**EFFECTIVE DATE.** This section is effective for property taxes payable in 2018 and thereafter.

Sec. 26. Minnesota Statutes 2016, section 279.01, subdivision 3, is amended to read:

Subd. 3. **Agricultural property.** (a) In the case of class 1b agricultural homestead, class 2a agricultural homestead property, and class 2a agricultural nonhomestead property, and class 2b rural vacant land, no penalties shall attach to the second one-half property tax payment as provided in this section if paid by November 15. Thereafter for class 1b agricultural homestead and class 2a homestead property, on November 16 following, a penalty of six percent shall accrue and be charged on all such unpaid taxes and on December 1 following, an additional two percent shall be charged on all such unpaid taxes. Thereafter for class 2a agricultural nonhomestead property, on November 16 following, a penalty of eight percent shall accrue and be charged on all such unpaid taxes and on December 1 following, an additional four percent shall be charged on all such unpaid taxes, penalties shall attach as provided in subdivision 1.

If the owner of class 1b agricultural homestead or class 2a agricultural property receives a consolidated property tax statement that shows only an aggregate of the taxes and special assessments due on that property and on other property not classified as class 1b agricultural...
homestead or class 2a agricultural property, the aggregate tax and special assessments shown
due on the property by the consolidated statement will be due on November 15.

(b) Notwithstanding paragraph (a), for taxes payable in 2010 and 2011, for any class 2b
property that was subject to a second-half due date of November 15 for taxes payable in
2009, the county shall not impose, or if imposed, shall abate penalty amounts in excess of
those that would apply as if the second-half due date were November 15.

EFFECTIVE DATE. (a) Except as provided in paragraph (b), this section is effective
beginning with taxes payable in 2018.

(b) For property in the northern forest region, the provisions in this section applicable
to class 2b rural vacant land are effective beginning with taxes payable in 2019.

Sec. 27. Minnesota Statutes 2016, section 279.37, is amended by adding a subdivision to
read:

Subd. 1b. Conditions. The county auditor may offer on a voluntary basis financial
literacy counseling as part of entering into a confession of judgment. The county auditor
may fund the financial literacy counseling using the fee in subdivision 8. The counseling
shall not be at taxpayer expense.

Sec. 28. Minnesota Statutes 2016, section 281.17, is amended to read:

281.17 PERIOD FOR OF REDEMPTION.

(a) Except for properties described in paragraphs (b) and (c), or properties for which the
period of redemption has been limited under sections 281.173 and 281.174, the following
periods for period of redemption apply.

The period of redemption for all lands sold to the state at a tax judgment sale shall be
three years from the date of sale to the state of Minnesota.

The period of redemption for homesteaded lands as defined in section 273.13, subdivision
22, located in a targeted neighborhood as defined in Laws 1987, chapter 386, article 6,
section 4, and sold to the state at a tax judgment sale is three years from the date of sale.

(b) The period of redemption for all lands located in a targeted neighborhood community
as defined in Laws 1987, chapter 386, article 6, section 4 section 469.201, subdivision 10,
except homesteaded lands as defined in section 273.13, subdivision 22, is one year from
the date of sale.
The period of redemption for all real property constituting a mixed municipal solid waste disposal facility that is a qualified facility under section 115B.39, subdivision 1, is one year from the date of the sale to the state of Minnesota.

(d) In determining the period of redemption, the county must use the property's classification and homestead classification for the assessment year on which the tax judgment is based. Any change in the property's classification or homestead classification after the assessment year on which the tax judgment is based does not affect the period of redemption.

Sec. 29. Minnesota Statutes 2016, section 281.173, subdivision 2, is amended to read:

Subd. 2. Summons and complaint. Any city, county, housing and redevelopment authority, port authority, or economic development authority, in which the premises are located may commence an action in district court to reduce the period otherwise allowed for redemption under this chapter. The action must be commenced by the filing of a complaint, naming as defendants the record fee owners or the owner's personal representative, or the owner's heirs as determined by a court of competent jurisdiction, contract for deed purchasers, mortgagees, assigns of any of the above, the taxpayers as shown on the records of the county auditor, the Internal Revenue Service of the United States and the Revenue Department of the state of Minnesota if tax liens against the owners or contract for deed purchasers have been recorded or filed; and any other person the plaintiff determines should be made a party. The action shall be filed in district court for the county in which the premises are located. The complaint must identify the premises by legal description. The complaint must allege (1) that the premises are abandoned, (2) that the tax judgment sale pursuant to section 280.01 has been made, and (3) notice of expiration of the time for redemption has not been given.

The complaint must request an order reducing the redemption period to five weeks.

When the complaint has been filed, the court shall issue a summons commanding the person or persons named in the complaint to appear before the court on a day and at a place stated in the summons. The appearance date shall be not less than 15 nor more than 25 days from the date of the issuing of the summons. A copy of the filed complaint must be attached to the summons.

Sec. 30. Minnesota Statutes 2016, section 281.174, subdivision 3, is amended to read:

Subd. 3. Summons and complaint. Any city, county, housing and redevelopment authority, port authority, or economic development authority in which the property is located may commence an action in district court to reduce the period otherwise allowed for
redemption under this chapter from the date of the requested order. The action must be
commenced by the filing of a complaint, naming as defendants the record fee owners or the
owner's personal representative, or the owner's heirs as determined by a court of competent
jurisdiction, contract for deed purchasers, mortgagees, assigns of any of the above, the
taxpayers as shown on the records of the county auditor, the Internal Revenue Service of
the United States and the revenue department of the state of Minnesota if tax liens against
the owners or contract for deed purchasers have been recorded or filed, and any other person
the plaintiff determines should be made a party. The action shall be filed in district court
for the county in which the property is located. The complaint must identify the property
by legal description. The complaint must allege (1) that the property is vacant, (2) that the
tax judgment sale under section 280.01 has been made, and (3) notice of expiration of the
time for redemption has not been given.

The complaint must request an order reducing the redemption period to five weeks.

When the complaint has been filed, the court shall issue a summons commanding the person
or persons named in the complaint to appear before the court on a day and at a place stated
in the summons. The appearance date shall be not less than 15 nor more than 25 days from
the date of the issuing of the summons, except that, when the United States of America is
a party, the date shall be set in accordance with applicable federal law. A copy of the filed
complaint must be attached to the summons.

Sec. 31. [281.231] MAINTENANCE; EXPENDITURE OF PUBLIC FUNDS.

If the county auditor provides notice as required by section 281.23, the state, agency,
political subdivision, or other entity that becomes the fee owner or manager of a property
as a result of forfeiture due to nonpayment of real property taxes is not required to expend
public funds to maintain any servitude, agreement, easement, or other encumbrance affecting
the property. The fee owner or manager of a property may, at its discretion, spend public
funds necessary for the maintenance, security, or management of the property.

Sec. 32. [281.70] LIMITED RIGHT OF ENTRY.

Subdivision 1. Limited right of entry. If premises described in a real estate tax judgment
sale are vacant or unoccupied, the county auditor or a person acting on behalf of the county
auditor may, but is not obligated to, enter the premises to protect the premises from waste
or trespass until the county auditor is notified that the premises are occupied. An affidavit
of the sheriff, the county auditor, or a person acting on behalf of the county auditor describing
the premises and stating that the premises are vacant and unoccupied is prima facie evidence
of the facts stated in the affidavit. If the affidavit contains a legal description of the premises,
the affidavit may be recorded in the office of the county recorder or the registrar of titles in
the county where the premises are located.

Subd. 2. Authorized actions. (a) The county auditor may take one or more of the
following actions to protect the premises from waste or trespass:

(1) install or change locks on doors and windows;

(2) board windows; and

(3) other actions to prevent or minimize damage to the premises from the elements,
vandalism, trespass, or other illegal activities.

(b) If the county auditor installs or changes locks on premises under paragraph (a), the
county auditor must promptly deliver a key to the premises to the taxpayer or any person
lawfully claiming through the taxpayer upon request.

Subd. 3. Costs. Costs incurred by the county auditor in protecting the premises from
waste or trespass under this section may be added to the delinquent taxes due. The costs
may bear interest to the extent provided, and interest may be added to the delinquent taxes
due.

Subd. 4. Scope. The actions authorized under this section are in addition to, and do not
limit or replace, any other rights or remedies available to the county auditor under Minnesota
law.

Sec. 33. Minnesota Statutes 2016, section 282.01, subdivision 4, is amended to read:

Subd. 4. Sale; method; requirements; effects. (a) The sale authorized under
subdivision 3 must be conducted by the county auditor at the county seat of the county in
which the parcels lie, except that in St. Louis and Koochiching Counties, the sale may be
conducted in any county facility within the county. The sale must not be for less than the
appraised value except as provided in subdivision 7a. The parcels must be sold for cash
only, unless the county board of the county has adopted a resolution providing for their sale
on terms, in which event the resolution controls with respect to the sale. When the sale is
made on terms other than for cash only (1) a payment of at least ten percent of the purchase
price must be made at the time of purchase, and the balance must be paid in no more than
ten equal annual installments, or (2) the payments must be made in accordance with county
board policy, but in no event may the board require more than 12 installments annually,
and the contract term must not be for more than ten years. Standing timber or timber products
must not be removed from these lands until an amount equal to the appraised value of all
standing timber or timber products on the lands at the time of purchase has been paid by
the purchaser. If a parcel of land bearing standing timber or timber products is sold at public
auction for more than the appraised value, the amount bid in excess of the appraised value
must be allocated between the land and the timber in proportion to their respective appraised
values. In that case, standing timber or timber products must not be removed from the land
until the amount of the excess bid allocated to timber or timber products has been paid in
addition to the appraised value of the land. The purchaser is entitled to immediate possession,
subject to the provisions of any existing valid lease made in behalf of the state.

(b) For sales occurring on or after July 1, 1982, the unpaid balance of the purchase price
is subject to interest at the rate determined pursuant to section 549.09. The unpaid balance
of the purchase price for sales occurring after December 31, 1990, is subject to interest at
the rate determined in section 279.03, subdivision 1a. The interest rate is subject to change
each year on the unpaid balance in the manner provided for rate changes in section 549.09
or 279.03, subdivision 1a, whichever, is applicable. Interest on the unpaid contract balance
on sales occurring before July 1, 1982, is payable at the rate applicable to the sale at the
time that the sale occurred.

(c) Notwithstanding subdivision 7, a county board may by resolution provide for the
listing and sale of individual parcels by other means, including through a real estate broker.
However, if the buyer under this paragraph could have repurchased a parcel of property
under section 282.012 or 282.241, that buyer may not purchase that same parcel of property
at the sale under this subdivision for a purchase price less than the sum of all taxes,
assessments, penalties, interest, and costs due at the time of forfeiture computed under
section 282.251, and any special assessments for improvements certified as of the date of
sale. This subdivision shall be liberally construed to encourage the sale and utilization of
tax-forfeited land in order to eliminate nuisances and dangerous conditions and to increase
compliance with land use ordinances.

Sec. 34. Minnesota Statutes 2016, section 282.01, subdivision 6, is amended to read:

Subd. 6. Duties of commissioner after sale. (a) When any sale has been made by the
county auditor under sections 282.01 to 282.13, the auditor shall immediately certify to the
commissioner of revenue such information relating to such sale, on such forms as the
commissioner of revenue may prescribe as will enable the commissioner of revenue to
prepare an appropriate deed if the sale is for cash, or keep necessary records if the sale is
on terms; and not later than October 31 of each year the county auditor shall submit to the
commissioner of revenue a statement of all instances wherein any payment of principal,
interest, or current taxes on lands held under certificate, due or to be paid during the preceding
calendar years, are still outstanding at the time such certificate is made. When such statement
shows that a purchaser or the purchaser's assignee is in default, the commissioner of revenue
may instruct the county board of the county in which the land is located to cancel said
certificate of sale in the manner provided by subdivision 5, provided that upon
recommendation of the county board, and where the circumstances are such that the
commissioner of revenue after investigation is satisfied that the purchaser has made every
effort reasonable to make payment of both the annual installment and said taxes, and that
there has been no willful neglect on the part of the purchaser in meeting these obligations,
then the commissioner of revenue may extend the time for the payment for such period as
the commissioner may deem warranted, not to exceed one year. On payment in full of the
purchase price, appropriate conveyance in fee, in such form as may be prescribed by the
attorney general, shall be issued by the commissioner of revenue, which conveyance must
be recorded by the county and shall have the force and effect of a patent from the state
subject to easements and restrictions of record at the date of the tax judgment sale, including,
but without limitation, permits for telephone and electric power lines either by underground
cable or conduit or otherwise, sewer and water lines, highways, railroads, and pipe lines for
gas, liquids, or solids in suspension.

(b) The commissioner of revenue shall issue an appropriate conveyance in fee upon the
receipt of a loan commitment or approval from the county auditor. For purposes of this
paragraph, "loan commitment" or "loan approval" means a written commitment or approval
to make a mortgage loan from a lender approved to make mortgage loans in Minnesota.
The conveyance shall be issued to the county auditor where the land is located. Upon receipt
of the conveyance, the county auditor shall hold the conveyance until such time as the
conveyance is requested from a title company licensed to do business in Minnesota. If a
request for the conveyance is not made within 45 days of the date the conveyance is issued
by the commissioner of revenue, the county auditor shall return the conveyance to the
commissioner. The title company making the request for the conveyance shall certify to the
county auditor that the conveyance is necessary to close the purchase of the subject property
within five days of the request. If the conveyance is delivered to the title company and the
closing does not occur within five days of the request, the title company shall immediately
return the conveyance to the county auditor, and upon receipt, the county auditor shall return
the deed to the commissioner of revenue. The commissioner of revenue shall destroy all
deeds returned by the county auditor pursuant to this subdivision.
Sec. 35. Minnesota Statutes 2016, section 282.01, is amended by adding a subdivision to read:

Subd. 13. Online auction. A county board, or a county auditor if the auditor has been delegated such authority under section 282.135, may sell tax-forfeited lands through an online auction. When an online auction is used to sell tax-forfeited lands, the county auditor shall post a physical notice of the online auction and shall publish a notice of the online auction on its Web site not less than ten days before the online auction begins, in addition to any other notice required.

EFFECTIVE DATE. This section is effective for sales of tax-forfeited property that occur on or after August 1, 2017.

Sec. 36. Minnesota Statutes 2016, section 282.016, is amended to read:

282.016 PROHIBITED PURCHASERS.

(a) A county auditor, county treasurer, county attorney, court administrator of the district court, county assessor, supervisor of assessments, deputy or clerk or an employee of such officer, a commissioner for tax-forfeited lands or an assistant to such commissioner, must not become a purchaser, either personally or as an agent or attorney for another person, of the properties offered for sale under the provisions of this chapter in the county for which the person performs duties. A person prohibited from purchasing property under this section must not directly or indirectly have another person purchase it on behalf of the prohibited purchaser for the prohibited purchaser's benefit or gain.

(b) Notwithstanding paragraph (a), such officer, deputy, clerk, or employee or commissioner for tax-forfeited lands or assistant to such commissioner may (1) purchase lands owned by that official at the time the state became the absolute owner thereof or (2) bid upon and purchase forfeited property offered for sale under the alternate sale procedure described in section 282.01, subdivision 7a.

(c) In addition to the persons identified in paragraph (a), a county auditor may prohibit other persons and entities from becoming a purchaser, either personally or as an agent or attorney for another person or entity, of the properties offered for sale under this chapter in the following circumstances: (1) the person or entity owns another property within the county for which there are delinquent taxes owing; (2) the person or entity has held a rental license in the county and the license has been revoked within the last five years; (3) the person or entity has been the vendee of a contract for purchase of a property offered for sale under this chapter, which contract has been canceled within the last five years; or (4) the
person or entity owns another property within the county for which there is an unresolved
housing code violation, including an unpaid charge or fine.

(d) A person prohibited from purchasing property under this section must not directly
or indirectly have another person purchase it on behalf of the prohibited purchaser for the
prohibited purchaser's benefit or gain.

Sec. 37. Minnesota Statutes 2016, section 282.018, subdivision 1, is amended to read:

Subdivision 1. **Land on or adjacent to public waters.** (a) All land which is the property
of the state as a result of forfeiture to the state for nonpayment of taxes, regardless of whether
the land is held in trust for taxing districts, and which borders on or is adjacent to meandered
lakes and other public waters and watercourses, and the live timber growing or being thereon,
is hereby withdrawn from sale except as hereinafter provided. The authority having
jurisdiction over the timber on any such lands may sell the timber as otherwise provided by
law for cutting and removal under such conditions as the authority may prescribe in
accordance with approved, sustained yield forestry practices. The authority having jurisdiction
over the timber shall reserve such timber and impose such conditions as the authority deems
necessary for the protection of watersheds, wildlife habitat, shorelines, and scenic features.
Within the area in Cook, Lake, and St. Louis counties described in the Act of Congress
approved July 10, 1930 (46 Stat. 1020), the timber on tax-forfeited lands shall be subject
to like restrictions as are now imposed by that act on federal lands.

(b) Of all tax-forfeited land bordering on or adjacent to meandered lakes and other public
waters and watercourses and so withdrawn from sale, a strip two rods in width, the ordinary
high-water mark being the waterside boundary thereof, and the land side boundary thereof
being a line drawn parallel to the ordinary high-water mark and two rods distant landward
therefrom, hereby is reserved for public travel thereon, and whatever the conformation of
the shore line or conditions require, the authority having jurisdiction over such lands shall
reserve a wider strip for such purposes.

(c) Any tract or parcel of land which has 150 feet or less of waterfront may be sold by
the authority having jurisdiction over the land, in the manner otherwise provided by law
for the sale of such lands, if the authority determines that it is in the public interest to do
so. If the authority having jurisdiction over the land is not the commissioner of natural
resources, the land may not be offered for sale without the prior approval of the commissioner
of natural resources.

(d) Where the authority having jurisdiction over lands withdrawn from sale under this
section is not the commissioner of natural resources, the authority may submit proposals
for disposition of the lands to the commissioner. The commissioner of natural resources
shall evaluate the lands and their public benefits and make recommendations on the proposed
dispositions to the committees of the legislature with jurisdiction over natural resources.
The commissioner shall include any recommendations of the commissioner for disposition
of lands withdrawn from sale under this section over which the commissioner has jurisdiction.
The commissioner's recommendations may include a public sale, sale to a private party,
acquisition by the Department of Natural Resources for public purposes, or a cooperative
management agreement with, or transfer to, another unit of government.

c) Notwithstanding this subdivision, a county may sell property governed by this section
upon written authorization from the commissioner of natural resources. Prior to the sale or
conveyance of lands under this subdivision, the county board must give notice of its intent
to meet for that purpose as provided in section 282.01, subdivision 1.

Sec. 38. Minnesota Statutes 2016, section 282.02, is amended to read:

282.02 LIST OF LANDS FOR SALE; NOTICE; ONLINE AUCTIONS

(a) Immediately after classification and appraisal of the land, and after approval by the
commissioner of natural resources when required pursuant to section 282.01, subdivision
3, the county board shall provide and file with the county auditor a list of parcels of land to
be offered for sale. This list shall contain a description of the parcels of land and the appraised
value thereof. The auditor shall publish a notice of the intended public sale of such parcels
of land and a copy of the resolution of the county board fixing the terms of the sale, if other
than for cash only, by publication once a week for two weeks in the official newspaper of
the county, the last publication to be not less than ten days previous to the commencement
of the sale.

(b) The notice shall include the parcel's description and appraised value. The notice shall
also indicate the amount of any special assessments which may be the subject of a
reassessment or new assessment or which may result in the imposition of a fee or charge
pursuant to sections 429.071, subdivision 4, 435.23, and 444.076. The county auditor shall
also mail notice to the owners of land adjoining the parcel to be sold. For purposes of this
section, "owner" means the taxpayer as listed in the records of the county auditor.

(c) If the county board of St. Louis or Koochiching Counties determines that the sale
shall take place in a county facility other than the courthouse, the notice shall specify the
facility and its location. If the county board determines that the sale shall take place as an
online auction under section 282.01, subdivision 13, the notice shall specify the auction

Web site and the date of the auction.

EFFECTIVE DATE. This section is effective for sales of tax-forfeited property that

occur on or after August 1, 2017.

Sec. 39. Minnesota Statutes 2016, section 282.241, subdivision 1, is amended to read:

Subdivision 1. Repurchase requirements. The owner at the time of forfeiture, or the
owner's heirs, devisees, or representatives, or any person to whom the right to pay taxes
was given by statute, mortgage, or other agreement, may repurchase any parcel of land
claimed by the state to be forfeited to the state for taxes unless before the time repurchase
is made the parcel is sold under installment payments, or otherwise, by the state as provided
by law, or is under mineral prospecting permit or lease, or proceedings have been commenced
by the state or any of its political subdivisions or by the United States to condemn the parcel
of land. The parcel of land may be repurchased for the sum of all delinquent taxes and
assessments computed under section 282.251, together with penalties, interest, and costs,
that accrued or would have accrued if the parcel of land had not forfeited to the state. Except
for property which was homesteaded on the date of forfeiture, repurchase is permitted during
one year six months only from the date of forfeiture, and in any case only after the adoption
of a resolution by the board of county commissioners determining that by repurchase undue
hardship or injustice resulting from the forfeiture will be corrected, or that permitting the
repurchase will promote the use of the lands that will best serve the public interest. If the
county board has good cause to believe that a repurchase installment payment plan for a
particular parcel is unnecessary and not in the public interest, the county board may require
as a condition of repurchase that the entire repurchase price be paid at the time of repurchase.
A repurchase is subject to any easement, lease, or other encumbrance granted by the state
before the repurchase, and if the land is located within a restricted area established by any
county under Laws 1939, chapter 340, the repurchase must not be permitted unless the
resolution approving the repurchase is adopted by the unanimous vote of the board of county
commissioners.

The person seeking to repurchase under this section shall pay all maintenance costs
incurred by the county auditor during the time the property was tax-forfeited.

EFFECTIVE DATE. This section is effective January 1, 2018.

Sec. 40. Minnesota Statutes 2016, section 282.322, is amended to read:

282.322 FORFEITED LANDS LIST.
The county board of any county may file a list of forfeited lands with the county auditor, if the board is of the opinion that such lands may be acquired by the state or any municipal subdivision thereof for public purposes. Upon the filing of such list of forfeited lands, the county auditor shall withhold said lands from repurchase. If no proceeding shall be started to acquire such lands by the state or some municipal subdivision thereof within one year after the filing of such list of forfeited lands, the county board shall withdraw said list and thereafter, if the property was classified as nonhomestead at the time of forfeiture, the owner shall have one year not more than six months in which to repurchase.

EFFECTIVE DATE. This section is effective January 1, 2018.

Sec. 41. Minnesota Statutes 2016, 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 including manufactured homes located in a manufactured home community owned by a cooperative organized under chapter 308A or 308B, and park trailers taxed as manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall also include 17 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 beginning with claims for taxes payable in 2018.

Sec. 42. Minnesota Statutes 2016, section 473H.09, is amended to read:

473H.09 EARLY TERMINATION.

**Subdivision 1. Public emergency.** Termination of an agricultural preserve earlier than a date derived through application of section 473H.08 may be permitted only in the event of a public emergency upon petition from the owner or authority to the governor. The determination of a public emergency shall be by the governor through executive order pursuant to sections 4.035 and 12.01 to 12.46. The executive order shall identify the preserve, the reasons requiring the action and the date of termination.

**Subd. 2. Death of owner.** (a) Within 365 days of the death of an owner, an owner's spouse, or other qualifying person, the surviving owner may elect to terminate the agricultural preserve and the covenant allowing the land to be enrolled as an agricultural preserve by notifying the authority on a form provided by the commissioner of agriculture. Termination of a covenant under this subdivision must be executed and acknowledged in the manner required by law to execute and acknowledge a deed.

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

1. "qualifying person" includes a partner, shareholder, trustee for a trust that the decedent was the settlor or a beneficiary of, or member of an entity permitted to own agricultural land and engage in farming under section 500.24 that owned the agricultural preserve; and

2. "surviving owner" includes the executor of the estate of the decedent, trustee for a trust that the decedent was the settlor or a beneficiary of, or an entity permitted to own farm land under section 500.24 of which the decedent was a partner, shareholder, or member.

(c) When an agricultural preserve is terminated under this subdivision, the property is subject to additional taxes in an amount equal to 50 percent of the taxes actually levied against the property for the current taxes payable year. The additional taxes are extended...
against the property on the tax list for taxes payable in the current year. The additional taxes
must be distributed among the jurisdictions levying taxes on the property in proportion to
the current year's taxes.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 43. Minnesota Statutes 2016, section 473H.17, subdivision 1a, is amended to read:

Subd. 1a. Allowed commercial and industrial operations. (a) Commercial and industrial
operations are not allowed on land within an agricultural preserve except:

(1) small on-farm commercial or industrial operations normally associated with and
important to farming in the agricultural preserve area;

(2) storage use of existing farm buildings that does not disrupt the integrity of the
agricultural preserve; and

(3) small commercial use of existing farm buildings for trades not disruptive to the
integrity of the agricultural preserve such as a carpentry shop, small scale mechanics shop,
and similar activities that a farm operator might conduct; and

(4) wireless communication installations and related equipment and structure capable
of providing technology potentially beneficial to farming activities.

(b) For purposes of paragraph (a), clauses (2) and (3), "existing" in paragraph (a), clauses
(2) and (3), means existing on August 1, 1987.

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

Sec. 44. Minnesota Statutes 2016, section 504B.285, subdivision 1, is amended to read:

Subdivision 1. Grounds. (a) The person entitled to the premises may recover possession
by eviction when:

(1) any person holds over real property:

(i) after a sale of the property on an execution or judgment; or

(ii) after the expiration of the time for redemption on foreclosure of a mortgage, or after
termination of contract to convey the property; or

(iii) after the expiration of the time for redemption on a real estate tax judgment sale;

(2) any person holds over real property after termination of the time for which it is
demised or leased to that person or to the persons under whom that person holds possession,
 contrary to the conditions or covenants of the lease or agreement under which that person
holds, or after any rent becomes due according to the terms of such lease or agreement; or
(3) any tenant at will holds over after the termination of the tenancy by notice to quit.

(b) A landlord may not commence an eviction action against a tenant or authorized
occupant solely on the basis that the tenant or authorized occupant has been the victim of
any of the acts listed in section 504B.206, subdivision 1, paragraph (a). Nothing in this
paragraph should be construed to prohibit an eviction action based on a breach of the lease.

Sec. 45. Minnesota Statutes 2016, section 504B.365, subdivision 3, is amended to read:

Subd. 3. Removal and storage of property. (a) If the defendant's personal property is
to be stored in a place other than the premises, the officer shall remove all personal property
of the defendant at the expense of the plaintiff.

(b) The defendant must make immediate payment for all expenses of removing personal
property from the premises. If the defendant fails or refuses to do so, the plaintiff has a lien
on all the personal property for the reasonable costs and expenses incurred in removing,
caring for, storing, and transporting it to a suitable storage place.

(c) The plaintiff may enforce the lien by detaining the personal property until paid. If
no payment has been made for 60 days after the execution of the order to vacate, the plaintiff
may dispose of the property or hold a public sale as provided in sections 514.18 to 514.22.

(d) If the defendant's personal property is to be stored on the premises, the officer shall
enter the premises, breaking in if necessary, and the plaintiff may remove the defendant's
personal property. Section 504B.271 applies to personal property removed under this
paragraph. The plaintiff must prepare an inventory and mail a copy of the inventory to the
defendant's last known address or, if the defendant has provided a different address, to the
address provided. The inventory must be prepared, signed, and dated in the presence of the
officer and must include the following:

(1) a list of the items of personal property and a description of their condition;
(2) the date, the signature of the plaintiff or the plaintiff's agent, and the name and
telephone number of a person authorized to release the personal property; and
(3) the name and badge number of the officer.

(e) The officer must retain a copy of the inventory.

(f) The plaintiff is responsible for the proper removal, storage, and care of the defendant's
personal property and is liable for damages for loss of or injury to it caused by the plaintiff's
failure to exercise the same care that a reasonably careful person would exercise under
similar circumstances.

(g) The plaintiff shall notify the defendant of the date and approximate time the officer
is scheduled to remove the defendant, family, and personal property from the premises. The
notice must be sent by first class mail. In addition, the plaintiff must make a good faith
effort to notify the defendant by telephone. The notice must be mailed as soon as the
information regarding the date and approximate time the officer is scheduled to enforce the
order is known to the plaintiff, except that the scheduling of the officer to enforce the order
need not be delayed because of the notice requirement. The notice must inform the defendant
that the defendant and the defendant's personal property will be removed from the premises
if the defendant has not vacated the premises by the time specified in the notice.

Sec. 46. Laws 1996, chapter 471, article 3, section 51, is amended to read:

Sec. 51. RECREATION LEVY FOR SAWYER BY CARLTON COUNTY.

Subdivision 1. Levy authorized. Notwithstanding other law to the contrary, the Carlton
county board of commissioners may levy in and for the unorganized township of Sawyer
an amount up to $1,500 annually for recreational purposes, beginning with taxes payable
in 1997 and ending with taxes payable in 2006.

Subd. 2. Effective date. This section is effective June 1, 1996, without local approval.

EFFECTIVE DATE. This section applies to taxes payable in 2018 and thereafter, and
is effective the day after the Carlton County Board of Commissioners and its chief clerical
officer timely complete their compliance with section 645.021, subdivisions 2 and 3.

Sec. 47. SOCCER STADIUM PROPERTY TAX EXEMPTION; SPECIAL
ASSESSMENT.

Any real or personal property acquired, owned, leased, controlled, used, or occupied by
the city of St. Paul for the primary purpose of providing a stadium for a Major League
Soccer team is declared to be acquired, owned, leased, controlled, used, and occupied for
public, governmental, and municipal purposes, and is exempt from ad valorem taxation by
the state or any political subdivision of the state, provided that the properties are subject to
special assessments levied by a political subdivision for a local improvement in amounts
proportionate to and not exceeding the special benefit received by the properties from the
improvement. In determining the special benefit received by the properties, no possible use
of any of the properties in any manner different from their intended use for providing a
Major League Soccer stadium at the time may be considered. Notwithstanding Minnesota Statutes, section 272.01, subdivision 2, or 273.19, real or personal property subject to a lease or use agreement between the city and another person for uses related to the purposes of the operation of the stadium and related parking facilities is exempt from taxation regardless of the length of the lease or use agreement. This section, insofar as it provides an exemption or special treatment, does not apply to any real property that is leased for residential, business, or commercial development or other purposes different from those necessary to the provision and operation of the stadium.

**EFFECTIVE DATE.** This section is effective upon approval by the St. Paul City Council and compliance with Minnesota Statutes, section 645.021.

### Sec. 48. LEGISLATIVE PROPERTY TAX REFORM WORKING GROUP.

**Subdivision 1. Membership.** (a) The Legislative Property Tax Reform Working Group is created and consists of the following members:

1. two representatives appointed by the chair of the tax committee of the house of representatives;
2. two representatives appointed by the minority leader of the tax committee of the house of representatives;
3. two senators appointed by the chair of the senate tax committee; and
4. two senators appointed by the minority leader of the senate tax committee.

(b) Any vacancy shall be filled by appointment of the appointing authority for the vacating member.

(c) Members shall be appointed by July 1, 2017.

**Subd. 2. Duties.** The working group must perform the duties described in section 48.

**Subd. 3. First meeting; chair.** The first appointee of the chair of the house of representatives tax committee must convene the initial meeting of the working group by July 21, 2017. The members of the working group must elect a chair and vice-chair from the members of the working group at the first meeting.

**Subd. 4. Staff.** Legislative staff of the house of representatives and senate shall provide administrative and research support. The working group may request the assistance of staff from the Department of Revenue and Department of Education as necessary to facilitate its work.
Subd. 5. **Report.** The working group must submit a report by February 15, 2018, to the chairs and ranking minority members of the committees in the senate and house of representatives with primary jurisdiction over taxes, presenting two or more alternatives for reform of Minnesota's property tax system.

Subd. 6. **Sunset.** The working group shall sunset the day following the submission of the report under subdivision 5.

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

Sec. 49. **PROPOSALS FOR REFORM OF MINNESOTA'S PROPERTY TAX SYSTEM.**

The Legislative Property Tax Reform Working Group must develop proposals to restructure Minnesota's property tax system for legislative consideration. The proposals must provide for a system that reduces the complexity and cost of Minnesota's property tax system to increase transparency and understanding for taxpayers and assessors while minimizing the number of properties that experience severe tax changes. The proposals must include, but are not limited to, a reduction in the number of classifications and tiers in the current property tax system. The proposals may include a transition period of up to five years before the final system elements are fully operational. At least one proposal must be developed where the highest estimated net state cost does not exceed $250,000,000 in the first year that the proposal is fully phased in. At least one proposal must be developed where the highest estimated net state cost does not exceed $500,000,000 in the first year that the proposal is fully phased in. Each proposal should estimate the administrative cost savings to county governments and to the state government.

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

Sec. 50. **REPEALER.**

Minnesota Statutes 2016, sections 270C.9901; and 281.22, are repealed.

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

**ARTICLE 3**

**TAXPAYER EMPOWERMENT**

Section 1. Minnesota Statutes 2016, section 123B.63, subdivision 3, is amended to read:

Subd. 3. **Capital project levy referendum.** (a) A district may levy the local tax rate approved by a majority of the electors voting on the question to provide funds for an approved...
project. The election must take place no more than five years before the estimated date of
commencement of the project. The referendum must be held on a date set called by
the board and, except as provided in paragraph (g), must be held on the first Tuesday after
the first Monday in November in either an even-numbered or odd-numbered year. A district
must meet the requirements of section 123B.71 for projects funded under this section. If a
review and comment is required under section 123B.71, subdivision 8, a referendum for a
project not receiving a positive review and comment by the commissioner must be approved
by at least 60 percent of the voters at the election.

(b) The referendum may be called by the school board and under this subdivision may
be held:

(1) separately, before an election for the issuance of obligations for the project under
chapter 475; or

(2) in conjunction with an election for the issuance of obligations for the project under
chapter 475; or

(3) notwithstanding section 475.59, as a conjunctive question authorizing both the capital
project levy and the issuance of obligations for the project under chapter 475. Any obligations
authorized for a project may be issued within five years of the date of the election.

(c) The ballot must provide a general description of the proposed project, state the
estimated total cost of the project, state whether the project has received a positive or negative
review and comment from the commissioner, state the maximum amount of the capital
project levy as a percentage of net tax capacity, state the amount that will be raised by that
local tax rate in the first year it is to be levied, and state the maximum number of years that
the levy authorization will apply.

The ballot must contain a textual portion with the information required in this section
and a question stating substantially the following:

"Shall the capital project levy proposed by the board of ........ School District No. ........
be approved?"

If approved, the amount provided by the approved local tax rate applied to the net tax
capacity for the year preceding the year the levy is certified may be certified for the number
of years, not to exceed ten, approved.

(d) If the district proposes a new capital project to begin at the time the existing capital
project expires and at the same maximum tax rate, the general description on the ballot may
state that the capital project levy is being renewed and that the tax rate is not being increased
from the previous year's rate. An election to renew authority under this paragraph may be
called at any time that is otherwise authorized by this subdivision. The ballot notice required
under section 275.60 may be modified to read:

"BY VOTING YES ON THIS BALLOT QUESTION, YOU ARE VOTING TO RENEW
AN EXISTING CAPITAL PROJECTS REFERENDUM THAT IS SCHEDULED TO
EXPIRE."

(e) In the event a conjunctive question proposes to authorize both the capital project
levy and the issuance of obligations for the project, appropriate language authorizing the
issuance of obligations must also be included in the question.

(f) The district must notify the commissioner of the results of the referendum.

(g) Notwithstanding paragraph (a), a referendum to levy the amount needed to finance
a district's response to a disaster or emergency may be held on a date set by the board.

"Disaster" means a situation that creates an actual or imminent serious threat to the health
and safety of persons, or a situation that has resulted or is likely to result in catastrophic
loss to property or the environment. "Emergency" means an unforeseen combination of
circumstances that calls for immediate action to prevent a disaster, identified in the
referendum, from developing or occurring.

EFFECTIVE DATE. This section is effective August 1, 2017, and applies to any
referendum authorized on or after that date.

Sec. 2. Minnesota Statutes 2016, section 126C.17, subdivision 9, is amended to read:

Subd. 9. Referendum revenue. (a) The revenue authorized by section 126C.10,
subdivision 1, may be increased in the amount approved by the voters of the district at a
referendum called for the purpose. The referendum may be called by the board. The
referendum must be conducted one or two calendar years before the increased levy authority,
if approved, first becomes payable. Only one election to approve an increase may be held
in a calendar year. Unless the referendum is conducted by mail under subdivision 11,
paragraph (a), the referendum must be held on the first Tuesday after the first Monday in
November. The ballot must state the maximum amount of the increased revenue per adjusted
pupil unit. The ballot may state a schedule, determined by the board, of increased revenue
per adjusted pupil unit that differs from year to year over the number of years for which the
increased revenue is authorized or may state that the amount shall increase annually by the
rate of inflation. The ballot must state the cumulative amount per pupil of any local optional
revenue, board-approved referendum authority, and previous voter-approved referendum
authority, if any, that the board expects to certify for the next school year. For this purpose, the rate of inflation shall be the annual inflationary increase calculated under subdivision 2, paragraph (b). The ballot may state that existing referendum levy authority is expiring.

In this case, the ballot may also compare the proposed levy authority to the existing expiring levy authority, and express the proposed increase as the amount, if any, over the expiring referendum levy authority. The ballot must designate the specific number of years, not to exceed ten, for which the referendum authorization applies. The ballot, including a ballot on the question to revoke or reduce the increased revenue amount under paragraph (c), must abbreviate the term "per adjusted pupil unit" as "per pupil." The notice required under section 275.60 may be modified to read, in cases of renewing existing levies at the same amount per pupil as in the previous year:

"BY VOTING "YES" ON THIS BALLOT QUESTION, YOU ARE VOTING TO EXTEND AN EXISTING PROPERTY TAX REFERENDUM THAT IS SCHEDULED TO EXPIRE."

The ballot may contain a textual portion with the information required in this subdivision and a question stating substantially the following:

"Shall the increase in the revenue proposed by (petition to) the board of ..........., School District No. ..., be approved?"

If approved, an amount equal to the approved revenue per adjusted pupil unit times the adjusted pupil units for the school year beginning in the year after the levy is certified shall be authorized for certification for the number of years approved, if applicable, or until revoked or reduced by the voters of the district at a subsequent referendum.

(b) The board must prepare and deliver by first class mail at least 15 days but no more than 30 days before the day of the referendum to each taxpayer a notice of the referendum and the proposed revenue increase. The board need not mail more than one notice to any taxpayer. For the purpose of giving mailed notice under this subdivision, owners must be those shown to be owners on the records of the county auditor or, in any county where tax statements are mailed by the county treasurer, on the records of the county treasurer. Every property owner whose name does not appear on the records of the county auditor or the county treasurer is deemed to have waived this mailed notice unless the owner has requested in writing that the county auditor or county treasurer, as the case may be, include the name on the records for this purpose. The notice must project the anticipated amount of tax increase in annual dollars for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the school district.
The notice must state the cumulative and individual amounts per pupil of any local optional revenue, board-approved referendum authority, and voter-approved referendum authority, if any, that the board expects to certify for the next school year.

The notice for a referendum may state that an existing referendum levy is expiring and project the anticipated amount of increase over the existing referendum levy in the first year, if any, in annual dollars for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the district.

The notice must include the following statement: "Passage of this referendum will result in an increase in your property taxes." However, in cases of renewing existing levies, the notice may include the following statement: "Passage of this referendum extends an existing operating referendum at the same amount per pupil as in the previous year."

(c) A referendum on the question of revoking or reducing the increased revenue amount authorized pursuant to paragraph (a) may be called by the board. A referendum to revoke or reduce the revenue amount must state the amount per adjusted pupil unit by which the authority is to be reduced. Revenue authority approved by the voters of the district pursuant to paragraph (a) must be available to the school district at least once before it is subject to a referendum on its revocation or reduction for subsequent years. Only one revocation or reduction referendum may be held to revoke or reduce referendum revenue for any specific year and for years thereafter.

(d) The approval of 50 percent plus one of those voting on the question is required to pass a referendum authorized by this subdivision.

(e) At least 15 days before the day of the referendum, the district must submit a copy of the notice required under paragraph (b) to the commissioner and to the county auditor of each county in which the district is located. Within 15 days after the results of the referendum have been certified by the board, or in the case of a recount, the certification of the results of the recount by the canvassing board, the district must notify the commissioner of the results of the referendum.

EFFECTIVE DATE. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 3. Minnesota Statutes 2016, section 205.10, subdivision 1, is amended to read:

Subdivision 1. Questions. Special elections may be held in a city or town on a question on which the voters are authorized by law or charter to pass judgment. A special election on a question may only be held by a city on the first Tuesday after the first Monday in

Article 3 Sec. 3.
November in either an even-numbered or odd-numbered year. A special election on a question held by a town may be held on the same day as the annual town meeting or on the first Tuesday after the first Monday in November in either an even-numbered or odd-numbered year. A special election may be ordered by the governing body of the municipality on its own motion or, on a question that has not been submitted to the voters in an election within the previous six months, upon a petition signed by a number of voters equal to 20 percent of the votes cast at the last municipal general election. A question is carried only with the majority in its favor required by law or charter. The election officials for a special election shall be the same as for the most recent municipal general election unless changed according to law. Otherwise special elections shall be conducted and the returns made in the manner provided for the municipal general election.

**EFFECTIVE DATE.** This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 4. Minnesota Statutes 2016, section 205A.05, subdivision 1, is amended to read:

**Subdivision 1. Questions.** (a) Special elections must be held for a school district on a question on which the voters are authorized by law to pass judgment. The special election on a question may only be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. The school board may on its own motion call a special election to vote on any matter requiring approval of the voters of a district. Upon petition filed with the school board of 50 or more voters of the school district or five percent of the number of voters voting at the preceding school district general election, whichever is greater, the school board shall by resolution call a special election to vote on any matter requiring approval of the voters of a district. A question is carried only with the majority in its favor required by law. The election officials for a special election are the same as for the most recent school district general election unless changed according to law. Otherwise, special elections must be conducted and the returns made in the manner provided for the school district general election.

(b) A special election may not be held:

(1) during the 56 days before and the 56 days after a regularly scheduled primary or general election conducted wholly or partially within the school district;

(2) on the date of a regularly scheduled town election or annual meeting in March conducted wholly or partially within the school district; or
(3) during the 30 days before or the 30 days after a regularly scheduled town election in March conducted wholly or partially within the school district.

(e) Notwithstanding any other law to the contrary, the time period in which a special election must be conducted under any other law may be extended by the school board to conform with the requirements of this subdivision.

EFFECTIVE DATE. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 5. Minnesota Statutes 2016, section 216B.46, is amended to read:

216B.46 MUNICIPAL ACQUISITION PROCEDURES; NOTICE; ELECTION.

Any municipality which desires to acquire the property of a public utility as authorized under the provisions of section 216B.45 may determine to do so by resolution of the governing body of the municipality taken after a public hearing of which at least 30 days' published notice shall be given as determined by the governing body. The determination shall become effective when ratified by a majority of the qualified electors voting on the question at a special election to be held for that purpose, not less than 60 nor more than 120 days after the resolution of the governing body of the municipality on the first Tuesday after the first Monday in November in either an even-numbered or odd-numbered year.

EFFECTIVE DATE. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 6. Minnesota Statutes 2016, section 237.19, is amended to read:

237.19 MUNICIPAL TELECOMMUNICATIONS SERVICES.

Any municipality shall have the right to own and operate a telephone exchange within its own borders, subject to the provisions of this chapter. It may construct such plant, or purchase an existing plant by agreement with the owner, or where it cannot agree with the owner on price, it may acquire an existing plant by condemnation, as hereinafter provided, but in no case shall a municipality construct or purchase such a plant or proceed to acquire an existing plant by condemnation until such action by it is authorized by a majority of the electors voting upon the proposition at a general election or a special election called for that purpose held on the first Tuesday after the first Monday in November in either an even-numbered or odd-numbered year, and if the proposal is to construct a new exchange where an exchange already exists, it shall not be authorized to do so unless 65 percent of those voting thereon vote in favor of the undertaking. A municipality that owns and operates...
a telephone exchange may enter into a joint venture as a partner or shareholder with a
telecommunications organization to provide telecommunications services within its service
area.

**EFFECTIVE DATE.** This section is effective August 1, 2017, and applies to any
referendum authorized on or after that date.

Sec. 7. Minnesota Statutes 2016, section 275.065, subdivision 3, is amended to read:

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

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

(c) The notice must inform taxpayers that it contains the amount of property taxes each
taxing authority proposes to collect for taxes payable the following year. In the case of a
town, or in the case of the state general tax, the final tax amount will be its proposed tax.
The notice must clearly state for each city that has a population over 500, county, school
district, regional library authority established under section 134.201, and metropolitan taxing
districts as defined in paragraph (i), the time and place of a meeting for each taxing authority
in which the budget and levy will be discussed and public input allowed, prior to the final
budget and levy determination. The taxing authorities must provide the county auditor with
the information to be included in the notice on or before the time it certifies its proposed
levy under subdivision 1. The public must be allowed to speak at that meeting, which must
occur after November 24 and must not be held before 6:00 p.m. It must provide a telephone
number for the taxing authority that taxpayers may call if they have questions related to the
notice and an address where comments will be received by mail, except that no notice
required under this section shall be interpreted as requiring the printing of a personal
telephone number or address as the contact information for a taxing authority. If a taxing
authority does not maintain public offices where telephone calls can be received by the
authority, the authority may inform the county of the lack of a public telephone number and
the county shall not list a telephone number for that taxing authority.

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

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

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

(ii) the proposed tax amount.

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

In the case of a town or the state general tax, the final tax shall also be its proposed tax unless the town changes its levy at a special town meeting under section 365.52. If a school district has certified under section 126C.17, subdivision 9, that a referendum will be held in the school district at the November general election, the county auditor must note next to the school district's proposed amount that a referendum is pending and that, if approved by the voters, the tax amount may be higher than shown on the notice. In the case of the city of Minneapolis, the levy for Minneapolis Park and Recreation shall be listed separately from the remaining amount of the city's levy. In the case of the city of St. Paul, the levy for the St. Paul Library Agency must be listed separately from the remaining amount of the city's levy. In the case of Ramsey County, any amount levied under section 134.07 may be listed separately from the remaining amount of the county's levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax under chapter 276A or 473F applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

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

(4) a statement at the top of the notice stating the following: if a county's or city's proposed levy for next year is greater than its actual levy for the current year, the voters
may have the right to petition for a referendum on next year's levy certification, according to Minnesota Statutes, section 275.80, provided that the final levy that the local government certifies in December of this year is also greater than its levy for the current year.

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

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

1. special assessments;
2. levies approved by the voters after the date the proposed taxes are certified, including bond referenda and school district levy referenda;
3. a levy limit increase approved by the voters by the first Tuesday after the first Monday in November of the levy year as provided under section 275.73;
4. amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;
5. amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and
6. the contamination tax imposed on properties which received market value reductions for contamination.

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

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead, and satisfactory documentation is provided to the county assessor by the applicable deadline, and the property qualifies for the homestead classification in that assessment year, the assessor shall reclassify the property to homestead for taxes payable in the following year.

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

1. mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or
2. post a copy of the notice in a conspicuous place on the premises of the property.
The notice must be mailed or posted by the taxpayer by November 27 or within three
days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer
of the address of the taxpayer, agent, caretaker, or manager of the premises to which the
notice must be mailed in order to fulfill the requirements of this paragraph.

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

(1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325, 473.446,
    473.521, 473.547, or 473.834;
(2) Metropolitan Airports Commission under section 473.667, 473.671, or 473.672; and
(3) Metropolitan Mosquito Control Commission under section 473.711.

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

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

(1) the impact of inflation as measured by the implicit price deflator for state and local
government purchases;
(2) population growth and decline;
(3) state or federal government action; and
(4) other financial factors that affect the level of property taxation and local services
    that the governing body of the county, city, or school district may deem appropriate to
    include.

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

EFFECTIVE DATE. This section is effective for taxes payable in 2018 and thereafter.
Sec. 8. Minnesota Statutes 2016, section 275.07, subdivision 1, is amended to read:

Subdivision 1. Certification of levy. (a) Except as provided under paragraph (b), the taxes voted by cities, counties, school districts, and special districts shall be certified by the proper authorities to the county auditor on or before five working days after December 20 in each year. A town must certify the levy adopted by the town board to the county auditor by September 15 each year. If the town board modifies the levy at a special town meeting after September 15, the town board must recertify its levy to the county auditor on or before five working days after December 20. If a city or county levy is subject to a referendum under section 275.80 and the referendum was approved by the voters, the maximum levy certified under this section is the proposed levy certified under section 275.065. If the referendum was not approved, the maximum amount of levy that a city or county may approve under this section is the maximum alternative levy allowed in section 275.80, subdivision 2. The city or county may choose to certify a levy less than the allowed maximum amount. If a city, town, county, school district, or special district fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year.

(b)(i) The taxes voted by counties under sections 103B.241, 103B.245, and 103B.251 shall be separately certified by the county to the county auditor on or before five working days after December 20 in each year. The taxes certified shall not be reduced by the county auditor by the aid received under section 273.1398, subdivision 3. If a county fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year.

(ii) For purposes of the proposed property tax notice under section 275.065 and the property tax statement under section 276.04, for the first year in which the county implements the provisions of this paragraph, the county auditor shall reduce the county's levy for the preceding year to reflect any amount levied for water management purposes under clause (i) included in the county's levy.

EFFECTIVE DATE. This section is effective for taxes payable in 2018 and thereafter.

Sec. 9. Minnesota Statutes 2016, section 275.60, is amended to read:

275.60 LEVY OR BOND REFERENDUM; BALLOT NOTICE.

(a) Notwithstanding any general or special law or any charter provisions, but subject to section 126C.17, subdivision 9, any question submitted to the voters by any local governmental subdivision at a general or special election after June 8, 1995 June 30, 2017, authorizing a property tax levy or tax rate increase, including the issuance of debt
obligations payable in whole or in part from property taxes, must include on the ballot the following notice in boldface type:

"BY VOTING "YES" ON THIS BALLOT QUESTION, YOU ARE VOTING FOR A PROPERTY TAX INCREASE."

(b) For purposes of this section and section 275.61, "local governmental subdivision" includes counties, home rule and statutory cities, towns, school districts, and all special taxing districts. This statement is in addition to any general or special laws or any charter provisions that govern the contents of a ballot question and, in the case of a question on the issuance of debt obligations, may be supplemented by a description of revenues pledged to payment of the obligations that are intended as the primary source of payment.

(c) An election under this section must be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. This paragraph does not apply to an election on levying a tax or issuing debt obligations to finance the local government's response to a disaster or emergency. An election for these purposes may be held on a date set by the governing body. "Disaster" means a situation that creates an actual or imminent serious threat to the health and safety of persons, or a situation that has resulted or is likely to result in catastrophic loss to property or the environment. "Emergency" means an unforeseen combination of circumstances that calls for immediate action to prevent a disaster, identified in the referendum, from developing or occurring.

(d) This section does not apply to a school district bond election if the debt service payments are to be made entirely from transfers of revenue from the capital fund to the debt service fund.

EFFECTIVE DATE. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 10. [275.80] LEVY INCREASE; REVERSE REFERENDUM AUTHORIZED.

Subdivision 1. Citation. This section shall be known as the "Property Tax Payers' Empowerment Act."

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

(b) "General levy" means the total levy certified under section 275.07 by the local governmental unit, excluding any levy that was approved by the voters at a general or special election.
(c) "Local governmental unit" means a county or a statutory or home rule charter city
with a population of 500 or greater.

(d) "Maximum alternative levy" for taxes levied in a current year by a local governmental
unit means the sum of (1) its nondebt levy certified two years previous to the current year,
and (2) the amount of its proposed levy for the current year levied for the purposes listed
in section 275.70, subdivision 5, clauses (1) to (5).

(e) "Nondebt levy" means the total levy certified under section 275.07 by the local
governmental unit, minus any amount levied for the purposes listed in section 275.70,
subdivision 5, clauses (1) to (5).

Subd. 3. Levy increase; reverse referendum authority. If the certified general levy
exceeds the general levy in the previous year, the voters may petition for a referendum on
the levy to be certified for the following year. The county auditor must publish information
on the right to petition for a referendum as provided in section 276.04, subdivisions 1 and
2. If by June 30, a petition signed by the voters equal in number to ten percent of the votes
cast in the last general election requesting a vote on the levy is filed with the county auditor,
a question on the levy to be certified for the current year must be placed on the ballot at
either the general election or at a special election held on the first Tuesday after the first
Monday in November of the current calendar year.

Subd. 4. Prohibition against new debt before the election. Notwithstanding any other
provision of law, ordinance, or local charter provision, a county or city must not issue any
new debt or obligation from the time the petition for referendum is filed with the county
auditor under subdivision 3 until the day after the referendum required under this section
is held, except as allowed in this subdivision. Refunding bonds and bonds that have already
received voter approval are exempt from the prohibition in this subdivision. For purposes
of this subdivision, "obligation" has the meaning given in section 475.51, subdivision 3.

Subd. 5. Ballot question; consequence of vote. (a) The question submitted to the voters
as required under subdivision 3 shall take the following form:

"The governing body of ...... has imposed the following property tax levy in the last
two years and is proposing the following maximum levy increase for the coming year:

<table>
<thead>
<tr>
<th>(previous payable year)</th>
<th>(current payable year)</th>
<th>(coming payable year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total levy</td>
<td>Total levy</td>
<td>Maximum proposed levy</td>
</tr>
<tr>
<td>$.......</td>
<td>$.......</td>
<td>$.......</td>
</tr>
</tbody>
</table>

Shall the governing body of ...... be allowed to impose the maximum proposed levy
listed above?
If the majority of votes cast are "no," its maximum allowed property tax levy for the coming year will be reduced to its maximum alternative levy of .......

(b) If a city is subject to this provision, it will provide the county auditor with information on its proposed levy by September 30 necessary to calculate the maximum alternative levy under subdivision 2.

c) If the majority of votes cast on this question are in the affirmative, the levy certified by the local governmental unit under section 275.07 must be less than or equal to its proposed levy under section 275.065. If the question does not receive sufficient affirmative votes, the levy amount that the local governmental unit certifies under section 275.07 in the current year must be less than or equal to its maximum alternative levy as defined in subdivision 2.

EFFECTIVE DATE. This section is effective for taxes payable in 2018 and thereafter.

Sec. 11. Minnesota Statutes 2016, section 276.04, subdivision 1, is amended to read:

Subdivision 1. Auditor to publish rates. On receiving the tax lists from the county auditor, the county treasurer shall, if directed by the county board, give three weeks' published notice in a newspaper specifying the rates of taxation for all general purposes and the amounts raised for each specific purpose. If a city or county is subject to a petition of the voters due to a general levy increase as provided in section 275.80, the published notice must also include the general levy for the current year and the previous year for that city or county along with the following statement:

"Because the governing body of ....... increased its nonvoter-approved levy in the current year, the voters in that jurisdiction have the right to petition for a referendum under Minnesota Statutes, section 275.80, on that jurisdiction's levy amount. To invoke the referendum, a petition signed by voters equal to ten percent of the votes cast in the last general election must be filed with the county auditor by June 30 of the current year."

EFFECTIVE DATE. This section is effective for taxes payable in 2018 and thereafter.

Sec. 12. Minnesota Statutes 2016, section 276.04, subdivision 2, is amended to read:

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

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

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

(1) the property's estimated market value under section 273.11, subdivision 1;
(2) the property's homestead market value exclusion under section 273.13, subdivision 35;
(3) the property's taxable market value under section 272.03, subdivision 15;
(4) the property's gross tax, before credits;

(5) for homestead agricultural properties, the credit under section 273.1384;

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

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

(d) If a city or county is subject to a petition of the voters due to a general levy increase as provided in section 275.80, the tax statement must also include the general levy for the current year and the previous year for that city or county along with the following statement:

"Because the governing body of ....... increased its nonvoter-approved levy in the current year, the voters in that jurisdiction have the right to petition for a referendum on that jurisdiction's levy amount under Minnesota Statutes, section 275.80. To invoke the referendum, a petition signed by voters equal to ten percent of the votes cast in the last general election on this issue must be filed with the county auditor by June 30 of the current year."

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

EFFECTIVE DATE. This section is effective for taxes payable in 2018 and thereafter.

Sec. 13. Minnesota Statutes 2016, section 412.221, subdivision 2, is amended to read:

Subd. 2. Contracts. The council shall have power to make such contracts as may be deemed necessary or desirable to make effective any power possessed by the council. The city may purchase personal property through a conditional sales contract and real property through a contract for deed under which contracts the seller is confined to the remedy of recovery of the property in case of nonpayment of all or part of the purchase price, which shall be payable over a period of not to exceed five years. When the contract price of property to be purchased by contract for deed or conditional sales contract exceeds 0.24177 percent
of the estimated market value of the city, the city may not enter into such a contract for at least ten days after publication in the official newspaper of a council resolution determining to purchase property by such a contract; and, if before the end of that time a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular city election is filed with the clerk, the city may not enter into such a contract until the proposition has been approved by a majority of the votes cast on the question at a regular or special election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.

EFFECTIVE DATE. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 14. Minnesota Statutes 2016, section 412.301, is amended to read:

412.301 FINANCING PURCHASE OF CERTAIN EQUIPMENT.

(a) The council may issue certificates of indebtedness or capital notes subject to the city debt limits to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; and

(2) computer hardware and software, whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer hardware or software.

(c) The equipment or software must have an expected useful life at least as long as the terms of the certificates or notes.

(d) Such certificates or notes shall be payable in not more than ten years and shall be issued on such terms and in such manner as the council may determine.

(e) If the amount of the certificates or notes to be issued to finance any such purchase exceeds 0.25 percent of the estimated market value of taxable property in the city, they shall not be issued for at least ten days after publication in the official newspaper of a council resolution determining to issue them; and if before the end of that time, a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular municipal election is filed with the clerk, such certificates or notes shall not be issued until the proposition of their issuance has been approved by a majority.
of the votes cast on the question at an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.

(f) A tax levy shall be made for the payment of the principal and interest on such certificates or notes, in accordance with section 475.61, as in the case of bonds.

EFFECTIVE DATE. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 15. Minnesota Statutes 2016, section 426.19, subdivision 2, is amended to read:

Subd. 2. Referendum in certain cases. Before the pledge of any such revenues to the payment of any such bonds, warrants or certificates of indebtedness, except bonds, warrants or certificates of indebtedness to construct, reconstruct, enlarge or equip a municipal liquor store shall be made, the governing body shall submit to the voters of the city the question of whether such revenues shall be so pledged and such pledge shall not be binding on the city until it shall have been approved by a majority of the voters voting on the question at either a general or special election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. No election shall be required for pledge of such revenues for payment of bonds, warrants or certificates of indebtedness to construct, reconstruct, enlarge or equip a municipal liquor store.

EFFECTIVE DATE. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 16. Minnesota Statutes 2016, section 447.045, subdivision 2, is amended to read:

Subd. 2. Statutory city; on-sale and off-sale store. If the voters of a statutory city operating an on-sale and off-sale municipal liquor store, at an election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year, vote in favor of contributing from its liquor dispensary fund toward the construction of a community hospital, the city council may appropriate not more than $60,000 from the fund to any incorporated nonprofit hospital association to build a community hospital in the statutory city. The hospital must be governed by a board including two or more members of the statutory city council and be open to all residents of the statutory city on equal terms. This appropriation must not exceed one-half the total cost of construction of the hospital. The council must not appropriate the money unless the average net earnings of the on-sale and off-sale municipal liquor store have been at least $10,000 for the last five completed fiscal years before the date of the appropriation.

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EFFECTIVE DATE. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 17. Minnesota Statutes 2016, section 447.045, subdivision 3, is amended to read:

Subd. 3. Statutory city; off-sale or on- and off-sale store. (a) If a statutory city operates an off-sale, or an on- and off-sale municipal liquor store it may provide for a vote at a general or special election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year on the question of contributing from the city liquor dispensary fund to build, maintain, and operate a community hospital. If the vote is in favor, the city council may appropriate money from the fund to an incorporated hospital association for a period of four years. The appropriation must be from the net profits or proceeds of the municipal liquor store. It must not exceed $4,000 a year for hospital construction and maintenance or $1,000 a year for operation. The hospital must be open to all residents of the community on equal terms.

(b) The council must not appropriate the money unless the average net earnings of the off-sale, or on- and off-sale municipal liquor store have been at least $8,000 for the last two completed years before the date of the appropriation.

EFFECTIVE DATE. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 18. Minnesota Statutes 2016, section 447.045, subdivision 4, is amended to read:

Subd. 4. Fourth class city operating store. If a city of the fourth class operates a municipal liquor store, it may provide for a vote at a general or special election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year on the question of contributing from the profit in the city liquor dispensary fund to build, equip, and maintain a community hospital within the city limits. If the vote is in favor, the city council may appropriate not more than $200,000 from profits in the fund for the purpose. The hospital must be open to all residents of the city on equal terms.

The city may issue certificates of indebtedness in anticipation of and payable only from profits from the operation of municipal liquor stores.

EFFECTIVE DATE. This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.
Sec. 19. Minnesota Statutes 2016, section 447.045, subdivision 6, is amended to read:

Subd. 6. **Statutory city; fourth class.** If a fourth class statutory city operates a municipal liquor store, it may provide for a vote at a general or special election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year on the question of contributing from the city liquor dispensary fund not more than $15,000 a year for five years to build and maintain a community hospital. If the vote is in favor the council may appropriate the money from the fund to an incorporated community hospital association in the city.

**EFFECTIVE DATE.** This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 20. Minnesota Statutes 2016, section 447.045, subdivision 7, is amended to read:

Subd. 7. **Statutory city; any store.** If a statutory city operates a municipal liquor store, it may provide for a vote at a general or special election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year on the question of contributing from the statutory city liquor dispensary fund toward the acquisition, construction, improvement, maintenance, and operation of a community hospital. If the vote is in favor, the council may appropriate money from time to time out of the net profits or proceeds of the municipal liquor store to an incorporated nonprofit hospital association in the statutory city. The hospital association must be governed by a board of directors elected by donors of $50 or more, who each have one vote. The hospital must be open to all residents of the community on equal terms.

**EFFECTIVE DATE.** This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 21. Minnesota Statutes 2016, section 452.11, is amended to read:

452.11 **SUBMISSION TO VOTERS.**

No city of the first class shall acquire or construct any public utility under the terms of sections 452.08 to 452.13 unless the proposition to acquire or construct same has first been submitted to the qualified electors of the city at a general city election or at a special election called for that purpose, held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year and has been approved by a majority vote of all electors voting upon the proposition.
The question of issuing public utility certificates as provided in section 452.09 may, at
the option of the council, be submitted at the same election as the question of the acquisition
or construction of the public utility.

EFFECTIVE DATE. This section is effective August 1, 2017, and applies to any
referendum authorized on or after that date.

Sec. 22. Minnesota Statutes 2016, section 455.24, is amended to read:

455.24 SUBMISSION TO VOTERS.

Before incurring any expense under the powers conferred by section 455.23, the approval
of the voters of the city shall first be had at a general or special election held therein on
the first Tuesday after the first Monday in November of either an even-numbered or
odd-numbered year. If a majority of the voters of the city participating at the election shall
vote in favor of the construction of the system of poles, wires and cables herein authorized
to be made, the council shall proceed with the construction.

EFFECTIVE DATE. This section is effective August 1, 2017, and applies to any
referendum authorized on or after that date.

Sec. 23. Minnesota Statutes 2016, section 455.29, is amended to read:

455.29 MUNICIPALITIES MAY EXTEND ELECTRIC SERVICE.

Except as otherwise restricted by chapter 216B, the governing body, or the commission
or board charged with the operation of the public utilities, if one exists therein, of any
municipality in the state owning and operating an electric light and power plant for the
purpose of the manufacture and sale of electrical power or for the purchase and redistribution
of electrical power, may, upon a two-thirds vote of the governing body, or the commission
or board, in addition to all other powers now possessed by such municipality, sell electricity
to customers, singly or collectively, outside of such municipality, within the state but not
to exceed a distance of 30 miles from the corporate limits of the municipality. Before any
municipality shall have the power to extend its lines and sell electricity outside of the
municipality as provided by sections 455.29 and 455.30, the governing body shall first
submit to the voters of the municipality, at a general or special election held on the first
Tuesday after the first Monday in November of either an even-numbered or odd-numbered
year, the general principle of going outside the municipality and fixing the maximum amount
of contemplated expenditures reasonably expected to be made for any and all extensions
then or thereafter contemplated. Three weeks' published notice shall be given of such election
as required by law, and if a majority of those voting upon the proposition favors the same, then the municipality shall thereafter be considered as having chosen to enter the general business of extending its electric light and power facilities beyond the corporate limits of the municipality. It shall not be necessary to submit to a vote of the people the question of any specific enlargement, extension, or improvement of any outside lines; provided the voters of the municipality have generally elected to exercise the privileges afforded by sections 455.29 and 455.30, and, provided, that each and any specific extension, enlargement, or improvement project is within the limit of the maximum expenditure authorized at the election. In cities operating under a home rule charter, where a vote of the people is not now required in order to extend electric light and power lines, no election shall be required under the provisions of any act. At any election held to determine the attitude of the voters upon this principle, the question shall be simply stated upon the ballot provided therefor, and shall be substantially in the following form: "Shall the city of ..................... undertake the general proposition of extending its electric light and power lines beyond the limits of the municipality, and limit the maximum expenditures for any and all future extensions to the sum of $....................?" For this purpose every municipality is authorized and empowered to extend the lines, wires, and fixtures of its plant to such customers and may issue certificates of indebtedness therefor in an amount not to exceed the actual cost of the extensions and for a term not to exceed the reasonable life of the extensions. These certificates of indebtedness shall in no case be made a charge against the municipality, but shall be payable and paid out of current revenues of the plant other than taxes.

**EFFECTIVE DATE.** This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 24. Minnesota Statutes 2016, section 459.06, subdivision 1, is amended to read:

Subdivision 1. **Accept donations.** Any county, city, or town may by resolution of its governing body accept donations of land that the governing body deems to be better adapted for the production of timber and wood than for any other purpose, for a forest, and may manage it on forestry principles. The donor of not less than 100 acres of any such land shall be entitled to have the land perpetually bear the donor's name. The governing body of any city or town, when funds are available or have been levied therefor, may, when authorized by a majority vote by ballot of the voters voting at any general or special city election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year or the annual town meeting where the question is properly submitted, purchase or obtain by condemnation proceedings, and preferably at the sources of streams, any tract of land for a forest which is better adapted for the production of timber and wood.
than for any other purpose, and which is conveniently located for the purpose, and manage it on forestry principles. The city or town may annually levy a tax on all taxable property within its boundaries to procure and maintain such forests.

**EFFECTIVE DATE.** This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 25. Minnesota Statutes 2016, section 469.053, subdivision 5, is amended to read:

Subd. 5. Reverse referendum. A city may increase its levy for port authority purposes under subdivision 4 only as provided in this subdivision. Its city council must first pass a resolution stating the proposed amount of levy increase. The city must then publish the resolution together with a notice of public hearing on the resolution for two successive weeks in its official newspaper or, if none exists, in a newspaper of general circulation in the city. The hearing must be held two to four weeks after the first publication. After the hearing, the city council may decide to take no action or may adopt a resolution authorizing the proposed increase or a lesser increase. A resolution authorizing an increase must be published in the city's official newspaper or, if none exists, in a newspaper of general circulation in the city. The resolution is not effective if a petition requesting a referendum on the resolution is filed with the city clerk within 30 days of publication of the resolution. The petition must be signed by voters equaling five percent of the votes cast in the city in the last general election. The resolution is effective if approved by a majority of those voting on the question. The commissioner of revenue shall prepare a suggested form of referendum question. The referendum must be held at a special or general election before October 1 of the year for which the levy increase is proposed conducted on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. If approved by the voters, the levy increase may take effect no sooner than the next calendar year.

**EFFECTIVE DATE.** This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 26. Minnesota Statutes 2016, section 469.107, subdivision 2, is amended to read:

Subd. 2. Reverse referendum. A city may increase its levy for economic development authority purposes under subdivision 1 in the following way. Its city council must first pass a resolution stating the proposed amount of levy increase. The city must then publish the resolution together with a notice of public hearing on the resolution for two successive weeks in its official newspaper or if none exists in a newspaper of general circulation in the city. The hearing must be held two to four weeks after the first publication. After the hearing,
the city council may decide to take no action or may adopt a resolution authorizing the
proposed increase or a lesser increase. A resolution authorizing an increase must be published
in the city's official newspaper or if none exists in a newspaper of general circulation in the
city. The resolution is not effective if a petition requesting a referendum on the resolution
is filed with the city clerk within 30 days of publication of the resolution. The petition must
be signed by voters equaling five percent of the votes cast in the city in the last general
election. The election referendum must be held at a general or special election held on
the first Tuesday after the first Monday in November of either an even-numbered or
odd-numbered year. Notice of the election must be given in the manner required by law.
The notice must state the purpose and amount of the levy.

**EFFECTIVE DATE.** This section is effective August 1, 2017, and applies to any
referendum authorized on or after that date.

Sec. 27. Minnesota Statutes 2016, section 469.190, subdivision 1, is amended to read:

Subdivision 1. **Authorization.** Notwithstanding section 477A.016 or any other law, a
statutory or home rule charter city may by ordinance, and a town may by the affirmative
vote of the electors at the annual town meeting, or at a special town meeting, impose a tax
of up to 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. A statutory or home rule charter city may
by ordinance impose the tax authorized under this subdivision on the camping site receipts
of a municipal campground.

**EFFECTIVE DATE.** This section is effective August 1, 2017, and applies to any
referendum authorized on or after that date.

Sec. 28. Minnesota Statutes 2016, section 469.190, subdivision 5, is amended to read:

Subd. 5. **Reverse referendum.** If the county board passes a resolution under subdivision
4 to impose the tax, the resolution must be published for two successive weeks in a newspaper
of general circulation within the unorganized territory, together with a notice fixing a date
for a public hearing on the proposed tax.

The hearing must be held not less than two weeks nor more than four weeks after the
first publication of the notice. After the public hearing, the county board may determine to
take no further action, or may adopt a resolution authorizing the tax as originally proposed
or approving a lesser rate of tax. The resolution must be published in a newspaper of general
circulation within the unorganized territory. The voters of the unorganized territory may
request a referendum on the proposed tax by filing a petition with the county auditor within 30 days after the resolution is published. The petition must be signed by voters who reside in the unorganized territory. The number of signatures must equal at least five percent of the number of persons voting in the unorganized territory in the last general election. If such a petition is timely filed, the resolution is not effective until it has been submitted to the voters residing in the unorganized territory at a general or special election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year and a majority of votes cast on the question of approving the resolution are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the referendum.

**EFFECTIVE DATE.** This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 29. Minnesota Statutes 2016, section 471.57, subdivision 3, is amended to read:

Subd. 3. **May use fund for other purposes upon vote.** The council of any municipality which has established a public works reserve fund by an ordinance designating the specific improvement or type of capital improvement for which the fund may be used may submit to the voters of the municipality at a regular or special election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year the question of using the fund for some other purpose. If a majority of the votes cast on the question are in favor of such diversion from the original purpose of the fund, it may be used for any purpose so approved by the voters.

**EFFECTIVE DATE.** This section is effective August 1, 2017, and applies to any referendum authorized on or after that date.

Sec. 30. Minnesota Statutes 2016, section 471.571, subdivision 3, is amended to read:

Subd. 3. **Expenditure from fund, limitation.** No expenditure for any one project in excess of 60 percent of one year's levy or $25,000, whichever is greater, may be made from such permanent improvement or replacement fund in any year without first obtaining the approval of a majority of the voters voting at a general or special municipal election held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year at which the question of making such expenditure has been submitted. In submitting any proposal to the voters for approval, the amount proposed to be spent and the purpose thereof shall be stated in the proposal submitted. The proceeds of such levies may be pledged for the payment of any bonds issued pursuant to law for any purposes

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authorized hereby and annual payments upon such bonds or interest may be made without
additional authorization.

**EFFECTIVE DATE.** This section is effective August 1, 2017, and applies to any
referendum authorized on or after that date.

Sec. 31. Minnesota Statutes 2016, section 471.572, subdivision 2, is amended to read:

Subd. 2. Tax levy. The governing body of a city may establish, by a two-thirds vote of
all its members, by ordinance or resolution a reserve fund and may annually levy a property
tax for the support of the fund. The proceeds of taxes levied for its support must be paid
into the reserve fund. Any other revenue from a source not required by law to be paid into
another fund for purposes other than those provided for the use of the reserve fund may be
paid into the fund. Before a tax is levied under this section, the city must publish in the
official newspaper of the city an initial resolution authorizing the tax levy. If within ten
days after the publication a petition is filed with the city clerk requesting an election on the
tax levy signed by a number of qualified voters greater than ten percent of the number who
voted in the city at the last general election, the tax may not be levied until the levy has
been approved by a majority of the votes cast on it at an election held on the first Tuesday after the first Monday in November of either an even-numbered or
odd-numbered year.

**EFFECTIVE DATE.** This section is effective August 1, 2017, and applies to any
referendum authorized on or after that date.

Sec. 32. Minnesota Statutes 2016, section 471.572, subdivision 4, is amended to read:

Subd. 4. Use of fund for a specific purpose. If the city has established a reserve fund,
it may submit to the voters at an election held on the first Tuesday after
the first Monday in November of either an even-numbered or odd-numbered year the question
of whether use of the fund should be restricted to a specific improvement or type of capital
improvement. If a majority of the votes cast on the question are in favor of the limitation
on the use of the reserve fund, it may be used only for the purpose approved by the voters.

**EFFECTIVE DATE.** This section is effective August 1, 2017, and applies to any
referendum authorized on or after that date.

Sec. 33. Minnesota Statutes 2016, section 475.59, is amended to read:

**475.59 MANNER OF SUBMISSION; NOTICE.**
Subdivision 1. **Generally; notice.** When the governing body of a municipality resolves to issue bonds for any purpose requiring the approval of the electors, it shall provide for submission of the proposition of their issuance at a general or special election or town or school district meeting. Notice of such election or meeting shall be given in the manner required by law and shall state the maximum amount and the purpose of the proposed issue.

In any school district, the school board or board of education may, according to its judgment and discretion, submit as a single ballot question or as two or more separate questions in the notice of election and ballots the proposition of their issuance for any one or more of the following, stated conjunctively or in the alternative: acquisition or enlargement of sites, acquisition, betterment, erection, furnishing, equipping of one or more new schoolhouses, remodeling, repairing, improving, adding to, betterment, furnishing, equipping of one or more existing schoolhouses. In any city, town, or county, the governing body may, according to its judgment and discretion, submit as a single ballot question or as two or more separate questions in the notice of election and ballots the proposition of their issuance, stated conjunctively or in the alternative, for the acquisition, construction, or improvement of any facilities at one or more locations.

Subd. 2. **Election date.** An election to approve issuance of bonds under this section held by a municipality other than a town must be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year. An election under this section held by a town may be held on the same day as the annual town meeting or on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year.

Subd. 3. **Special laws.** If a referendum on the issuance of bonds or other debt obligations authorized in a special law is required, it must be held on a date as provided in subdivision 2, notwithstanding any provision in the special law authorizing the referendum to be held at any other time.

Subd. 4. **Exception for disaster or emergency.** Subdivisions 2 and 3, and any other law requiring an election to approve issuance of bonds or other debt obligations to be held on the first Tuesday after the first Monday in November of either an even-numbered or odd-numbered year, do not apply to issuance of bonds or other debt obligations to finance the municipality's response to an emergency or disaster. "Disaster" means a situation that creates an actual or imminent serious threat to the health and safety of persons, or a situation that has resulted or is likely to result in catastrophic loss to property or the environment. "Emergency" means an unforeseen combination of circumstances that calls for immediate action to prevent a disaster, identified in the referendum, from developing or occurring.
EFFECTIVE DATE. This section is effective August 1, 2017, and applies to any
referendum authorized on or after that date.

Sec. 34. REPEALER.

Minnesota Statutes 2016, section 205.10, subdivision 3, is repealed.

EFFECTIVE DATE. This section is effective August 1, 2017.

ARTICLE 4

SALES AND USE TAXES

Section 1. [88.068] VOLUNTEER FIRE ASSISTANCE GRANT ACCOUNT.

A volunteer fire assistance grant account is established in the special revenue fund. Sales
taxes allocated under section 297A.94, for making grants under section 88.067, must be
deposited in the special revenue fund and credited to the volunteer fire assistance grant
account. Money in the account, including interest, is appropriated to the commissioner for
making grants under that section.

EFFECTIVE DATE. This section is effective beginning with deposits made in fiscal
year 2018.

Sec. 2. Minnesota Statutes 2016, section 128C.24, is amended to read:

128C.24 LEAGUE FUNDS TRANSFER.

Beginning July 1, 2007, the Minnesota State High School League shall annually determine
the sales tax savings attributable to section 297A.70, subdivision 44.11a, and annually
transfer that amount to a nonprofit charitable foundation created for the purpose of promoting
high school extracurricular activities. The funds must be used by the foundation to make
grants to fund, assist, recognize, or promote high school students' participation in
extracurricular activities. The first priority for funding will be grants for scholarships to
individuals to offset athletic fees. The foundation must equitably award grants based on
considerations of gender balance, school size, and geographic location, to the extent feasible.

EFFECTIVE DATE. This section is effective for sales and purchases made after June
30, 2017.
Sec. 3. Minnesota Statutes 2016, section 297A.66, subdivision 1, is amended to read:

Subdivision 1. Definitions. (a) To the extent allowed by the United States Constitution and the laws of the United States, "retailer maintaining a place of business in this state," or a similar term, means a retailer:

(1) having or maintaining within this state, directly or by a subsidiary or an affiliate, an office, place of distribution, sales, storage, or sample room or place, warehouse, or other place of business, including the employment of a resident of this state who works from a home office in this state; or

(2) having a representative, including, but not limited to, an affiliate, agent, salesperson, canvasser, or marketplace provider, solicitor, or other third party operating in this state under the authority of the retailer or its subsidiary, for any purpose, including the repairing, selling, delivering, installing, facilitating sales, processing sales, or soliciting of orders for the retailer's goods or services, or the leasing of tangible personal property located in this state, whether the place of business or agent, representative, affiliate, salesperson, canvasser, or solicitor is located in the state permanently or temporarily, or whether or not the retailer, subsidiary, or affiliate is authorized to do business in this state. A retailer is represented by a marketplace provider in this state if the retailer makes sales in this state facilitated by a marketplace provider that maintains a place of business in this state.

(b) "Destination of a sale" means the location to which the retailer makes delivery of the property sold, or causes the property to be delivered, to the purchaser of the property, or to the agent or designee of the purchaser. The delivery may be made by any means, including the United States Postal Service or a for-hire carrier.

(c) "Marketplace provider" means any person who facilitates a retail sale by a retailer by:

(1) listing or advertising for sale by the retailer in any forum, tangible personal property, services, or digital goods that are subject to tax under this chapter; and

(2) either directly or indirectly through agreements or arrangements with third parties collecting payment from the customer and transmitting that payment to the retailer regardless of whether the marketplace provider receives compensation or other consideration in exchange for its services.

(d) "Total taxable retail sales" means the gross receipts from the sale of all tangible goods, services, and digital goods subject to sales and use tax under this chapter.
Sec. 4. Minnesota Statutes 2016, section 297A.66, subdivision 2, is amended to read:

Subd. 2. Retailer maintaining place of business in this state. (a) Except as provided in paragraph (b), a retailer maintaining a place of business in this state who makes retail sales in Minnesota or to a destination in Minnesota shall collect sales and use taxes and remit them to the commissioner under section 297A.77.

(b) A retailer with total taxable retail sales to customers in this state of less than $10,000 in the 12-month period ending on the last day of the most recently completed calendar quarter is not required to collect and remit sales tax if it is determined to be a retailer maintaining a place of business in the state solely because it made sales through one or more marketplace providers. The provisions of this paragraph do not apply to a retailer that is or was registered to collect sales and use tax in this state.

Sec. 5. Minnesota Statutes 2016, section 297A.66, subdivision 4, is amended to read:

Subd. 4. Affiliated entities. (a) An entity is an "affiliate" of the retailer for purposes of subdivision 1, paragraph (a), if the entity:

(1) the entity uses its facilities or employees in this state to advertise, promote, or facilitate the establishment or maintenance of a market for sales of items by the retailer to purchasers in this state or for the provision of services to the retailer's purchasers in this state, such as accepting returns of purchases for the retailer, providing assistance in resolving customer complaints of the retailer, or providing other services; and

(2) the retailer and the entity are related parties, has the same or a similar business name to the retailer and sells, from a location or locations in this state, tangible personal property, digital goods, or services, taxable under this chapter, that are similar to that sold by the retailer;

(3) maintains an office, distribution facility, salesroom, warehouse, storage place, or other similar place of business in this state to facilitate the delivery of tangible personal property, digital goods, or services sold by the retailer to its customers in this state;

(4) maintains a place of business in this state and uses trademarks, service marks, or trade names in this state that are the same or substantially similar to those used by the retailer, and that use is done with the express or implied consent of the holder of the marks or names;

(5) delivers, installs, or assembles tangible personal property in this state, or performs maintenance or repair services on tangible personal property in this state, for tangible personal property sold by the retailer;
(6) facilitates the delivery of tangible personal property to customers of the retailer by allowing the customers to pick up tangible personal property sold by the retailer at a place of business the entity maintains in this state; or

(7) shares management, business systems, business practices, or employees with the retailer, or engages in intercompany transactions with the retailer related to the activities that establish or maintain the market in this state of the retailer.

(b) Two entities are related parties under this section if one of the entities meets at least one of the following tests with respect to the other entity:

(1) one or both entities is a corporation, and one entity and any party related to that entity in a manner that would require an attribution of stock from the corporation to the party or from the party to the corporation under the attribution rules of section 318 of the Internal Revenue Code owns directly, indirectly, beneficially, or constructively at least 50 percent of the value of the corporation's outstanding stock;

(2) one or both entities is a partnership, estate, or trust and any partner or beneficiary, and the partnership, estate, or trust and its partners or beneficiaries own directly, indirectly, beneficially, or constructively, in the aggregate, at least 50 percent of the profits, capital, stock, or value of the other entity or both entities; or

(3) an individual stockholder and the members of the stockholder's family (as defined in section 318 of the Internal Revenue Code) owns directly, indirectly, beneficially, or constructively, in the aggregate, at least 50 percent of the value of both entities' outstanding stock; or

(4) the entities are related within the meaning of subsections (b) and (c) of section 267 or 707(b)(1) of the Internal Revenue Code; or

(5) the entities have one or more ownership relationships and the relationships were designed with a principal purpose of avoiding the application of this section.

(c) An entity is an affiliate under the provisions of this subdivision if the requirements of paragraphs (a) and (b) are met during any part of the 12-month period ending on the first day of the month before the month in which the sale was made.

Sec. 6. Minnesota Statutes 2016, section 297A.66, is amended by adding a subdivision to read:

Subd. 4b. Collection and remittance requirements for marketplace providers and marketplace retailers. (a) A marketplace provider shall collect sales and use taxes and
remit them to the commissioner under section 297A.77 for all facilitated sales for a retailer, and is subject to audit on the retail sales it facilitates unless either:

(1) the retailer provides a copy of the retailer's registration to collect sales and use tax in this state to the marketplace provider before the marketplace provider facilitates a sale; or

(2) upon inquiry by the marketplace provider or its agent, the commissioner discloses that the retailer is registered to collect sales and use taxes in this state.

(b) Nothing in this subdivision shall be construed to interfere with the ability of a marketplace provider and a retailer to enter into an agreement regarding fulfillment of the requirements of this chapter.

(c) A marketplace provider is not liable under this subdivision for failure to file and collect and remit sales and use taxes if the marketplace provider demonstrates that the error was due to incorrect or insufficient information given to the marketplace provider by the retailer. This paragraph does not apply if the marketplace provider and the marketplace retailer are related as defined in subdivision 4, paragraph (b).

Sec. 7. Minnesota Statutes 2016, section 297A.67, subdivision 13a, is amended to read:

Subd. 13a. Instructional materials. (a) Instructional materials, other than textbooks, that are prescribed for use in conjunction with a course of study in a postsecondary school, college, university, or private career school to students who are regularly enrolled at such institutions are exempt. For purposes of this subdivision, "instructional materials" means materials required to be used directly in the completion of the course of study, including, but not limited to:

(1) interactive CDs, tapes, digital audio works, digital audiovisual works, and computer software;

(2) charts and models used in the course of study; and

(3) specialty pens, pencils, inks, paint, paper, and other art supplies for art classes.

(b) Notwithstanding paragraph (c), if the course of study is necessary to obtaining a degree or certification for a trade or career, any equipment, tools, and supplies required during the course of study that are generally used directly in the practice of the career or trade are also exempt.
(c) Instructional materials do not include general reference works or other items incidental to the instructional process such as pens, pencils, paper, folders, or computers that are of general use outside of the course of study.

(d) For purposes of this subdivision, "school" and "private career school" have the meanings given in subdivision 13.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2017.

Sec. 8. Minnesota Statutes 2016, section 297A.67, is amended by adding a subdivision to read:

Subd. 34. Certain herbicides. Purchases of herbicides authorized for use pursuant to an invasive aquatic plant management permit as defined under section 103G.615 are exempt if purchased by a lakeshore property owner, an association of lakeshore property owners organized under chapter 317A, or by a contractor hired by a lakeshore owner or association to provide invasive aquatic plant management under the permit. For purposes of this subdivision, "herbicides" means all herbicides that meet the following requirements:

1. are labeled for use in water;
2. are registered for use in this state by the Minnesota Department of Agriculture under section 18B.26; and
3. are listed as one of the herbicides proposed for use on the invasive aquatic plant management permit.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2017.

Sec. 9. Minnesota Statutes 2016, section 297A.68, subdivision 5, is amended to read:

Subd. 5. Capital equipment. (a) Capital equipment is exempt.

"Capital equipment" means machinery and equipment purchased or leased, and used in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining, or refining tangible personal property to be sold ultimately at retail if the machinery and equipment are essential to the integrated production process of manufacturing, fabricating, mining, or refining. Capital equipment also includes machinery and equipment used primarily to electronically transmit results retrieved by a customer of an online computerized data retrieval system.
(b) Capital equipment includes, but is not limited to:

1. machinery and equipment used to operate, control, or regulate the production equipment;
2. machinery and equipment used for research and development, design, quality control, and testing activities;
3. environmental control devices that are used to maintain conditions such as temperature, humidity, light, or air pressure when those conditions are essential to and are part of the production process;
4. materials and supplies used to construct and install machinery or equipment;
5. repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to machinery or equipment;
6. materials used for foundations that support machinery or equipment;
7. materials used to construct and install special purpose buildings used in the production process;
8. ready-mixed concrete equipment in which the ready-mixed concrete is mixed as part of the delivery process regardless if mounted on a chassis, repair parts for ready-mixed concrete trucks, and leases of ready-mixed concrete trucks; and
9. machinery or equipment used for research, development, design, or production of computer software.

(c) Capital equipment does not include the following:

1. motor vehicles taxed under chapter 297B;
2. machinery or equipment used to receive or store raw materials;
3. building materials, except for materials included in paragraph (b), clauses (6) and (7);
4. machinery or equipment used for nonproduction purposes, including, but not limited to, the following: plant security, fire prevention, first aid, and hospital stations; support operations or administration; pollution control; and plant cleaning, disposal of scrap and waste, plant communications, space heating, cooling, lighting, or safety;
5. farm machinery and aquaculture production equipment as defined by section 297A.61, subdivisions 12 and 13;
(6) machinery or equipment purchased and installed by a contractor as part of an improvement to real property;

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

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

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

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

(d) For purposes of this subdivision:

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

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

(3) "Integrated production process" means a process or series of operations through which tangible personal property is manufactured, fabricated, mined, or refined. For purposes of this clause, (i) manufacturing begins with the removal of raw materials 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 35a, and does not apply to wire, cable, fiber, poles, or conduit for
telecommunications services.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June
30, 2017.

Sec. 10. Minnesota Statutes 2016, section 297A.68, subdivision 9, is amended to read:

Subd. 9. **Super Bowl admissions and related events.** (a) The granting of the privilege
of admission to a world championship football game sponsored by the National Football
League is and to related events sponsored by the National Football League or its affiliates,
or the Minnesota Super Bowl Host Committee, are exempt.

(b) The sale of nonresidential parking by the National Football League for attendance
at a world championship football game sponsored by the National Football League and for
related events sponsored by the National Football League or its affiliates, or the Minnesota
Super Bowl Host Committee, is exempt. Purchases of nonresidential parking services by
the Super Bowl Host Committee are purchases made exempt for resale.
For the purposes of this subdivision:

(1) "related events sponsored by the National Football League or its affiliates" includes but is not limited to preparatory advance visits, NFL Experience, NFL Tailgate, NFL On Location, and NFL House; and

(2) "affiliates" does not include National Football League teams.

**EFFECTIVE DATE.** The amendments to this section are effective for sales and purchases made after June 30, 2016, and before March 1, 2018.

Sec. 11. Minnesota Statutes 2016, section 297A.68, subdivision 35a, is amended to read:

Subd. 35a. *Telecommunications or pay television services machinery and equipment.*

(a) Telecommunications or pay television services machinery and equipment purchased or leased for use directly by a telecommunications or pay television services provider primarily in the provision of telecommunications or pay television services that are ultimately to be sold at retail are exempt, regardless of whether purchased by the owner, a contractor, or a subcontractor.

(b) For purposes of this subdivision, "telecommunications or pay television machinery and equipment" includes, but is not limited to:

(1) machinery, equipment, and fixtures utilized in receiving, initiating, amplifying, processing, transmitting, retransmitting, recording, switching, or monitoring telecommunications or pay television services, such as computers, transformers, amplifiers, routers, bridges, repeaters, multiplexers, and other items performing comparable functions;

(2) machinery, equipment, and fixtures used in the transportation of telecommunications or pay television services, such as radio transmitters and receivers, satellite equipment, microwave equipment, and other transporting media, but not including wire, cable, fiber, poles, or conduit;

(3) ancillary machinery, equipment, and fixtures that regulate, control, protect, or enable the machinery in clauses (1) and (2) to accomplish its intended function, such as auxiliary power supply, test equipment, towers, heating, ventilating, and air conditioning equipment necessary to the operation of the telecommunications or pay television equipment; and software necessary to the operation of the telecommunications or pay television equipment; and

(4) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to qualified machinery or equipment.
**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 12. Minnesota Statutes 2016, section 297A.70, subdivision 4, is amended to read:

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

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

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

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

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

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

(3) an organization that qualifies for an exemption for memberships under subdivision 12 if the item is purchased and used in the performance of the organization's mission.

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

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

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

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

(3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67, subdivision 2, except wine purchased by an established religious organization for sacramental purposes or as allowed under subdivision 9a; and
(4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except as provided in paragraph (c).

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

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

(2) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in 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, 2017.

Sec. 13. Minnesota Statutes 2016, section 297A.70, is amended by adding a subdivision to read:

Subd. 11a. Minnesota State High School League tickets and admissions. Tickets and admissions to games, events, and activities sponsored by the Minnesota State High School League under chapter 128C are exempt.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2017.

Sec. 14. Minnesota Statutes 2016, section 297A.70, subdivision 12, is amended to read:

Subd. 12. YMCA, YWCA, and JCC, and similar memberships. (a) The sale of memberships, meaning both onetime initiation fees and periodic membership dues, to an association incorporated under section 315.44 or an organization defined under section 315.51, or a nonprofit organization offering similar services are exempt. However, all separate charges made for the privilege of having access to and the use of the association's sports and athletic facilities are taxable.

(b) For purposes of this subdivision, a "nonprofit organization offering similar services" means an organization described in section 501(c)(3) of the Internal Revenue Code, whose
mission is to support youth and families through a variety of activities, including membership
allowing access to athletic facilities, and who provide free or reduced-price memberships
to seniors or low-income persons or families.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June
30, 2017.

Sec. 15. Minnesota Statutes 2016, section 297A.70, subdivision 14, is amended to read:

Subd. 14. **Fund-raising events sponsored by nonprofit groups.** (a) Sales of tangible
personal property or services at, and admission charges for fund-raising events sponsored
by, a nonprofit organization are exempt if:

(1) all gross receipts are recorded as such, in accordance with generally accepted
accounting practices, on the books of the nonprofit organization; and

(2) the entire proceeds, less the necessary expenses for the event, will be used solely
and exclusively for charitable, religious, or educational purposes. Exempt sales include the
sale of prepared food, candy, and soft drinks at the fund-raising event.

(b) This exemption is limited in the following manner:

(1) it does not apply to admission charges for events involving bingo or other gambling
activities or to charges for use of amusement devices involving bingo or other gambling
activities;

(2) all gross receipts are taxable if the profits are not used solely and exclusively for
charitable, religious, or educational purposes;

(3) it does not apply unless the organization keeps a separate accounting record, including
receipts and disbursements from each fund-raising event that documents all deductions from
gross receipts with receipts and other records;

(4) it does not apply to any sale made by or in the name of a nonprofit corporation as
the active or passive agent of a person that is not a nonprofit corporation;

(5) all gross receipts are taxable if fund-raising events exceed 24 days per year;

(6) it does not apply to fund-raising events conducted on premises leased for more than
five ten days but less than 30 days; and

(7) it does not apply if the risk of the event is not borne by the nonprofit organization
and the benefit to the nonprofit organization is less than the total amount of the state and
local tax revenues forgone by this exemption.
(c) For purposes of this subdivision, a "nonprofit organization" means any unit of
government, corporation, society, association, foundation, or institution organized and
operated for charitable, religious, educational, civic, fraternal, and senior citizens' or veterans'
purposes, no part of the net earnings of which inures to the benefit of a private individual.

(d) For purposes of this subdivision, "fund-raising events" means activities of limited
duration, not regularly carried out in the normal course of business, that attract patrons for
community, social, and entertainment purposes, such as auctions, bake sales, ice cream
socials, block parties, carnivals, competitions, concerts, concession stands, craft sales,
bazaars, dinners, dances, door-to-door sales of merchandise, fairs, fashion shows, festivals,
galas, special event workshops, sporting activities such as marathons and tournaments, and
similar events. Fund-raising events do not include the operation of a regular place of business
in which services are provided or sales are made during regular hours such as bookstores,
thrift stores, gift shops, restaurants, ongoing Internet sales, regularly scheduled classes, or
other activities carried out in the normal course of business.

EFFECTIVE DATE. This section is effective for sales and purchases made after June
30, 2017.

Sec. 16. Minnesota Statutes 2016, section 297A.70, is amended by adding a subdivision
to read:

Subd. 20. City celebrations. (a) Sales of tangible personal property or services and
admissions charges to a city-designated annual city celebration designed to promote
community spirit and cooperation are exempt. Exempt sales include the sale of prepared
food, candy, soft drinks, malt liquor and wine as defined in section 340A.101, subdivisions
16, 19, and 27, at the event. The governing board of a statutory or home rule charter city
with a population of less than 30,000 may designate one event in each calendar year as the
annual city celebration that qualifies for the exemption under this subdivision. For a
celebration to qualify, it must meet the following requirements:

(1) the event must be held on consecutive days, not to exceed ten days in total;

(2) the event must be run either by the city or by a nonprofit organization designated by
the city;

(3) all gross receipts of the event are recorded as such, in accordance with generally
accepted accounting practice on the books of the city or the designated nonprofit organization;
and
(4) the entire proceeds, less the necessary expenses, will be distributed to one or more of the following for charitable, educational, civic, or governmental purposes:

(i) the city's general fund;

(ii) a nonprofit 501(c)(3) organization to promote its primary mission; or

(iii) a nonprofit 501(c)(4) organization to promote its primary mission, however, no revenues from this event may be used by the organization for lobbying or political activities.

(b) This exemption is limited in the following manner:

(1) it does not apply to admission charges for events involving bingo or other gambling activities or to charges for use of amusement devices involving bingo or other gambling activities;

(2) all gross receipts are taxable if the profits are not used solely and exclusively for charitable, educational, civic, or governmental purposes; and

(3) it does not apply unless the city or designated nonprofit organization keeps a separate accounting record, including receipts and disbursements for all events included in the celebration that documents all deductions from gross receipts with receipts and other records.

(c) For purposes of this subdivision, "nonprofit organization" means any unit of government, corporation, society, association, foundation, or institution organized and operated for charitable, religious, educational, civic, fraternal, and senior citizens' or veterans' purposes, no part of the net earnings of which inures to the benefit of a private individual.

(d) For purposes of this subdivision, "city celebration" means any of the following activities or combination of activities of limited duration, not regularly carried out in the normal course of business, that attract patrons for community, social, and entertainment purposes, such as parades, auctions, bake sales, ice cream socials, block parties, carnivals, competitions, concerts, concession stands, craft sales, bazaars, dinners, dances, fairs, fashion shows, festivals, galas, special event workshops, sporting activities such as marathons and tournaments, and similar events. A city celebration does not include the operation of a regular place of business in which services are provided or sales are made during regular hours such as bookstores, thrift stores, gift shops, restaurants, ongoing Internet sales, or regularly scheduled activities carried out in the normal course of business.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2017.
Sec. 17. Minnesota Statutes 2016, section 297A.70, is amended by adding a subdivision to read:

Subd. 21. **Ice arenas and rinks.** Sales to organizations that exist primarily for the purpose of operating ice arenas or rinks that are part of the Duluth Heritage Sports Center and are used for youth and high school programs are exempt if the organization is a private, nonprofit corporation exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 18. Minnesota Statutes 2016, section 297A.71, subdivision 44, is amended to read:

Subd. 44. **Building materials, capital projects.** (a) Materials and supplies used or consumed in and equipment incorporated into the construction or improvement of a capital project funded partially or wholly under section 297A.9905 are exempt, provided that the project has a total construction cost of at least $40,000,000 within a 24-month period.

(b) Materials and supplies used or consumed in and equipment incorporated into the construction, remodeling, expansion, or improvement of an ice arena or other buildings or facilities owned and operated by the city of Plymouth are exempt. For purposes of this paragraph, "facilities" include municipal streets and facilities associated with streets including but not limited to lighting, curbs and gutters, and sidewalks. The total amount of refund on all building materials, supplies, and equipment that the city may apply for under this paragraph is $2,500,000.

(c) The tax on purchases exempt under this provision must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75.

**EFFECTIVE DATE.** This section is effective retroactively for sales and purchases made after January 1, 2013.

Sec. 19. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

Subd. 49. **Construction materials purchased by contractors; exemption for certain entities.** (a) Building, construction, or reconstruction materials, supplies, and equipment purchased by a contractor, subcontractor, or builder and used or consumed in or incorporated into buildings or facilities used principally by the following entities are exempt:

Article 4 Sec. 19.
(1) school districts, as defined under section 297A.70, subdivision 2, paragraph (c);
(2) local governments, as defined under section 297A.70, subdivision 2, paragraph (d);
(3) hospitals and nursing homes owned and operated by political subdivisions of the state, as defined under section 297A.70, subdivision 2, paragraph (a), clause (3);
(4) public libraries; library systems; multicounty, multitype library systems, as defined in section 134.001; and county law libraries under chapter 134A;
(5) nonprofit groups, as defined under section 297A.70, subdivision 4;
(6) hospitals, outpatient surgical centers, and critical access dental providers, as defined under section 297A.70, subdivision 7; and
(7) nursing homes and boarding care homes, as defined under section 297A.70, subdivision 18.

(b) Materials, supplies, and equipment used in the construction, reconstruction, repair, maintenance, or improvement of public infrastructure of any kind including, but not limited to, roads, bridges, culverts, drinking water facilities, and wastewater facilities purchased by a contractor or subcontractor of the following entities are exempt:

(1) school districts, as defined under section 297A.70, subdivision 2, paragraph (c); or
(2) local governments, as defined under section 297A.70, subdivision 2, paragraph (d).

(c) The tax on purchases exempt under this subdivision must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2017.

Sec. 20. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

Subd. 50. Properties destroyed by fire. Building materials and supplies used in, and equipment incorporated into, the construction or replacement of real property that is located in Madelia affected by the fire on February 3, 2016, are exempt. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after December 31, 2015, and before July 1, 2018.
Sec. 21. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

Subd. 51. Properties destroyed by fire. (a) Building materials and supplies used in, and equipment incorporated into, the construction or replacement of real property that is located in Melrose affected by the fire on September 8, 2016, are exempt.

(b) For sales and purchases made after September 30, 2016, and before April 1, 2017, the tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after September 30, 2016, and before January 1, 2019, except that the refund provisions of paragraph (b) are effective for sales and purchases made after September 30, 2016, and before April 1, 2017.

Sec. 22. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

Subd. 52. Building materials; Major League Soccer stadium. Materials and supplies used or consumed in, and equipment incorporated into, the construction of a Major League Soccer stadium and related infrastructure constructed in the city of St. Paul are exempt. This subdivision expires one year after the date the first Major League Soccer game is played in the stadium.

EFFECTIVE DATE. This section is effective for sales and purchases made after the day following final enactment.

Sec. 23. Minnesota Statutes 2016, section 297A.75, subdivision 1, is amended to read:

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

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

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

(3) building materials for correctional facilities under section 297A.71, subdivision 3;
(4) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;

(5) elevators and building materials exempt under section 297A.71, subdivision 12;

(6) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;

(7) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;

(8) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37;

(9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph (a), clause (10);

(10) materials, supplies, and equipment for construction or improvement of projects and facilities under section 297A.71, subdivision 40;

(11) materials, supplies, and equipment for construction, improvement, or expansion of:

(i) an aerospace defense manufacturing facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 42;

(ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision 45;

(iii) a research and development facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 46; and

(iv) an industrial measurement manufacturing and controls facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 47;

(12) enterprise information technology equipment and computer software for use in a qualified data center exempt under section 297A.68, subdivision 42;

(13) materials, supplies, and equipment for qualifying capital projects under section 297A.71, subdivision 44;

(14) items purchased for use in providing critical access dental services exempt under section 297A.70, subdivision 7, paragraph (c); and
(15) items and services purchased under a business subsidy agreement for use or
consumption primarily in greater Minnesota exempt under section 297A.68, subdivision
44;
(16) building construction or reconstruction materials, supplies, and equipment purchased
by an entity eligible under section 297A.71, subdivision 49;
(17) building materials, equipment, and supplies for constructing or replacing real
property exempt under section 297A.71, subdivision 50; and
(18) building materials, equipment, and supplies for constructing or replacing real
property exempt under section 297A.71, subdivision 51, paragraph (b).

EFFECTIVE DATE. (a) The amendment adding clause (16) is effective for sales and
purchases made after June 30, 2017.
(b) The amendment adding clause (17) is effective retroactively for sales and purchases
made after December 31, 2015.
(c) The amendment adding clause (18) is effective retroactively for sales and purchases
made after September 30, 2016.

Sec. 24. Minnesota Statutes 2016, section 297A.75, subdivision 2, is amended to read:

Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the
commissioner, a refund equal to the tax paid on the gross receipts of the exempt items must
be paid to the applicant. Only the following persons may apply for the refund:

(1) for subdivision 1, clauses (1), (2), and (14), the applicant must be the purchaser;
(2) for subdivision 1, clause (3), the applicant must be the governmental subdivision;
(3) for subdivision 1, clause (4), the applicant must be the recipient of the benefits
provided in United States Code, title 38, chapter 21;
(4) for subdivision 1, clause (5), the applicant must be the owner of the homestead
property;
(5) for subdivision 1, clause (6), the owner of the qualified low-income housing project;
(6) for subdivision 1, clause (7), the applicant must be a municipal electric utility or a
joint venture of municipal electric utilities;
(7) for subdivision 1, clauses (8), (11), (12), and (15), the owner of the qualifying
business; and
(8) for subdivision 1, clauses (9), (10), and (13), the applicant must be the governmental
entity that owns or contracts for the project or facility;

(9) for subdivision 1, clause (16), the applicant must be the entity eligible under section
297A.71, subdivision 49;

(10) for subdivision 1, clause (17), the applicant must be the owner or developer of the
building or project; and

(11) for subdivision 1, clause (18), the applicant must be the owner or developer of the
building or project.

**EFFECTIVE DATE.** (a) The amendment adding clause (9) is effective for sales and
purchases made after June 30, 2017.

(b) The amendment adding clause (10) is effective retroactively for sales and purchases
made after December 31, 2015.

(c) The amendment adding clause (11) is effective retroactively for sales and purchases
made after September 30, 2016.

Sec. 25. Minnesota Statutes 2016, section 297A.75, subdivision 3, is amended to read:

**Subd. 3. Application.** (a) The application must include sufficient information to permit
the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor,
or builder, under subdivision 1, clauses (3) to (13), & (15), (16), (17), or (18), the contractor,
subcontractor, or builder must furnish to the refund applicant a statement including the cost
of the exempt items and the taxes paid on the items unless otherwise specifically provided
by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under
this section.

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

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 26. Minnesota Statutes 2016, section 297A.75, subdivision 5, is amended to read:

**Subd. 5. Appropriation.** (a) The amount required to make the refunds is annually
appropriated to the commissioner.
(b) For fiscal years 2018 and 2019 only, revenues dedicated under the Minnesota Constitution, article XI, section 15, shall not be reduced for any portion of the refunds paid for the following exemptions:

1. (1) the exemption under section 297A.71, subdivision 44, paragraph (b);
2. (2) the expansion of the exemption under section 297A.68, subdivision 44, due to section 30; and
3. (3) the exemptions in section 297A.71, subdivisions 49, 50, and 51.

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

Sec. 27. Minnesota Statutes 2016, section 297A.94, is amended to read:

**297A.94 DEPOSIT OF REVENUES.**

(a) Except as provided in this section, the commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed by this chapter in the state treasury and credit them to the general fund.

(b) The commissioner shall deposit taxes in the Minnesota agricultural and economic account in the special revenue fund if:

1. (1) the taxes are derived from sales and use of property and services purchased for the construction and operation of an agricultural resource project; and
2. (2) the purchase was made on or after the date on which a conditional commitment was made for a loan guaranty for the project under section 41A.04, subdivision 3.

The commissioner of management and budget shall certify to the commissioner the date on which the project received the conditional commitment. The amount deposited in the loan guaranty account must be reduced by any refunds and by the costs incurred by the Department of Revenue to administer and enforce the assessment and collection of the taxes.

c) The commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed on sales and purchases included in section 297A.61, subdivision 3, paragraph (g), clauses (1) and (4), in the state treasury, and credit them as follows:

1. (1) first to the general obligation special tax bond debt service account in each fiscal year the amount required by section 16A.661, subdivision 3, paragraph (b); and
2. (2) after the requirements of clause (1) have been met, the balance to the general fund.

d) The commissioner shall deposit the revenues, including interest and penalties, collected under section 297A.64, subdivision 5, in the state treasury and credit them to the
general fund. By July 15 of each year the commissioner shall transfer to the highway user
tax distribution fund an amount equal to the excess fees collected under section 297A.64,
subdivision 5, for the previous calendar year.

e) 72.43 percent of the revenues, including interest and penalties, transmitted to the
commissioner under section 297A.65, must be deposited by the commissioner in the state
treasury as follows:

(1) 50 percent of the receipts must be deposited in the heritage enhancement account in
the game and fish fund, and may be spent only on activities that improve, enhance, or protect
fish and wildlife resources, including conservation, restoration, and enhancement of land,
water, and other natural resources of the state;

(2) 22.5 percent of the receipts must be deposited in the natural resources fund, and may
be spent only for state parks and trails;

(3) 22.5 percent of the receipts must be deposited in the natural resources fund, and may
be spent only on metropolitan park and trail grants;

(4) three percent of the receipts must be deposited in the natural resources fund, and
may be spent only on local trail grants; and

(5) two percent of the receipts must be deposited in the natural resources fund, and may
be spent only for the Minnesota Zoological Garden, the Como Park Zoo and Conservatory,
and the Duluth Zoo.

(f) The revenue dedicated under paragraph (e) may not be used as a substitute for
traditional sources of funding for the purposes specified, but the dedicated revenue shall
supplement traditional sources of funding for those purposes. Land acquired with money
deposited in the game and fish fund under paragraph (e) must be open to public hunting
and fishing during the open season, except that in aquatic management areas or on lands
where angling easements have been acquired, fishing may be prohibited during certain times
of the year and hunting may be prohibited. At least 87 percent of the money deposited in
the game and fish fund for improvement, enhancement, or protection of fish and wildlife
resources under paragraph (e) must be allocated for field operations.

(g) The commissioner must deposit the revenues, including interest and penalties minus
any refunds, derived from the sale of items regulated under section 624.20, subdivision 1,
that may be sold to persons 18 years old or older and that are not prohibited from use by
the general public under section 624.21, in the state treasury and credit:
(1) 25 percent to the volunteer fire assistance grant account established under section

88.068;

(2) 25 percent to the fire safety account established under section 297I.06, subdivision

3; and

(3) the remainder to the general fund.

For purposes of this paragraph, the percentage of total sales and use tax revenue derived
from the sale of items regulated under section 624.20, subdivision 1, that are allowed to be
sold to persons 18 years old or older and are not prohibited from use by the general public
under section 624.21, is a set percentage of the total sales and use tax revenues collected in
the state, with the percentage determined under section 28.

(g) The revenues deposited under paragraphs (a) to (f) do not include the revenues,
including interest and penalties, generated by the sales tax imposed under section 297A.62,
subdivision 1a, which must be deposited as provided under the Minnesota Constitution,
article XI, section 15.

EFFECTIVE DATE. This section is effective for sales and purchases made after
December 31, 2017.

Sec. 28. CALCULATION OF THE PERCENT OF SALES TAX REVENUE
ATTRIBUTABLE TO THE SALE OF CERTAIN FIREWORKS-RELATED ITEMS.

By December 1, 2017, the commissioner of revenue must estimate the percentage of
total sales tax revenues collected in calendar year 2016 that is attributable to the sales and
purchases of items regulated under Minnesota Statutes, section 624.20, subdivision 1, that
are allowed to be sold to persons 18 years old or older and that are not prohibited from use
by the general public under section 624.21. When making the determination, the
commissioner may consult with representatives from producers and retailers, industry trade
groups, and the most recently available national and state information. The commissioner's
decision is final. The commissioner's determination under this section is not a rule and is
not subject to Minnesota Statutes, chapter 14, including section 14.386.

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

Sec. 29. SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS USED
BY A NONPROFIT ECONOMIC DEVELOPMENT CORPORATION.

Subdivision 1. Exemption; refund. Materials and supplies used or consumed in and
equipment incorporated into the construction of a retail development consisting of retail
space for a grocery store, fueling center, or other retail space by a nonprofit economic
development corporation that is a 501(c)(3) organization are exempt from sales and use tax
under Minnesota Statutes, chapter 297A, provided that the development is located in a city
with no grocery store and the city is at least 20 miles from another city with a grocery store.
The exemption applies to materials, supplies, and equipment purchased after January 1,
2013, and before January 1, 2017. The tax must be imposed and collected as if the rate in
Minnesota Statutes, section 297A.62, applied and the nonprofit economic development
corporation must apply for the refund of the tax in the same manner as provided under
Minnesota Statutes, section 297A.75, subdivision 1, clause (11).

Subd. 2. Appropriation. The amount required to pay the refunds under subdivision 1
is appropriated from the general fund to the commissioner of revenue.

EFFECTIVE DATE. This section is effective the day following final enactment and
applies retroactively to sales and purchases made after January 1, 2013, and before January
1, 2017.

Sec. 30. EXEMPTION FROM JOB EXPANSION PROGRAM PROVISIONS.

(a) Notwithstanding the seven-year certification period under Minnesota Statutes, section
116J.8738, subdivision 3, the certification period for an eligible wholesale electronic
component distribution center investing a minimum of $200,000,000 and constructing a
facility at least 700,000 square feet in size is effective for the ten-year period beginning on
the first day of the calendar month immediately following the date that the commissioner
informs the business of the award of the benefit.

(b) Notwithstanding the sales tax exemption limitations under Minnesota Statutes, section
116J.8738, subdivision 4, the sales tax exemption for an eligible electronic component
distribution center investing a minimum of $200,000,000 and constructing a facility at least
700,000 square feet in size may be authorized up to $5,000,000 annually and up to
$30,000,000 during the total period of the agreement.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 31. CERTAIN REIMBURSEMENT AUTHORIZED; CONSIDERED
OPERATING OR CAPITAL EXPENSES.

Subdivision 1. Reimbursement authorized. (a) An amount equivalent to the taxes paid
under Minnesota Statutes, chapter 297A, and any local taxes administered by the Department
of Revenue, on purchases of tangible personal property, nonresidential parking services,
and lodging, as these terms are defined in Minnesota Statutes, chapter 297A, used and 
consumed in connection with Super Bowl LII or related events sponsored by the National 
Football League or its affiliates, will be reimbursed by the Minnesota Sports Facilities 
Authority up to $1,600,000, if made after June 30, 2016, and before March 1, 2018. Only 
purchases made by the Minnesota Super Bowl Host Committee, the National Football 
League or its affiliates, or their employees or independent contractors, qualify to be 
reimbursed under this section.

(b) For purposes of this subdivision:

(1) "employee or independent contractor" means only those employees or independent 
contractors that make qualifying purchases that are reimbursed by the Minnesota Super 
Bowl Host Committee or the National Football League or its affiliates; and

(2) "related events sponsored by the National Football League or its affiliates" includes 
but is not limited to preparatory advance visits, NFL Experience, NFL Tailgate, NFL Honors, 
and NFL House.

Subd. 2. Operating reserve and capital reserve fund. Notwithstanding the requirements 
of Minnesota Statutes, section 473J.13, subdivisions 2 and 4, up to $1,600,000 of the balance 
in the operating reserve or capital reserve fund may be used for the purposes of paying 
reimbursements authorized under subdivision 1.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 
30, 2016, and before March 1, 2018.

Sec. 32. REIMBURSEMENTS TO CERTAIN CONSTITUTIONALLY DEDICATED 
FUNDS FOR EXPANDED SALES TAX EXEMPTIONS.

The commissioner of management and budget, by June 15 in fiscal years 2018 and 2019 
only, shall increase the revenues transferred from the general fund as required under the 
Minnesota Constitution, article XI, section 15, an amount equal to the estimated amount of 
reduction to these revenues for that fiscal year due to the enactment of new sales tax 
exemptions or the expansion of existing sales tax exemptions under sections 7, 8, 10 to 17, 
and 22, and to changes in tobacco taxes under Minnesota Statutes, chapter 297F, in article 
10. The commissioner of revenue shall make the estimate of this revenue reduction by June 
1 of each fiscal year and inform the commissioner of management and budget. The 
appropriations under this section are onetime and not added to the base budget.

EFFECTIVE DATE. This section is effective the day following final enactment.
Sec. 33. REPORT ON TAXATION OF STADIUM SUITES.

The commissioner of revenue shall prepare a report on the sales and use tax treatment of the sale of suites and suite licenses in professional athletic facilities in other states. The report must be completed on or before February 1, 2018, and provided to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes. The purpose of the report is to determine the range of sales and use tax treatment of these items across the country, and how Minnesota's current tax treatment of suites and suite licenses fits into that range.

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

Sec. 34. SEVERABILITY.

If any provision of sections 3 to 6 or the application thereof is held invalid, such invalidity shall not affect the provisions or applications of the sections that can be given effect without the invalid provisions or applications.

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

Sec. 35. APPROPRIATION.

$1,392,258 in fiscal year 2018 is appropriated from the general fund to the commissioner of revenue for a grant to the city of Melrose for the following purposes:

(1) $450,000 for municipal street and utility reconstruction;
(2) $250,000 for unreimbursed costs of hazardous materials removal; and
(3) $692,258 for tax abatements for reconstructed buildings.

The appropriation under this section is onetime and is not added to the base budget.

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

Sec. 36. EFFECTIVE DATE.

(a) The provisions of sections 3 to 6 are effective at the earlier of:
(1) a decision by the United States Supreme Court modifying its decision in Quill Corp. v. North Dakota, 504 U.S. 298 (1992) so that a state may require retailers without a physical presence in the state to collect and remit sales tax; or
(2) July 1, 2020.
(b) Notwithstanding paragraph (a) or the provisions of sections 3 to 6, if a federal law is enacted authorizing a state to impose a requirement to collect and remit sales tax on retailers without a physical presence in the state, the commissioner must enforce the provisions of this section and sections 3 to 6 to the extent allowed under federal law.

(c) The commissioner of revenue shall notify the revisor of statutes when either of the provisions in paragraph (a) or (b) apply.

ARTICLE 5

AIDS, CREDITS, AND REFUNDS

Section 1. Minnesota Statutes 2016, section 127A.45, subdivision 10, is amended to read:

Subd. 10. Payments to school nonoperating funds. Each fiscal year state general fund payments for a district nonoperating fund must be made at the current year aid payment percentage of the estimated entitlement during the fiscal year of the entitlement. This amount shall be paid in 12 equal monthly installments beginning in July. The amount of the actual entitlement, after adjustment for actual data, minus the payments made during the fiscal year of the entitlement must be paid prior to October 31 of the following school year. The commissioner may make advance payments of debt service equalization aid and state-paid tax credits for a district's debt service fund earlier than would occur under the preceding schedule if the district submits evidence showing a serious cash flow problem in the fund. The commissioner may make earlier payments during the year and, if necessary, increase the percent of the entitlement paid to reduce the cash flow problem.

EFFECTIVE DATE. This section is effective beginning with fiscal year 2019.

Sec. 2. Minnesota Statutes 2016, section 127A.45, subdivision 13, is amended to read:

Subd. 13. Aid payment percentage. Except as provided in subdivisions 10, 11, 12, 12a, and 14, each fiscal year, all education aids and credits in this chapter and chapters 120A, 120B, 121A, 122A, 123A, 123B, 124D, 124E, 125A, 125B, 126C, 134, and section 273.1392, shall be paid at the current year aid payment percentage of the estimated entitlement during the fiscal year of the entitlement. For the purposes of this subdivision, a district's estimated entitlement for special education aid under section 125A.76 for fiscal year 2014 and later equals 97.4 percent of the district's entitlement for the current fiscal year. The final adjustment payment, according to subdivision 9, must be the amount of the actual entitlement, after adjustment for actual data, minus the payments made during the fiscal year of the entitlement.

EFFECTIVE DATE. This section is effective beginning with fiscal year 2019.
Sec. 3. [273.1387] SCHOOL BUILDING BOND AGRICULTURAL CREDIT.

Subdivision 1. Eligibility. All class 2a, 2b, and 2c property under section 273.13, subdivision 23, other than property consisting of the house, garage, and immediately surrounding one acre of land of an agricultural homestead, is eligible to receive the credit under this section.

Subd. 2. Credit amount. For each qualifying property, the school building bond agricultural credit is equal to 50 percent of the property's eligible net tax capacity multiplied by the school debt tax rate determined under section 275.08, subdivision 1b.

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

Subd. 4. Payment. The commissioner of revenue shall certify the total of the tax reductions granted under this section for each taxes payable year within each school district to the commissioner of education, who shall pay the reimbursement amounts to each school district as provided in section 273.1392.

Subd. 5. Appropriation. An amount sufficient to make the payments required by this section is annually appropriated from the general fund to the commissioner of education.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2018.

Sec. 4. Minnesota Statutes 2016, section 273.1392, is amended to read:

273.1392 PAYMENT; SCHOOL DISTRICTS.

The amounts of bovine tuberculosis credit reimbursements under section 273.113; conservation tax credits under section 273.119; disaster or emergency reimbursement under sections 273.1231 to 273.1235; homestead and agricultural credits under section 273.1384 and 273.1387; aids and credits under section 273.1398; enterprise zone property credit payments under section 469.171; and metropolitan agricultural preserve reduction under section 473H.10 for school districts, shall be certified to the Department of Education by the Department of Revenue. The amounts so certified shall be paid according to section 127A.45, subdivisions 9, 10, and 13.
Sec. 5. Minnesota Statutes 2016, section 273.1393, is amended to read:

**273.1393 COMPUTATION OF NET PROPERTY TAXES.**

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

1. disaster credit as provided in sections 273.1231 to 273.1235;
2. powerline credit as provided in section 273.42;
3. agricultural preserves credit as provided in section 473H.10;
4. enterprise zone credit as provided in section 469.171;
5. disparity reduction credit;
6. conservation tax credit as provided in section 273.119;
7. the school bond credit as provided in section 273.1387;
8. (8) agricultural credit as provided in section 273.1384;
9. (9) (10) taconite homestead credit as provided in section 273.135;
10. (10) (11) supplemental homestead credit as provided in section 273.1391; and
11. (11) the bovine tuberculosis zone credit, as provided in section 273.113.

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

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

Sec. 6. Minnesota Statutes 2016, section 275.065, subdivision 3, is amended to read:

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

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

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority proposes to collect for taxes payable the following year. In the case of a
town, or in the case of the state general tax, the final tax amount will be its proposed tax.

The notice must clearly state for each city that has a population over 500, county, school
district, regional library authority established under section 134.201, and metropolitan taxing
districts as defined in paragraph (i), the time and place of a meeting for each taxing authority
in which the budget and levy will be discussed and public input allowed, prior to the final
budget and levy determination. The taxing authorities must provide the county auditor with
the information to be included in the notice on or before the time it certifies its proposed
levy under subdivision 1. The public must be allowed to speak at that meeting, which must
occur after November 24 and must not be held before 6:00 p.m. It must provide a telephone
number for the taxing authority that taxpayers may call if they have questions related to the
notice and an address where comments will be received by mail, except that no notice
required under this section shall be interpreted as requiring the printing of a personal
telephone number or address as the contact information for a taxing authority. If a taxing
authority does not maintain public offices where telephone calls can be received by the
authority, the authority may inform the county of the lack of a public telephone number and
the county shall not list a telephone number for that taxing authority.

(d) The notice must state for each parcel:

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

(2) the items listed below, shown separately by county, city or town, and state general
tax, agricultural homestead credit under section 273.1384, school building bond agricultural
credit under section 273.1387, voter approved school levy, other local school levy, and the
sum of the special taxing districts, and as a total of all taxing authorities:

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

(ii) the proposed tax amount.

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

In the case of a town or the state general tax, the final tax shall also be its proposed tax
unless the town changes its levy at a special town meeting under section 365.52. If a school
district has certified under section 126C.17, subdivision 9, that a referendum will be held
in the school district at the November general election, the county auditor must note next
to the school district's proposed amount that a referendum is pending and that, if approved
by the voters, the tax amount may be higher than shown on the notice. In the case of the
city of Minneapolis, the levy for Minneapolis Park and Recreation shall be listed separately
from the remaining amount of the city's levy. In the case of the city of St. Paul, the levy for
the St. Paul Library Agency must be listed separately from the remaining amount of the
city's levy. In the case of Ramsey County, any amount levied under section 134.07 may be
listed separately from the remaining amount of the county's levy. In the case of a parcel
where tax increment or the fiscal disparities area wide tax under chapter 276A or 473F
applies, the proposed tax levy on the captured value or the proposed tax levy on the tax
capacity subject to the area wide tax must each be stated separately and not included in the
sum of the special taxing districts; and
(3) the increase or decrease between the total taxes payable in the current year and the
total proposed taxes, expressed as a percentage.
For purposes of this section, the amount of the tax on homesteads qualifying under the
senior citizens' property tax deferral program under chapter 290B is the total amount of
property tax before subtraction of the deferred property tax amount.
(e) The notice must clearly state that the proposed or final taxes do not include the
following:
(1) special assessments;
(2) levies approved by the voters after the date the proposed taxes are certified, including
bond referenda and school district levy referenda;
(3) a levy limit increase approved by the voters by the first Tuesday after the first Monday
in November of the levy year as provided under section 275.73;
(4) amounts necessary to pay cleanup or other costs due to a natural disaster occurring
after the date the proposed taxes are certified;
(5) amounts necessary to pay tort judgments against the taxing authority that become
final after the date the proposed taxes are certified; and
(6) the contamination tax imposed on properties which received market value reductions
for contamination.
(f) Except as provided in subdivision 7, failure of the county auditor to prepare or the county treasurer to deliver the notice as required in this section does not invalidate the proposed or final tax levy or the taxes payable pursuant to the tax levy.

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead, and satisfactory documentation is provided to the county assessor by the applicable deadline, and the property qualifies for the homestead classification in that assessment year, the assessor shall reclassify the property to homestead for taxes payable in the following year.

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

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

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

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

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

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

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

(3) Metropolitan Mosquito Control Commission under section 473.711.

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

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

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

(2) population growth and decline;

(3) state or federal government action; and

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

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

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

Sec. 7. Minnesota Statutes 2016, section 275.07, subdivision 2, is amended to read:

Subd. 2. **School district in more than one county levies; special requirements.** (a) In school districts lying in more than one county, the clerk shall certify the tax levied to the auditor of the county in which the administrative offices of the school district are located.

(b) The district must identify the portion of the school district levy that is levied for debt service at the time the levy is certified under this section. For the purposes of this paragraph, "levied for debt service" means levies authorized under sections 123B.53, 123B.535, and 123B.55, as adjusted by sections 126C.46 and 126C.48, net of any debt excess levy reductions under section 475.61, subdivision 4, excluding debt service amounts necessary for repayment of other postemployment benefits under section 475.52, subdivision 6.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

Sec. 8. Minnesota Statutes 2016, section 275.08, subdivision 1b, is amended to read:

Subd. 1b. **Computation of tax rates.** (a) The amounts certified to be levied against net tax capacity under section 275.07 by an individual local government unit shall be divided by the total net tax capacity of all taxable properties within the local government unit's taxing jurisdiction. The resulting ratio, the local government's local tax rate, multiplied by each property's net tax capacity shall be each property's net tax capacity tax for that local government unit before reduction by any credits.
(b) The auditor must also determine the school debt tax rate for each school district equal
to (1) the school debt service levy certified under section 275.07, subdivision 2, divided by
(2) the total net tax capacity of all taxable property within the district.

(c) Any amount certified to the county auditor to be levied against market value shall
be divided by the total referendum market value of all taxable properties within the taxing
district. The resulting ratio, the taxing district’s new referendum tax rate, multiplied by each
property's referendum market value shall be each property's new referendum tax before
reduction by any credits. For the purposes of this subdivision, "referendum market value"
means the market value as defined in section 126C.01, subdivision 3.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2018.

Sec. 9. Minnesota Statutes 2016, section 276.04, subdivision 2, is amended to read:

Subd. 2. Contents of tax statements. (a) The treasurer shall provide for the printing of
the tax statements. The commissioner of revenue shall prescribe the form of the property
tax statement and its contents. The tax statement must not state or imply that property tax
credits are paid by the state of Minnesota. The statement must contain a tabulated statement
of the dollar amount due to each taxing authority and the amount of the state tax from the
parcel of real property for which a particular tax statement is prepared. The dollar amounts
attributable to the county, the state tax, the voter approved school tax, the other local school
tax, the township or municipality, and the total of the metropolitan special taxing districts
as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated. The
amounts due all other special taxing districts, if any, may be aggregated except that any
levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin,
Ramsey, Scott, or Washington under chapter 398A shall be listed on a separate line directly
under the appropriate county's levy. If the county levy under this paragraph includes an
amount for a lake improvement district as defined under sections 103B.501 to 103B.581,
the amount attributable for that purpose must be separately stated from the remaining county
levy amount. In the case of Ramsey County, if the county levy under this paragraph includes
an amount for public library service under section 134.07, the amount attributable for that
purpose may be separated from the remaining county levy amount. The amount of the tax
on homesteads qualifying under the senior citizens' property tax deferral program under
chapter 290B is the total amount of property tax before subtraction of the deferred property
tax amount. The amount of the tax on contamination value imposed under sections 270.91
to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar
amount of any special assessments, may be rounded to the nearest even whole dollar. For
purposes of this section whole odd-numbered dollars may be adjusted to the next higher
even-numbered dollar. The amount of market value excluded under section 273.11,
subdivision 16, if any, must also be listed on the tax statement.
(b) The property tax statements for manufactured homes and sectional structures taxed
as personal property shall contain the same information that is required on the tax statements
for real property.
(c) Real and personal property tax statements must contain the following information
in the order given in this paragraph. The information must contain the current year tax
information in the right column with the corresponding information for the previous year
in a column on the left:
(1) the property's estimated market value under section 273.11, subdivision 1;
(2) the property's homestead market value exclusion under section 273.13, subdivision
35;
(3) the property's taxable market value under section 272.03, subdivision 15;
(4) the property's gross tax, before credits;
(5) for homestead agricultural properties, the credit credits under sections 273.1384 and 273.1387;
(6) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135;
273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit
received under section 273.135 must be separately stated and identified as "taconite tax
relief"; and
(7) the net tax payable in the manner required in paragraph (a).
(d) If the county uses envelopes for mailing property tax statements and if the county
agrees, a taxing district may include a notice with the property tax statement notifying
taxpayers when the taxing district will begin its budget deliberations for the current year,
and encouraging taxpayers to attend the hearings. If the county allows notices to be included
in the envelope containing the property tax statement, and if more than one taxing district
relative to a given property decides to include a notice with the tax statement, the county
treasurer or auditor must coordinate the process and may combine the information on a
single announcement.
EFFECTIVE DATE. This section is effective beginning with taxes payable in 2018.
Sec. 10. Minnesota Statutes 2016, section 290A.03, subdivision 11, is amended to read:

Subd. 11. Rent constituting property taxes. (a) "Rent constituting property taxes" means a percentage 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.

(b) The percentage in paragraph (a) is set by major geographic regions as follows:

(1) for the city of Minneapolis, 16.5 percent;

(2) for the city of St. Paul, 14 percent;

(3) for the counties of Anoka; Dakota; Hennepin, excluding the city of Minneapolis; and Ramsey, excluding the city of St. Paul, 15 percent; and

(4) for the remainder of the state, 14 percent.

EFFECTIVE DATE. This section is effective for refunds based on rent paid in 2017 and following years.

Sec. 11. Minnesota Statutes 2016, 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 a percentage of the gross rent paid in the preceding year for the site on which the homestead is located. The percentage equals the percentage set under subdivision 11 for the geographic region in 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 refunds based on rent paid in 2017
and following years.

Sec. 12. Minnesota Statutes 2016, section 469.169, is amended by adding a subdivision
to read:

Subd. 20. Additional border city allocations. (a) In addition to the tax reductions
authorized in subdivisions 12 to 19, the commissioner shall allocate $3,000,000 for tax
reductions to border city enterprise zones in cities located on the western border of the state.
The commissioner shall allocate this amount among cities on a per capita basis. Allocations
under this subdivision may be used for tax reductions under sections 469.171, 469.1732,
and 469.1734, or for other offsets of taxes imposed on or remitted by businesses located in
the enterprise zone, but only if the municipality determines that the granting of the tax
reduction or offset is necessary to retain a business within or attract a business to the zone.

(b) The allocations under this subdivision do not cancel or expire, but remain available
until used by the city.

Sec. 13. Minnesota Statutes 2016, section 477A.011, subdivision 34, is amended to read:

Subd. 34. City revenue need. (a) For a city with a population equal to or greater than
10,000, "city revenue need" is 1.15 times the sum of (1) 4.59 times the pre-1940 housing
percentage; plus (2) 0.622 times the percent of housing built between 1940 and 1970; plus
(3) 169.415 times the jobs per capita; plus (4) the sparsity adjustment; plus (5) 307.664.
(b) For a city with a population equal to or greater than 2,500 and less than 10,000, "city revenue need" is 1.15 times the sum of (1) 572.62; plus (2) 5.026 times the pre-1940 housing percentage; minus (3) 53.768 times household size; plus (4) 14.022 times peak population decline; plus (5) the sparsity adjustment.

(c) For a city with a population less than 2,500, "city revenue need" is the sum of (1) 410 plus; (2) 0.367 times the city's population over 100; plus (3) the sparsity adjustment. The city revenue need for a city under this paragraph shall not exceed 630 plus the city's sparsity adjustment.

(d) For a city with a population of at least 2,500 but less than 3,000, the "city revenue need" equals (1) the transition factor times the city's revenue need calculated in paragraph (b); plus (2) 630 times the difference between one and the transition factor. For a city with a population of at least 10,000 but less than 11,000, the "city revenue need" equals (1) the transition factor times the city's revenue need calculated in paragraph (a); plus (2) the city's revenue need calculated under the formula in paragraph (b) times the difference between one and the transition factor. For purposes of the first sentence of this paragraph "transition factor" is 0.2 percent times the amount that the city's population exceeds the minimum threshold in either of the first two sentences. For purposes of the second sentence of this paragraph, "transition factor" is 0.1 percent times the amount that the city's population exceeds the minimum threshold.

(e) The city revenue need cannot be less than zero.

(f) For calendar year 2015 and subsequent years, the city revenue need for a city, as determined in paragraphs (a) to (e), is multiplied by the ratio of the annual implicit price deflator for government consumption expenditures and gross investment for state and local governments as prepared by the United States Department of Commerce, for the most recently available year to the 2013 implicit price deflator for state and local government purchases.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2018 and thereafter.

Sec. 14. Minnesota Statutes 2016, section 477A.011, subdivision 45, is amended to read:

**Subd. 45. Sparsity adjustment.** For a city with a population of 10,000 or more, the sparsity adjustment is 100 for any city with an average population density less than 150 per square mile, according to the most recent federal census, and. For a city with a population less than 10,000, the sparsity adjustment is 200 for any city with an average population...
density less than 30 per square mile, according to the most recent federal census. The sparsity
adjustment is zero for all other cities.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2018
and thereafter.

Sec. 15. [477A.0126] REIMBURSEMENT OF COUNTY AND TRIBES FOR
CERTAIN OUT-OF-HOME PLACEMENT.

Subd. 1. Definition. For purposes of this section, "out-of-home placement" means
24-hour substitute care for an Indian child as defined by section 260C.007, subdivision 21,
placed under chapter 260C and the Indian Child Welfare Act (ICWA), away from the child's
parent or guardian and for whom the county social services agency or county correctional
agency has been assigned responsibility for the child's placement and care, which includes
placement in foster care under section 260C.007, subdivision 18, and a correctional facility
pursuant to a court order.

Subd. 2. Determination of nonfederal share of costs. (a) By July 1, 2017, each county
shall report the following information to the commissioners of human services and
corrections:

(1) the separate amounts paid out of the county's social service agency and its corrections
budget for out-of-home placement of children under the ICWA in calendar years 2013,
2014, and 2015; and

(2) the number of case days associated with the expenditures from each budget.

The commissioner of human services shall prescribe the format of the report. By July 15,
2017, the commissioner of human services, in consultation with the commissioner of
corrections, shall certify to the commissioner of revenue and to the legislative committees
with jurisdiction over local government aids and out-of-home placement funding whether
the data reported under this subdivision accurately reflect total expenditures by counties for
out-of-home placement costs of children under the ICWA.

(b) By January 1, 2018, and each January 1 thereafter, each county shall report to the
commissioners of human services and corrections the separate amounts paid out of the
county's social service agency and its corrections budget for out-of-home placement of
children under the ICWA in the calendar years two years before the current calendar year
along with the number of case days associated with the expenditures from each budget. The
commissioner of human services shall prescribe the format of the report.
(c) Until the commissioner of human services develops another mechanism for collecting and verifying data on out-of-home placements of children under the ICWA, and the legislature authorizes the use of that data, the data collected under this subdivision must be used to calculate payments under subdivision 3. The commissioner of human services shall certify the nonfederal out-of-home placement costs for the three prior calendar years for each county and the amount of any federal reimbursement received by a tribe under the ICWA for the three prior calendar years to the commissioner of revenue by June 1 of the year before the aid payment.

Subd. 3. Aid for counties. For aids payable in calendar year 2018 and thereafter, the amount of reimbursement to each county is a county's proportionate share of the appropriation in subdivision 6 that remains after the aid for tribes has been paid. Each county's proportionate share is based on the county's average nonfederal share of the cost for out-of-home placement of children under the ICWA for the three calendar years that were certified by the commissioner of human services by June 1 of the prior year, provided that the commissioner of human services, in consultation with the commissioner of corrections, certifies to the commissioner of revenue that accurate data are available to make the aid determination under this section. For aids payable in calendar year 2018, each county's proportionate share is based on the county's nonfederal share of the cost for out-of-home placement of children under the ICWA that was certified by the commissioner of human services by July 15, 2017.

Subd. 4. Aid for tribes. For aids payable in 2018 and thereafter, the amount of reimbursement to each tribe shall be the greater of:

(1) five percent of the average reimbursement amount received from the federal government for out-of-home placement costs for the three calendar years that were certified by June 1 of the prior year; or

(2) $200,000.

Subd. 5. Payments. The commissioner of revenue must compute the amount of the reimbursement aid payable to each county and tribe under this section. On or before August 1 of each year, the commissioner shall certify the amount to be paid to each county and tribe in the following year. The commissioner shall pay reimbursement aid annually at the times provided in section 477A.015.

Subd. 6. Appropriation. $10,000,000 is annually appropriated to the commissioner of revenue from the general fund to pay aid under this section.

EFFECTIVE DATE. This section is effective beginning with aids payable in 2018.
Sec. 16. Minnesota Statutes 2016, section 477A.013, subdivision 8, is amended to read:

Subd. 8. City formula aid. (a) For aids payable in 2015 and thereafter, the formula aid for a city is equal to the sum of (1) its formula aid in the previous year and (2) the product of (i) the difference between its unmet need and its formula certified aid in the previous year before any aid adjustment under subdivision 13, and (ii) the aid gap percentage.

(b) For aids payable in 2015 and thereafter, if a city's certified aid from the previous year is greater than the sum of its unmet need plus its aid adjustment under subdivision 13, its formula aid is adjusted to equal its unmet need.

(c) No city may have a formula aid amount less than zero. The aid gap percentage must be the same for all cities subject to paragraph (a).

(d) The applicable aid gap percentage must be calculated by the Department of Revenue so that the total of the aid under subdivision 9 equals the total amount available for aid under section 477A.03. The aid gap percentage must be the same for all cities subject to paragraph (a). Data used in calculating aids to cities under sections 477A.011 to 477A.013 shall be the most recently available data as of January 1 in the year in which the aid is calculated.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2018 and thereafter.

Sec. 17. Minnesota Statutes 2016, section 477A.013, subdivision 9, is amended to read:

Subd. 9. City aid distribution. (a) In calendar year 2014 and thereafter, each city if a city's certified aid before any aid adjustment under subdivision 13 for the previous year is less than its current unmet need, the city shall receive an aid distribution equal to the sum of (1) its certified aid in the previous year before any aid adjustment under subdivision 13, (2) the city formula aid under subdivision 8, and (3) its aid adjustment under subdivision 13.

(b) For aids payable in 2015 and thereafter, if a city's certified aid before any aid adjustment under subdivision 13 for the previous year is equal to or greater than its current unmet need, the total aid for a city must not be less than is equal to the greater of (1) its unmet need plus any aid adjustment under subdivision 13, or (2) 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 net levy in the year prior to the aid distribution. No city may have a total aid amount less than zero.
EFFECTIVE DATE. This section is effective for aids payable in calendar year 2018

and thereafter.

Sec. 18. [477A.0135] AID REDUCTIONS FOR PAYMENTS TO A WORLD FAIR OR EXPO.

If a county, statutory or home rule charter city, or town makes a payment or contribution to Expo2023 or any similar organization with the mission of advocating, promoting, or running a world fair or expo in the state of Minnesota in any year, it must report that amount to the commissioner by January 15 of the year following the year in which the payment or contribution is made. The commissioner shall reduce the aid paid to a county, city, or town under section 477A.014 from the amount certified to the county under section 477A.0124; to the city under section 477A.013, subdivision 9; or to the town under section 477A.013, subdivision 1, in the calendar year following the year in which the payment or contribution was made. The reduction is equal to the amount of the payment or contribution, but the aid paid to any county, city, or town may not be less than zero. Any savings in aid payments under this section shall stay in the general fund and shall not be redistributed to other counties, cities, or towns.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2018

and thereafter.

Sec. 19. [477A.0175] AID REDUCTIONS FOR OPERATING AN UNAUTHORIZED DIVERSION PROGRAM.

Subdivision 1. Penalty for operating an unauthorized diversion program.

Notwithstanding any other law to the contrary, a county or city that operated a pretrial diversion program that a court determines was not authorized under section 169.999 or another statute or law must have its aid under sections 477A.011 to 477A.03 reduced by the amount of fees paid by participants into the program for the years in which the program operated. A court shall report any order that enjoins a county or city from operating a pretrial diversion program to the commissioner as required under subdivision 2. The commissioner shall, with the assistance of the state auditor, determine the amount of fees collected under the diversion program and reduce the county program aid paid to a county or the local government aid paid to a city by this amount beginning with the first aid payment made after the reduction amount is determined. No aid payment may be less than zero but the amount of the reduction that cannot be made out of that payment shall be applied to future payments until the total amount has been deducted.
Subd. 2. Court challenge to authority to operate a pretrial diversion program. Any taxpayer may challenge a city or county operation of a pretrial diversion program by filing a declaratory judgment action or seeking other appropriate relief in the district court for the county where the city is located or in any other court of competent jurisdiction. If the court finds that the county or city has exceeded its authority under law in operating the pretrial diversion program, the court must transmit a copy of the court order to the commissioner of revenue.

EFFECTIVE DATE. This section is effective the day following final enactment and applies beginning with the second aid payments under Minnesota Statutes, section 477A.015 in calendar year 2017.

Sec. 20. [477A.09] MAXIMUM EFFORT LOAN AID.

(a) For fiscal years 2018 to 2022, each school district with a maximum effort loan under sections 126C.61 to 126C.72, outstanding as of June 30, 2016, is eligible for an aid payment equal to one-fifth of the amount of interest that was paid on the loan between December 1, 1990, and June 30, 2016. A school district with a maximum effort capital loan outstanding as of June 30, 2017, is eligible for an annual aid payment equal to one-fifth of the estimated amount of interest that will be paid by the district on the loan between June 30, 2017, and June 30, 2021. Aid payments under this section must be used to reduce current year property taxes levied on net tax capacity within the district or to reduce future years' tax levies by:

(1) retaining payments made under this section in the district's debt redemption fund for up to 20 years, notwithstanding the two-year limit under section 475.61, subdivision 3; or

(2) financing a defeasance of any future payments on outstanding bonded debt.

(b) Aid under this section must be paid in fiscal years 2018 to 2022. An amount sufficient to make aid payments under this section is annually appropriated from the general fund to the commissioner of education.

EFFECTIVE DATE. This section is effective for fiscal years 2018 to 2022.

Sec. 21. ONETIME ADJUSTMENT FOR CERTAIN CITIES; AIDS PAYABLE IN 2017.

(a) The amount of aid payable in 2017 to a city shall be increased to equal the amount of aid it received under Minnesota Statutes, section 477A.013, subdivision 9, for aids payable in 2016 if the following conditions are met:
(1) its certified aid under Minnesota Statutes, section 477A.013, subdivision 9, for aids payable in 2017, is less than its certified aid for aids payable in 2016; and

(2) its certified aid under Minnesota Statutes, section 477A.013, subdivision 9, for aids payable in 2016, is less than its unmet need under Minnesota Statutes, section 477A.011, subdivision 34, for aids payable in 2017.

(b) Any adjustment under this section shall be treated as an aid correction under Minnesota Statutes, section 477A.014, subdivision 3. The amount computed under this section shall be used as an affected city's 2017 certified aid amount when calculating its formula aid under Minnesota Statutes, section 477A.013, subdivision 8, for aids payable in 2018.

EFFECTIVE DATE. This section is effective for aids payable in calendar years 2017 and 2018.

Sec. 22. BASE YEAR FORMULA AID FOR NEWLY INCORPORATED CITY.

For a city that incorporated on October 13, 2015, and first qualifies for aid under Minnesota Statutes, section 477A.013, subdivisions 8 and 9, in 2017, the city's certified aid for 2017, used in calculating aid payable in 2018, shall be deemed to equal the lesser of (1) 25 percent of its net levy for taxes payable in 2016, or (2) 50 percent of its unmet need as defined in Minnesota Statutes, section 477A.011, subdivision 43.

EFFECTIVE DATE. This section is effective for aids payable in 2018.

Sec. 23. 2013 CITY AID PENALTY FORGIVENESS; CITY OF OSLO.

Notwithstanding Minnesota Statutes, section 477A.017, subdivision 3, the city of Oslo shall receive the portion of its aid payment for calendar year 2013 under Minnesota Statutes, section 477A.013, that was withheld under Minnesota Statutes, section 477A.017, subdivision 3, provided that the state auditor certifies to the commissioner of revenue that it received audited financial statements from the city for calendar year 2012 by December 31, 2013.

The commissioner of revenue shall make a payment of $37,473.50 with the first payment of aids under Minnesota Statutes, section 477A.015. $37,473.50 is appropriated from the general fund to the commissioner of revenue in fiscal year 2018 to make this payment.

EFFECTIVE DATE. This section is effective the day following final enactment.
Sec. 24. **2014 AID PENALTY FORGIVENESS.**

(a) Notwithstanding Minnesota Statutes, section 477A.017, subdivision 3, the cities of Dundee, Jeffers, and Woodstock shall receive all of their calendar year 2014 aid payment that was withheld under Minnesota Statutes, section 477A.017, subdivision 3, provided that the state auditor certifies to the commissioner of revenue that the city complied with all reporting requirements under Minnesota Statutes, section 477A.017, subdivision 3, for calendar years 2013 and 2014 by June 1, 2015.

(b) The commissioner of revenue shall make payment to each city no later than July 20, 2017. Up to $101,570 in fiscal year 2018 is appropriated from the general fund to the commissioner of revenue to make the payments under this section.

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

Sec. 25. **LAKE MILLE LACS AREA PROPERTY TAX ABATEMENT.**

Subdivision 1. **Abatements authorized.** (a) Notwithstanding Minnesota Statutes, section 375.192, the county boards of Aitkin, Crow Wing, and Mille Lacs Counties may grant an abatement of local property taxes for taxes payable in 2017, provided that:

(1) the property is classified as 1c, 3a (excluding utility real and personal property), 4c(1), 4c(10), or 4c(11);

(2) on or before December 31, 2017, the taxpayer submits a written application to the county auditor in the county in which abatement is sought; and

(3) the taxpayer meets qualification requirements established in subdivision 3.

Subd. 2. **Appeals.** An appeal may not be taken to the Tax Court from any order of the county board made pursuant to the exercise of the discretionary authority granted in this section.

Subd. 3. **Qualification requirements.** To qualify for abatements under this section, a taxpayer must:

(1) be located within one of the following municipalities surrounding Lake Mille Lacs:

(i) in Crow Wing County, the city of Garrison, township of Garrison, or township of Roosevelt;

(ii) in Aitkin County, the township of Hazelton, township of Wealthwood, township of Malmo, or township of Lakeside; or
(iii) in Mille Lacs County, the city of Isle, city of Wahkon, city of Onamia, township of East Side, township of Isle Harbor, township of South Harbor, or township of Kathio;

(2) document a reduction in gross receipts of five percent or greater between two successive calendar years beginning in 2010 or later; and

(3) be a business in one of the following industries, as defined within the North American Industry Classification System: accommodation, restaurants, bars, amusement and recreation, food and beverages retail, sporting goods, miscellaneous retail, general retail, museums, historical sites, health and personal care, gas station, general merchandise, business and professional membership, movies, or nonstore retailer, as determined by the county in consultation with the commissioner of employment and economic development.

Subd. 4. State general levy in relief area. The counties of Aitkin, Crow Wing, and Mille Lacs must refund the state general levy levied upon a property classified as 1c, 3a (excluding utility real and personal property), or 4c(1) that is located in the area described by subdivision 3, clause (1), for taxes payable in 2017.

Subd. 5. Certification and transfer of funds. (a) By February 1, 2018, a county granting a refund as required under subdivision 4 must certify the total amount of state general tax refunded to Mille Lacs County and the commissioner of revenue. By March 1, 2018, Mille Lacs County must transfer an amount equal to the amount certified under this paragraph to the county making the certification.

(b) By February 1, 2018, a county that has received an application for an abatement authorized under subdivision 1 must certify to Mille Lacs County the total amount of abatements for which applications have been received and approved. By March 1, 2018, Mille Lacs County must transfer an amount equal to the amount certified under this paragraph to the county making the certification. By April 30, 2018, the county must issue refunds of local property tax amounts to qualified taxpayers.

Subd. 6. Commissioner of revenue; appropriation. An amount sufficient to make the transfers required under subdivision 5 in fiscal year 2018 is appropriated from the general fund to the commissioner of revenue for transfer to Mille Lacs County. This is a onetime appropriation.

Subd. 7. Report to legislature. The commissioner of revenue must make a written report to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes stating the amount of abatements and refunds given under this section by taxing jurisdictions by February 1, 2019. The counties must provide the commissioner with the information necessary to make the report.
Subd. 8. **Refund eligibility.** Only a taxpayer making all payments of property taxes for taxes payable in 2017 is eligible to receive a refund under subdivisions 4 and 5.

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

Sec. 26. **SUPPLEMENTAL PAYMENTS FOR OTHER NATURAL RESOURCES LAND.**

Subdivision 1. **Supplemental payments.** For aids payable in calendar years 2017 and 2018 only, each county must receive a supplemental aid payment equal to 50 cents per acre for other natural resources land, as defined in Minnesota Statutes, section 477A.11, subdivision 4, located in the county. The payment shall be made at the same time as payments under Minnesota Statutes, section 477A.13, and the counties shall distribute this payment as if it was part of the aids subject to the general distribution for that year under Minnesota Statutes, section 477A.014, subdivision 1.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar years 2017 and 2018 only.

Sec. 27. **2017 SUPPLEMENTAL HOMESTEAD CREDIT REFUND.**

(a) By October 1, 2017, the commissioner of revenue shall adjust the schedule for the homestead credit refund allowed under Minnesota Statutes, section 290A.04, subdivision 2, so as to increase the total amount of refunds based on taxes payable in 2018. The commissioner must adjust the schedule by:

(1) first proportionately increasing the maximum refund allowed for each income bracket in the schedule so that the increase in refunds projected to be paid based on taxes payable in 2018 equals $5,000,000; and

(2) second proportionately decreasing the percent of tax above the income threshold paid by the claimant, or the "co-payment percentage," for each income bracket in the schedule so that the increase in refunds projected to be paid based on taxes payable in 2018 under this clause and clause (1) equals $58,000,000.

(b) The amount necessary to pay the refunds required under this section is appropriated from the general fund to the commissioner of revenue in fiscal year 2019.
EFFECTIVE DATE. This section is effective for refunds based on taxes payable in 2018 only.

Sec. 28. 2017 SUPPLEMENTAL RENTER PROPERTY TAX REFUND.

(a) By October 1, 2017, the commissioner of revenue shall adjust the schedule for the property tax refund for renters allowed under Minnesota Statutes, section 290A.04, subdivision 2a, so as to increase the total amount of refunds based on rent paid in 2017. The commissioner must adjust the schedule by:

(1) first proportionately increasing the maximum refund allowed for each income bracket in the schedule so that the increase in refunds projected to be paid based on rent paid in 2017 equals $1,500,000;

(2) second proportionately decreasing the percent of income, or the "threshold percentage," for each income bracket in the schedule so that the increase in refunds projected to be paid based on rent paid in 2017 under this clause and clause (1) equals $21,750,000; and

(3) third proportionately decreasing the percent of tax above the income threshold paid by the claimant, or the "co-payment percentage," for each income bracket in the schedule so that the total increase in refunds projected to be paid based on rent paid in 2017 under this clause and clauses (1) to (2) equals $42,000,000.

(b) The amount necessary to pay the refunds required under this section is appropriated from the general fund to the commissioner of revenue in fiscal year 2019.

EFFECTIVE DATE. This section is effective for refunds based on rent paid in 2017 only.

Sec. 29. REPEALER.

Minnesota Statutes 2016, section 477A.085, is repealed.

EFFECTIVE DATE. This section is effective beginning with aids payable in 2018.

ARTICLE 6

IN PERPETUITY PAYMENTS ON LAND PURCHASES

Section 1. [11A.237] ACCOUNT FOR COUNTY JOINT TRUST FUND PAYMENTS.

Subdivision 1. Establishment. The State Board of Investment, when requested by a county as required under sections 97A.056, subdivision 1b, and 116P.045, subdivision 2,
shall invest the funds deposited by the commissioner of revenue, acting as an agent on the board's behalf, under section 97A.056, subdivision 1b, or 116P.045, subdivision 2, in a special account for that purpose in the combined investment funds established in section 11A.14, subject to the policy and procedures of the State Board of Investment. Use of the funds is restricted to payments to the commissioner of revenue, acting as an agent on behalf of the counties, for distributions to counties under sections 97A.056, subdivision 1b, and 116P.045, subdivision 2.

Subd. 2. Account maintenance and investment. The commissioner of revenue may deposit money into the account on behalf of the counties and may withdraw money from the account to make distributions to the counties under sections 97A.056, subdivision 1b, and 116P.045, subdivision 2, only. The commissioner of revenue shall make one payment under each section each year for all counties eligible for a payment in that year. The commissioner shall make one withdrawal annually at a time negotiated with the executive director of the State Board of Investment, but no later than November 15, to cover distributions to counties under section 477A.30, up to the limit allowed under that section. The transactions must be in the manner required by the executive director of the State Board of Investment. Investment earnings must be credited to the account.

EFFECTIVE DATE. This section is effective January 1, 2018.

Sec. 2. Minnesota Statutes 2016, section 97A.056, subdivision 1a, is amended to read:

Subd. 1a. Definitions. For the purpose of (a) The definitions in this subdivision apply to this section and appropriations from the outdoor heritage fund.

(b) "Land acquisition costs" means acquisition coordination costs, costs of engineering services, appraisal fees, attorney fees, taxes, assessments required at the time of purchase, onetime trust fund payments under subdivision 1b, and recording fees.

(c) "Land-related property taxes" means property taxes collected on behalf of local governments providing land-related services.

(d) "Local governments providing land-related services" means counties, townships, home rule charter and statutory cities, watershed districts under chapter 103D, sanitary districts under sections 442A.01 to 442A.29, and regional sanitary sewer districts under sections 115.61 to 115.67.

(e) "Recipient" means the entity responsible for deliverables financed by the outdoor heritage fund.
"Total payment for the land" means the total price paid for the land including land acquisition costs, but excluding any in-kind services provided by nongovernmental entities at no cost to the state.

**EFFECTIVE DATE.** This section is effective July 1, 2017.

Sec. 3. Minnesota Statutes 2016, section 97A.056, is amended by adding a subdivision to read:

**Subd. 1b. Outdoor heritage trust fund payment account; trust fund payments. (a)**

An outdoor heritage trust fund account is created in the special revenue fund. The State Board of Investment must ensure the account is invested under section 11A.24. The commissioner of management and budget must credit to the account all money appropriated to the account and all money earned by the account. The principal of the account and any unexpended earnings must be invested and reinvested by the State Board of Investment. Nothing in this section limits the source of contributions to the account. Money in the account must be used only for the purposes of this subdivision.

(b) State land acquired in fee simple in whole or in part with money appropriated from the outdoor heritage fund is eligible for a onetime trust fund payment as provided under this subdivision. The percentage of the total acres acquired in any purchase that is eligible for a trust fund payment under this subdivision is equal to the percentage of the total payment for the land funded from outdoor heritage fund revenues. If the percentage of the total payment for the land from the outdoor heritage fund is ten percent or less, the parcel is ineligible for a payment under this subdivision; if the percentage is 90 percent or more, the entire parcel is eligible for the payment under this subdivision. The commissioner of natural resources must certify to the commissioner of revenue and the county in which land eligible for a payment under this section is purchased the total number of acres purchased, the total payment for the land, and the amount of outdoor heritage fund revenues used for the purchase. The trust fund payment is equal to 30 times the land-related property taxes assessed on the eligible portion of the land in the year prior to the year in which the land is acquired. If the land was acquired from a private party that was exempt from paying property taxes, the payments must be based on 30 times the property taxes assessed on comparable land in the year prior to the year in which the land is acquired. By September 1 each year, the county in which the land is acquired must provide the commissioner of revenue with information necessary in a form determined by the commissioner of revenue to make this determination for all lands acquired for the 12-month period ending on June 30 of that year. The commissioner of revenue must make a trust fund payment on behalf of each county on the
same date as the first payment under section 273.1384, subdivision 4, each year for all land
acquired in that county in the 12-month period ending on June 30 of that year to the State
Board of Investment as required under this paragraph. The money so deposited is money
paid to the counties and may only be withdrawn for the purposes allowed under section
477A.30. The commissioner of revenue must inform each county by October 15 each year
of the amount deposited on the county's behalf with the State Board of Investment under
this subdivision.

(c) The amount necessary to make the payments required under this subdivision is
annually appropriated from the outdoor heritage trust fund payment account to the
commissioner of revenue for deposit in the account for county joint trust fund payments in
section 11A.237.

(d) To receive a trust fund payment under this subdivision, a county board must enter
into an agreement with the State Board of Investment to allow the commissioner of revenue
to make deposits and withdrawals on behalf of the county into and out of the county joint
trust fund account under section 11A.237.

(e) The portion of land receiving a trust fund payment under this subdivision is not
eligible for payments under sections 477A.11 to 477A.14, but is eligible for distribution of
withdrawals from the county joint trust fund account under section 477A.30.

(f) If the land for which a payment under this subdivision is made is subsequently sold
to another entity and is no longer available for the use for which it was purchased, the
original amount of the payment for that land under paragraph (b) must be withdrawn by the
commissioner of revenue from the account established under section 11A.237 and returned
to the outdoor heritage fund. If only a portion of the land is sold and no longer available for
the use for which it was purchased, the amount of the original trust fund payment returned
is reduced proportionately based on the portion of the original purchase that is sold. The
holder of the land must inform the commissioner of revenue and the county in which the
land is sold of the sale and provide them with any information necessary to calculate the
required withdrawal from the account. The withdrawal is made along with withdrawals
under section 477A.30 in the calendar year after the year in which the land is sold.

EFFECTIVE DATE. This section is effective July 1, 2017, and applies to land acquired
with money appropriated on or after that date.
Sec. 4. Minnesota Statutes 2016, section 97A.056, subdivision 3, is amended to read:

Subd. 3. **Council recommendations.** (a) The council shall make recommendations to the legislature on appropriations of money from the outdoor heritage fund that are consistent with the Constitution and state law and that will achieve the outcomes of existing natural resource plans, including, but not limited to, the Minnesota Statewide Conservation and Preservation Plan, that directly relate to the restoration, protection, and enhancement of wetlands, prairies, forests, and habitat for fish, game, and wildlife, and that prevent forest fragmentation, encourage forest consolidation, and expand restored native prairie. In making recommendations, the council shall consider a range of options that would best restore, protect, and enhance wetlands, prairies, forests, and habitat for fish, game, and wildlife. The council recommendations each year on appropriation of money from the outdoor heritage fund must include amounts adequate to make the required transfers to the outdoor heritage trust fund payment account according to subdivision 1b. The council's recommendations shall be submitted no later than January 15 each year. The council shall present its recommendations to the senate and house of representatives committees with jurisdiction over the environment and natural resources budget by February 15 in odd-numbered years, and within the first four weeks of the legislative session in even-numbered years. The council's budget recommendations to the legislature shall be separate from the Department of Natural Resource's budget recommendations.

(b) To encourage and support local conservation efforts, the council shall establish a conservation partners program. Local, regional, state, or national organizations may apply for matching grants for restoration, protection, and enhancement of wetlands, prairies, forests, and habitat for fish, game, and wildlife, prevention of forest fragmentation, encouragement of forest consolidation, and expansion of restored native prairie.

(c) The council may work with the Clean Water Council to identify projects that are consistent with both the purpose of the outdoor heritage fund and the purpose of the clean water fund.

(d) The council may make recommendations to the Legislative-Citizen Commission on Minnesota Resources on scientific research that will assist in restoring, protecting, and enhancing wetlands, prairies, forests, and habitat for fish, game, and wildlife, preventing forest fragmentation, encouraging forest consolidation, and expanding restored native prairie.

(e) Recommendations of the council, including approval of recommendations for the outdoor heritage fund, require an affirmative vote of at least nine members of the council.
(f) The council may work with the Clean Water Council, the Legislative-Citizen Commission on Minnesota Resources, the Board of Water and Soil Resources, soil and water conservation districts, and experts from Minnesota State Colleges and Universities and the University of Minnesota in developing the council's recommendations.

(g) The council shall develop and implement a process that ensures that citizens and potential recipients of funds are included throughout the process, including the development and finalization of the council's recommendations. The process must include a fair, equitable, and thorough process for reviewing requests for funding and a clear and easily understood process for ranking projects.

(h) The council shall use the regions of the state based upon the ecological sections and subsections developed by the Department of Natural Resources and establish objectives for each region and subregion to achieve the purposes of the fund outlined in the state constitution.

(i) The council shall develop and submit to the Legislative Coordinating Commission plans for the first ten years of funding, and a framework for 25 years of funding, consistent with statutory and constitutional requirements. The council may use existing plans from other legislative, state, and federal sources, as applicable.

**EFFECTIVE DATE.** This section is effective July 1, 2017, and applies to lands acquired with money appropriated on or after that date.

Sec. 5. Minnesota Statutes 2016, section 97A.056, is amended by adding a subdivision to read:

Subd. 15a. **State acquisition of land; restrictions.** The state may not use money from the outdoor heritage fund to acquire in fee simple in whole or in part any land subject to property taxes or any land owned by a nonprofit organization that was subject to property taxes before the land's acquisition by the nonprofit organization if (1) subdivision 1b is void, or (2) sufficient funds to cover the onetime trust fund payment required under subdivision 1b have not been appropriated or are not available.

**EFFECTIVE DATE.** This section is effective July 1, 2017, and applies to land acquired with money appropriated on or after that date.

Sec. 6. Minnesota Statutes 2016, section 116P.02, subdivision 1, is amended to read:

Subdivision 1. **Applicability.** The definitions in this section apply to this chapter, except that the definition in subdivision 6 does not apply to section 116P.045.
Sec. 7. Minnesota Statutes 2016, section 116P.02, is amended by adding a subdivision to read:

Subd. 4a. **Land acquisition costs.** "Land acquisition costs" means acquisition coordination costs, costs of engineering services, appraisal fees, attorney fees, taxes, assessments required at the time of purchase, payments under section 116P.045, and recording fees.

**EFFECTIVE DATE.** This section is effective July 1, 2017.

Sec. 8. Minnesota Statutes 2016, section 116P.02, is amended by adding a subdivision to read:

Subd. 4b. **Land-related property taxes.** "Land-related property taxes" means property taxes collected on behalf of local governments providing land-related services.

**EFFECTIVE DATE.** This section is effective July 1, 2017.

Sec. 9. Minnesota Statutes 2016, section 116P.02, is amended by adding a subdivision to read:

Subd. 4c. **Local governments providing land-related services.** "Local governments providing land-related services" means counties, townships, home rule charter and statutory cities, watershed districts under chapter 103D, sanitary districts under sections 442A.01 to 442A.29, and regional sanitary sewer districts under sections 115.61 to 115.67.

**EFFECTIVE DATE.** This section is effective July 1, 2017.

Sec. 10. Minnesota Statutes 2016, section 116P.02, is amended by adding a subdivision to read:

Subd. 4d. **Total payment for the land.** "Total payment for the land" means the total price paid for the land including land acquisition costs, but excluding any in-kind services provided by nongovernmental entities at no cost to the state.

**EFFECTIVE DATE.** This section is effective July 1, 2017.
Sec. 11. [116P.045] ENVIRONMENT AND NATURAL RESOURCES TRUST FUND

PAYMENT ACCOUNT.

Subdivision 1. **Account created.** An environment and natural resources trust fund payment account is created in the special revenue fund. The State Board of Investment must ensure the account is invested under section 11A.24. The commissioner of management and budget must credit to the account all money appropriated to the account and all money earned by the account. The principal of the account and any unexpended earnings must be invested and reinvested by the State Board of Investment. Nothing in this section limits the source of contributions to the account. Money in the account must be used only for the purposes of this section.

Subd. 2. **Trust fund payment; appropriation.** (a) State land acquired in fee simple in whole or in part with money appropriated from the environment and natural resources trust fund is eligible for a onetime trust fund payment as provided under this subdivision. The percentage of the total acres acquired in any purchase that is eligible for a trust fund payment under this section is equal to the percentage of the total payment for the land funded from environment and natural resources trust fund revenues. If the percentage of the total payment for the land from the environment and natural resources trust fund is ten percent or less, the parcel is ineligible for a payment under this section; if the percentage is 90 percent or more, the entire parcel is eligible for the payment under this section. The commissioner of natural resources must certify to the commissioner of revenue and the county in which land eligible for a payment under this section is purchased the total number of acres purchased, the total payment for the land, and the amount of environmental and natural resources trust fund revenues used for the purchase. The trust fund payment is equal to 30 times the land-related property taxes assessed on the eligible portion of the land in the year prior to the year in which the land is acquired. If the land was acquired from a private party that was exempt from paying property taxes, the payments must be based on 30 times the property taxes assessed on comparable land in the year prior to the year in which the land is acquired. By September 1 each year, the county in which the land is acquired must provide the commissioner of revenue with information necessary in a form determined by the commissioner of revenue to make this determination for all lands acquired for the 12-month period ending on June 30 of that year. The commissioner of revenue must make a trust fund payment on behalf of each county on the same date as the first payment under section 273.1384, subdivision 4, each year for all land acquired in that county in the 12-month period ending on June 30 of that year to the State Board of Investment as required under this section. The money so deposited is money paid to the counties and may only be
withdrawn for the purposes allowed under section 477A.30. The commissioner of revenue
must inform each county by October 15 each year of the amount deposited on the county's
behalf with the State Board of Investment under this subdivision.

(b) The amount necessary to make the payments required under this subdivision is
annually appropriated from the environment and natural resources trust fund payment
account to the commissioner of revenue for deposit in the account for county joint trust
fund payments in section 11A.237.

c) If the land for which a payment under this subdivision is made is subsequently sold
to another entity and is no longer available for the use for which it was purchased, the
original amount of the payment for that land under paragraph (a) must be withdrawn by the
commissioner of revenue from the account established under section 11A.237 and returned
to the environment and natural resources trust fund. If only a portion of the land is sold and
no longer available for the use for which it was purchased, the amount of the original trust
fund payment returned is reduced proportionately based on the portion of the original
purchase that is sold. The holder of the land must inform the commissioner of revenue and
the county in which the land is sold of the sale and provide them with any information
necessary to calculate the required withdrawal from the account. The withdrawal is made
along with withdrawals under section 477A.30 in the calendar year after the year in which
the land is sold.

Subd. 3. County requirements. To receive a trust fund payment under this section, a
county board must enter into an agreement with the State Board of Investment to allow the
commissioner of revenue to make deposits and withdrawals on behalf of the county into
and out of the county joint trust fund account under section 11A.237.

Subd. 4. Ineligible for other payments. Land receiving a trust fund payment under this
section is not eligible for payments under sections 477A.11 to 477A.14, but is eligible for
distribution of withdrawals from the county joint trust fund account under section 477A.30.

Subd. 5. State acquisition of land; restrictions. The state may not use money from the
environment and natural resources trust fund to acquire in fee simple in whole or in part
any land subject to property taxes or any land owned by a nonprofit organization that was
subject to property taxes before the land's acquisition by the nonprofit organization if (1)
subdivision 2 is void, or (2) sufficient funds to cover the one-time trust fund payment required
under subdivision 2 have not been appropriated or are not available.

EFFECTIVE DATE. This section is effective July 1, 2017, and applies to land acquired
with money appropriated on or after that date.
Sec. 12. Minnesota Statutes 2016, section 116P.08, subdivision 1, is amended to read:

Subdivision 1. **Expenditures.** Money in the trust fund may be spent only for:

1. the reinvest in Minnesota program as provided in section 84.95, subdivision 2;
2. research that contributes to increasing the effectiveness of protecting or managing the state's environment or natural resources;
3. collection and analysis of information that assists in developing the state's environmental and natural resources policies;
4. enhancement of public education, awareness, and understanding necessary for the protection, conservation, restoration, and enhancement of air, land, water, forests, fish, wildlife, and other natural resources;
5. capital projects for the preservation and protection of unique natural resources;
6. activities that preserve or enhance fish, wildlife, land, air, water, and other natural resources that otherwise may be substantially impaired or destroyed in any area of the state;
7. administrative and investment expenses incurred by the State Board of Investment in investing deposits to the trust fund; and
8. administrative expenses subject to the limits in section 116P.09;
9. payments to the environment and natural resources trust fund payment account as required in section 116P.045.

**EFFECTIVE DATE.** This section is effective July 1, 2017, and applies to lands acquired with money appropriated on or after that date.

Sec. 13. Minnesota Statutes 2016, section 116P.08, subdivision 4, is amended to read:

Subd. 4. **Legislative recommendations.** (a) Funding may be provided only for those projects that meet the categories established in subdivision 1.

(b) The commission must recommend an annual or biennial legislative bill to make appropriations from the trust fund for the purposes provided in subdivision 1. The recommendations must be submitted to the governor for inclusion in the biennial budget and supplemental budget submitted to the legislature.

(c) The commission may recommend regional block grants for a portion of trust fund expenditures to partner with existing regional organizations that have strong citizen involvement, to address unique local needs and capacity, and to leverage all available funding sources for projects.
(d) The commission may recommend the establishment of an emerging issues account in its legislative bill for funding emerging issues, which come up unexpectedly, but which still adhere to the commission’s strategic plan, to be approved by the governor after initiation and recommendation by the commission.

(e) The council must recommend an appropriation of money from the environment and natural resources trust fund adequate to make the required transfers to the environment and natural resources trust fund payment account according to section 116P.045.

(f) Money in the trust fund may not be spent except under an appropriation by law.

EFFECTIVE DATE. This section is effective July 1, 2017, and applies to lands acquired with money appropriated on or after that date.

Sec. 14. Minnesota Statutes 2016, section 477A.10, is amended to read:

477A.10 NATURAL RESOURCES LAND PAYMENTS IN LIEU; PURPOSE.

The purposes of sections 477A.11 to 477A.14 are:

(1) to compensate local units of government for the loss of tax base from state ownership of land, except land acquired on or after July 1, 2017, receiving trust fund payments from the outdoor heritage trust fund payment account or the environment and natural resources trust fund payment account, and the need to provide services for state land;

(2) to address the disproportionate impact of state land ownership on local units of government with a large proportion of state land; and

(3) to address the need to manage state lands held in trust for the local taxing districts.

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

Sec. 15. Minnesota Statutes 2016, section 477A.11, is amended by adding a subdivision to read:

Subd. 9. Environment and natural resources trust fund lands. Notwithstanding any other provision of law to the contrary, parcels or portions of parcels of land purchased on or after July 1, 2017, and eligible for a trust fund payment under section 116P.045 are not included in the definitions of the lands described in subdivisions 3 to 7 and are excluded from payments under sections 477A.11 to 477A.14.

EFFECTIVE DATE. This section is effective beginning with aids payable in 2018.
Sec. 16. Minnesota Statutes 2016, section 477A.11, is amended by adding a subdivision to read:

Subd. 10. **Outdoor heritage lands.** Notwithstanding any other provision of law to the contrary, parcels or portions of parcels of land purchased on or after July 1, 2017, and eligible for a trust fund payment under section 97A.056, subdivision 1b, are not included in the definitions of the lands described in subdivisions 3 to 7 and are excluded from payments under sections 477A.11 to 477A.14.

**EFFECTIVE DATE.** This section is effective beginning with aids payable in 2018.

Sec. 17. **[477A.30] ANNUAL COUNTY JOINT TRUST FUND WITHDRAWALS AND DISTRIBUTION FOR ENVIRONMENT AND NATURAL RESOURCES TRUST FUND LANDS AND OUTDOOR HERITAGE LANDS.**

Subdivision 1. **Commissioner of revenue; withdrawals and payments.** No later than November 15 each year, the commissioner of revenue shall make a withdrawal on behalf of all eligible counties from the county joint trust fund account established under section 11A.237 equal to the lesser of (1) the total amount of necessary withdrawals certified by the counties under subdivision 2 for the year, or (2) 5-1/2 percent of the amount in that account as of September 1 of that year as determined by the executive director of the State Board of Investment. The commissioner shall distribute the certified withdrawal amounts to each county by November 30. If the amount of the withdrawal is less than the total certified withdrawal amounts under subdivision 2, the commissioner shall reduce the distribution to each county proportionately.

Subd. 2. **Certification of needed withdrawal; distribution of funds.** (a) Beginning in calendar year 2018, by September 1 each year, a county for whom a trust fund payment has been made on its behalf under section 97A.056, subdivision 1b, or 116P.045, subdivision 2, shall calculate and certify to the commissioner of revenue the amount of trust fund withdrawals needed under this section. The amount of the withdrawal for each parcel of land for which a county received a trust fund payment under either provision is as follows:

(1) for the year in which a trust fund payment is made to a county for a parcel of land, the withdrawal for that parcel is equal to:

(i) the remaining taxes owed to the local governments providing land-related services for taxes spread that year for a parcel acquired between January 1 and June 30; or

(ii) the amount of taxes paid to the local governments providing land-related services on the parcel in the previous year if the parcel was acquired before January 1 of the current...
The county must distribute the amount by December 15 to all local governments providing land-related services based on the location of the parcel and the local governments' share of the total tax; and

(2) for all subsequent years, the withdrawal for a parcel is equal to the taxes that would be owed based on the appraised value of the land and the taxes assessed by local governments providing land-related services on comparable, privately owned adjacent land. For purposes of this subdivision, "appraised value" is determined in the manner described in section 477A.12, subdivision 3. The county treasurer must allocate the withdrawn funds among the local governments providing land-related services on the same basis as if the funds were taxes on the land received in that year. The county treasurer must pay the allocation to all eligible local governments by December 15 of the year in which the withdrawal is made. The county's share of the payment must be deposited in the county general fund.

(b) If the distribution to a county under subdivision 1 is less than its total withdrawal amounts certified under this subdivision, all distributions under paragraph (a) are reduced proportionately.

(c) The local governments receiving a payment under this section must use the money to fund land-related services. For purposes of this paragraph, "land-related services" means services used to restore, enhance, and protect the land and its fish and wildlife habitat and provide any other public services benefiting the land and users of the land, including access and services to the public accessing and using the land and direct and indirect capital and operating costs for (1) roads, bridges, and trails; (2) public safety and emergency response services; (3) environmental, recreational, and resource development and management; and (4) similar costs.

(d) For purposes of this subdivision, "local governments providing land-related services" has the meaning given in section 116P.02, subdivision 4c.

EFFECTIVE DATE. This section is effective January 1, 2018, and applies to land acquired with money appropriated on or after July 1, 2017.

Sec. 18. DELAYED REQUIREMENT FOR TRUST FUND PAYMENTS FOR APPROPRIATIONS MADE FOR FISCAL YEAR 2018.

(a) Notwithstanding Minnesota Statutes, section 97A.056, subdivision 15a, the state may appropriate money for fiscal year 2018 from the outdoor heritage fund to purchase land without appropriating sufficient funds to cover the onetime trust fund payment required under Minnesota Statutes, section 97A.056, subdivision 1b. The amount necessary to make
the payment required under Minnesota Statutes, section 97A.056, subdivision 1b, for all
fiscal year 2018 appropriations for land purchases must be deposited in the outdoor heritage
trust fund payment account by August 1, 2018, or the restriction on land acquisition under
Minnesota Statutes, section 97A.056, subdivision 15a, applies to any land acquisition
authorized with fiscal year 2018 funds that have not yet been acquired.

(b) Notwithstanding Minnesota Statutes, section 116P.045, subdivision 5, the state may
appropriate money in fiscal year 2018 from the environment and natural resources trust
fund to purchase land without appropriating sufficient funds to cover the onetime trust fund
payment required under Minnesota Statutes, section 116P.045, subdivision 2. The amount
necessary to make the payment required under Minnesota Statutes, section 116P.045,
subdivision 2, for all fiscal year 2018 appropriations for land purchases must be deposited
in the environment and natural resources trust fund payment account by August 1, 2018, or
the restriction on land acquisition under Minnesota Statutes, section 116P.045, subdivision
5, applies to any land acquisition authorized with fiscal year 2018 funds that have not yet
been acquired.

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

ARTICLE 7

LOCAL OPTION SALES AND USE TAXES

Section 1. [471.9998] MERCHANT BAGS; PROHIBITION ON FEE OR TAX.

Notwithstanding any other provision of law, no political subdivision may impose or
require the imposition of any fee or tax, other than a local sales tax subject to section
297A.99, upon the use of paper, plastic, or reusable bags for packaging of any item or good
purchased from a merchant, itinerant vendor, or peddler.

EFFECTIVE DATE. This section is effective May 31, 2017. Ordinances existing on
the effective date of this section that would be prohibited under this section are invalid as
of the effective date of this section.

Sec. 2. Laws 1980, chapter 511, section 1, subdivision 2, as amended by Laws 1991,
chapter 291, article 8, section 22, Laws 1998, chapter 389, article 8, section 25, Laws 2003,
First Special Session chapter 21, article 8, section 11, Laws 2008, chapter 154, article 5,
section 2, and Laws 2014, chapter 308, article 3, section 21, is amended to read:

Subd. 2. (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other law,
ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance,
impose an additional sales tax of up to one and three-quarter percent on sales transactions
which are described in Minnesota Statutes 2000, section 297A.01, subdivision 3, clause (c).
The imposition of this tax shall not be subject to voter referendum under either state law or
city charter provisions. When the city council determines that the taxes imposed under this
paragraph at a rate of three-quarters of one percent and other sources of revenue produce
revenue sufficient to pay debt service on bonds in the principal amount of $40,285,000 plus
issuance and discount costs, issued for capital improvements at the Duluth Entertainment
and Convention Center, which include a new arena, the rate of tax under this subdivision
must be reduced by three-quarters of one percent.

(b) In addition to the tax in paragraph (a) and notwithstanding Minnesota Statutes, section
477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of
Duluth may, by ordinance, impose an additional sales tax of up to one-half of one percent
on sales transactions which are described in Minnesota Statutes 2000, section 297A.01,
subdivision 3, clause (c). This tax expires when the city council determines that the tax
imposed under this paragraph, along with the tax imposed under section 22, paragraph (b),
has produced revenues sufficient to pay the debt service on bonds in a principal amount of
no more than $18,000,000, plus issuance and discount costs, to finance capital improvements
to public facilities to support tourism and recreational activities in that portion of the city
west of 34th 14th Avenue West and the area south of and including Skyline Parkway.

c) The city of Duluth may sell and issue up to $18,000,000 in general obligation bonds
under Minnesota Statutes, chapter 475, plus an additional amount to pay for the costs of
issuance and any premiums. The proceeds may be used to finance capital improvements to
public facilities that support tourism and recreational activities in the portion of the city
west of 34th 14th Avenue West and the area south of and including Skyline Parkway, as
described in paragraph (b). The issuance of the bonds is subject to the provisions of
Minnesota Statutes, chapter 475, except no election shall be required unless required by the
city charter. The bonds shall not be included in computing net debt. The revenues from the
taxes that the city of Duluth may impose under paragraph (b) and under section 22, paragraph
(b), may be pledged to pay principal of and interest on such bonds.

EFFECTIVE DATE. This section is effective the day after the governing body of the
city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021,
subdivisions 2 and 3.
Sec. 3. Laws 1980, chapter 511, section 2, as amended by Laws 1998, chapter 389, article 8, section 26, Laws 2003, First Special Session chapter 21, article 8, section 12, and Laws 2014, chapter 308, article 3, section 22, is amended to read:

Sec. 22. CITY OF DULUTH; TAX ON RECEIPTS BY HOTELS AND MOTELS.

(a) Notwithstanding Minnesota Statutes, section 477A.016, or any other law, or ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional tax of one percent upon the gross receipts from the sale of lodging for periods of less than 30 days in hotels and motels located in the city. The tax shall be collected in the same manner as the tax set forth in the Duluth city charter, section 54(d), paragraph one.

(b) The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions.

(b) In addition to the tax in paragraph (a) and notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional sales tax of up to one-half of one percent on the gross receipts from the sale of lodging for periods of less than 30 days in hotels and motels located in the city. This tax expires when the city council first determines that the tax imposed under this paragraph, along with the tax imposed under section 21, paragraph (b), has produced revenues sufficient to pay the debt service on bonds in a principal amount of no more than $18,000,000, plus issuance and discount costs, to finance capital improvements to public facilities to support tourism and recreational activities in that portion of the city west of 34th Avenue West and the area south of and including Skyline Parkway.

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

Sec. 4. Laws 1991, chapter 291, article 8, section 27, subdivision 3, as amended by Laws 1998, chapter 389, article 8, section 28, Laws 2008, chapter 366, article 7, section 9, and Laws 2009, chapter 88, article 4, section 14, is amended to read:

Subd. 3. Use of revenues. (a) Revenues received from taxes authorized by subdivisions 1 and 2 shall be used by the city to pay the cost of collecting the tax and to pay all or a portion of the expenses of constructing and improving facilities as part of an urban revitalization project in downtown Mankato known as Riverfront 2000. Authorized expenses include, but are not limited to, acquiring property and paying relocation expenses related to the development of Riverfront 2000 and related facilities, and securing or paying debt...
service on bonds or other obligations issued to finance the construction of Riverfront 2000 and related facilities. For purposes of this section, "Riverfront 2000 and related facilities" means a civic-convention center, an arena, a riverfront park, a technology center and related educational facilities, and all publicly owned real or personal property that the governing body of the city determines will be necessary to facilitate the use of these facilities, including but not limited to parking, skyways, pedestrian bridges, lighting, and landscaping. It also includes the performing arts theatre and the Southern Minnesota Women's Hockey Exposition Center, for use by Minnesota State University, Mankato.

(b) Notwithstanding Minnesota Statutes, section 297A.99, subdivision 3, and as approved by voters at the November 8, 2016, general election, the city may by ordinance also use revenues from taxes authorized under subdivisions 1 and 2, up to a maximum of $47,000,000, plus associated bond costs, to pay all or a portion of the expenses of the following capital projects:

1. construction and improvements to regional recreational facilities including existing hockey and curling rinks, a baseball park, youth athletic fields and facilities, the municipal swimming pool including improvements to make the pool compliant with the Americans with Disabilities Act, and indoor regional athletic facilities;

2. improvements to flood control and the levee system;

3. water quality improvement projects in Blue Earth and Nicollet Counties;

4. expansion of the regional transit building and related multimodal transit improvements;

5. regional public safety and emergency communications improvements and equipment;

and

6. matching funds for improvements to publicly owned regional facilities including a historic museum, supportive housing, and a senior center.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Mankato and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.
Sec. 5. Laws 1991, chapter 291, article 8, section 27, subdivision 4, as amended by Laws 2005, First Special Session chapter 3, article 5, section 25, and Laws 2008, chapter 366, article 7, section 10, is amended to read:

Subd. 4. **Expiration of taxing authority and expenditure limitation.** The authority granted by subdivisions 1 and 2 to the city to impose a sales tax and an excise tax shall expire on at the earlier of when revenues are sufficient to pay off the bonds, including interest and all other associated bond costs authorized under subdivision 5, or December 31, 2022.

**EFFECTIVE DATE.** This section is effective the day following final enactment without local approval pursuant to Minnesota Statutes, section 645.023, subdivision 1.

Sec. 6. Laws 1991, chapter 291, article 8, section 27, subdivision 5, is amended to read:

Subd. 5. **Bonds. (a)** The city of Mankato may issue general obligation bonds of the city in an amount not to exceed $25,000,000 for Riverfront 2000 and related facilities, without election under Minnesota Statutes, chapter 475, on the question of issuance of the bonds or a tax to pay them. The debt represented by bonds issued for Riverfront 2000 and related facilities shall not be included in computing any debt limitations applicable to the city of Mankato, and the levy of taxes required by section 475.61 to pay principal of and interest on the bonds shall not be subject to any levy limitation or be included in computing or applying any levy limitation applicable to the city.

(b) The city of Mankato may issue general obligation bonds of the city in an amount not to exceed $47,000,000 for the projects listed under subdivision 3, paragraph (b), without election under Minnesota Statutes, chapter 475, on the question of issuance of the bonds or a tax to pay them. The debt represented by bonds under this paragraph shall not be included in computing any debt limitations applicable to the city of Mankato, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds, and shall not be subject to any levy limitation or be included in computing or applying any levy limitation applicable to the city. The city may use tax revenue in excess of one year's principal interest reserve for intended annual bond payments to pay all or a portion of the cost of capital improvements authorized in subdivision 3.

**EFFECTIVE DATE.** This section is effective the day following final enactment without local approval pursuant to Minnesota Statutes, section 645.023, subdivision 1.
Sec. 7. Laws 1996, chapter 471, article 2, section 29, subdivision 1, as amended by Laws 2006, chapter 259, article 3, section 3, and Laws 2011, First Special Session chapter 7, article 4, section 4, is amended to read:

Subdivision 1. Sales tax authorized. (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Hermantown may, by ordinance, impose an additional sales tax of up to one percent on sales transactions taxable pursuant to Minnesota Statutes, chapter 297A, that occur within the city. The proceeds of the tax imposed under this section must be used to meet the costs of:

(1) extending a sewer interceptor line;

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

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

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

(c) As approved by the voters at the November 8, 2016, general election, the proceeds under this section may also be used to meet the costs of debt service payments for construction of the Hermantown Wellness Center.

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

Sec. 8. Laws 1996, chapter 471, article 2, section 29, subdivision 4, as amended by Laws 2006, chapter 259, article 3, section 4, is amended to read:

Subd. 4. Termination. The tax authorized under this section terminates on March 31, 2026 at the earlier of (1) December 31, 2036, or (2) when the Hermantown City Council first determines that sufficient funds have been received from the tax to fund the costs, including bonds and associated bond costs for the uses specified in subdivision 1. Any funds remaining after completion of the improvements and retirement or redemption of the bonds may be placed in the general fund of the city.
Sec. 9. Laws 1999, chapter 243, article 4, section 17, subdivision 3, is amended to read:

Subd. 3. Use of revenues. (a) Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for construction and improvement of a civic and community center and recreational facilities to serve all ages, including seniors and youth. Authorized expenses include, but are not limited to, acquiring property, paying construction and operating expenses related to the development of an authorized facility, funding facilities replacement reserves, and paying debt service on bonds or other obligations issued to finance the construction or expansion of an authorized facility. The capital expenses for all projects authorized under this subdivision that may be paid with these taxes are limited to $9,000,000, plus an amount equal to the costs related to issuance of the bonds and funding facilities replacement reserves.

(b) Notwithstanding Minnesota Statutes, section 297A.99, subdivision 3, and as approved by the voters at the November 8, 2016, general election, the city of New Ulm may by ordinance also use revenues from taxes authorized under subdivisions 1 and 2, up to a maximum of $14,800,000, plus associated bond costs, to pay all or a portion of the expenses of the following capital projects:

1. constructing an indoor water park and making safety improvements to the existing recreational center pool;
2. constructing an indoor playground, a wellness center, and a gymnastics facility;
3. constructing a winter multipurpose dome;
4. making improvements to Johnson Park Grandstand; and
5. making improvements to the entrance road and parking at Hermann Heights Park.

EFFECTIVE DATE. This section is effective the day following final enactment without local approval pursuant to Minnesota Statutes, section 645.023, subdivision 1.

Sec. 10. Laws 1999, chapter 243, article 4, section 17, is amended by adding a subdivision to read:

Subd. 4a. Bonding authority; additional use and extension of tax. As approved by the voters at the November 8, 2016, general election, and in addition to the bonds issued...
under subdivision 4, the city of New Ulm may issue general obligation bonds of the city in
an amount not to exceed $14,800,000 for the projects listed in subdivision 3, paragraph (b).
The debt represented by bonds under this subdivision shall not be included in computing
any debt limitations applicable to the city of New Ulm, and the levy of taxes required by
Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds, and shall
not be subject to any levy limitation or be included in computing or applying any levy
limitation applicable to the city.

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

Sec. 11. Laws 1999, chapter 243, article 4, section 17, subdivision 5, is amended to read:

Subd. 5. Termination of taxes. The taxes imposed under subdivisions 1 and 2 expire
when the city council determines that sufficient funds have been received from the taxes to
finance the capital and administrative costs for the acquisition, construction, and improvement
of facilities described in subdivision 3, including the additional use of revenues under
subdivision 3, paragraph (b), as approved by the voters at the November 8, 2016, general
election, and to prepay or retire at maturity the principal, interest, and premium due on any
bonds issued for the facilities under subdivision 4 subdivisions 4 and 4a. Any funds remaining
after completion of the project and retirement or redemption of the bonds may be placed in
the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at
an earlier time if the city so determines by ordinance.

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

Sec. 12. Laws 1999, chapter 243, article 4, section 18, subdivision 1, as amended by Laws
2008, chapter 366, article 7, section 12, is amended to read:

Subdivision 1. Sales and use tax. (a) Notwithstanding Minnesota Statutes, section
477A.016, or any other provision of law, ordinance, or city charter, if approved by the city
voters at the first municipal general election held after the date of final enactment of this
act or at a special election held November 2, 1999, the city of Proctor may impose by
ordinance a sales and use tax of up to one-half of one percent for the purposes specified in
subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern the imposition,
administration, collection, and enforcement of the tax authorized under this subdivision.
(b) Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Proctor may impose by ordinance an additional sales and use tax of up to one-half of one percent as approved by the voters at the November 4, 2014, election. The revenues received from the additional tax must be used for the purposes specified in subdivision 3, paragraph (b).

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

Sec. 13. Laws 2005, First Special Session chapter 3, article 5, section 38, subdivision 2, as amended by Laws 2006, chapter 259, article 3, section 6, is amended to read:

**Subd. 2. Use of revenues.** The proceeds of the tax imposed under this section shall be used to pay for lake water quality improvement projects as detailed in the Shell Rock River watershed plan and as directed by the Shell Rock River Watershed Board. Notwithstanding any provision of statute, other law, or city charter to the contrary, the city shall transfer all revenues from the tax imposed under subdivision 1, as soon as they are received, to the Shell Rock River Watershed District. The city is not required to review the intended uses of the revenues by the watershed district, nor is the watershed district required to submit to the city proposed budgets, statements, or invoices explaining the intended uses of the revenues as a prerequisite for the transfer of the revenues. The Shell Rock River Watershed District shall appear before the city of Albert Lea City Council on a biannual basis to present a report of its activities, expenditures, and intended uses of the city sales tax revenue.

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

Sec. 14. Laws 2005, First Special Session chapter 3, article 5, section 38, subdivision 4, as amended by Laws 2014, chapter 308, article 3, section 23, is amended to read:

**Subd. 4. Termination of taxes.** The taxes imposed under this section expire at the earlier of (1) 15 years after the taxes are first imposed, or (2) when the city council first determines that the amount of revenues raised to pay for the projects under subdivision 2, shall meet or exceed the sum of $15,000,000 – $30,000,000. Any funds remaining after completion of the projects may 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 Albert Lea and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 15. Laws 2008, chapter 366, article 7, section 20, is amended to read:

Sec. 20. CITY OF NORTH MANKATO; TAXES AUTHORIZED.

Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to the approval of the voters on November 7, 2006, the city of North Mankato may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the taxes authorized under this subdivision.

Subd. 2. Use of revenues. Revenues received from the tax authorized by subdivision 1 must be used to pay all or part of the capital costs of the following projects:

1. the local share of the Trunk Highway 14/County State-Aid Highway 41 interchange project;
2. development of regional parks and hiking and biking trails, including construction of indoor regional athletic facilities;
3. expansion of the North Mankato Taylor Library;
4. riverfront redevelopment; and
5. lake improvement projects.

The total amount of revenues from the tax in subdivision 1 that may be used to fund these projects is $6,000,000 plus any associated bond costs.

Subd. 2a. Authorization to extend the tax. Notwithstanding Minnesota Statutes, section 297A.99, subdivision 3, the North Mankato city council may, by resolution, extend the tax authorized under subdivision 1 to cover an additional $9,000,000 in bonds, plus associated bond costs, to fund the projects in subdivision 2 as approved by the voters at the November 8, 2016, general election.

Subd. 3. Bonds. (a) The city of North Mankato, pursuant to the approval of the voters at the November 7, 2006 referendum authorizing the imposition of the taxes in this section, may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the projects described in subdivision 2, in an amount that does not exceed
$6,000,000. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The city of North Mankato, pursuant to approval of the voters at the November 8, 2016, referendum extending the tax fee to provide additional revenue to be spent for the projects in subdivision 2, may issue additional bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for those projects in an amount that does not exceed $9,000,000. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

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

Subd. 4. Termination of taxes. The tax imposed under subdivision 1 expires when the city council determines that the amount of revenues received from the taxes to pay for the projects under subdivision 2 first equals or exceeds $6,000,000 plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 3, including interest on the bonds at the earlier of December 31, 2038, or when revenues from the taxes first equal or exceed $15,000,000 plus the additional amount needed to pay costs related to issuance of bonds under subdivision 3, including interest. Any funds remaining after completion of the projects and retirement or redemption of the bonds shall be placed in a capital facilities and equipment replacement fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

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

Sec. 16. CITY OF EAST GRAND FORKS: TAXES AUTHORIZED.

Subdivision 1. Sales and use tax authorization. Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at a special election on March 7, 2016, the city of East Grand Forks may impose, by ordinance, a sales and use tax of up to one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.
Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of East Grand Forks to pay the costs of collecting and administering the tax and to finance the capital and administrative costs of improvement to the city public swimming pool. Authorized expenses include, but are not limited to, paying construction expenses related to the renovation and the development of these facilities and improvements, and securing and paying debt service on bonds issued under subdivision 3 or other obligations issued to finance improvement of the public swimming pool in the city of East Grand Forks.

Subd. 3. **Bonding authority.** (a) The city of East Grand Forks may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the facilities authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $2,820,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of East Grand Forks, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

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

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the later of: (1) five years after the tax is first imposed; or (2) when the city council determines that $2,820,000 has been received from the tax to pay for the cost of the projects authorized under subdivision 2, plus an amount sufficient to pay the costs related to issuance of the bonds authorized under subdivision 3, including interest on the bonds. Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

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

Sec. 17. **CITY OF FAIRMONT; LOCAL TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city...
charter, and as approved by the voters at the general election of November 8, 2016, the city of Fairmont may impose, by ordinance, a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. Use of sales and use tax revenues. The revenues derived from the tax authorized under subdivision 1 must be used by the city of Fairmont to pay the costs of collecting and administering the tax and to finance the capital and administrative costs of constructing and funding recreational amenities, trails, and a community center. The total that may be raised from the tax to pay for these projects is limited to $15,000,000, plus the costs related to the issuance and paying debt service on bonds for these projects.

Subd. 3. Bonding authority. (a) The city of Fairmont may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the facilities authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $15,000,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Fairmont, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

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

Subd. 4. Termination of taxes. The tax imposed under subdivision 1 expires at the earlier of: (1) 25 years after the tax is first imposed; or (2) when the city council determines that $15,000,000, plus an amount sufficient to pay the costs related to issuing the bonds authorized under subdivision 3, including interest on the bonds, has been received from the tax to pay for the cost of the projects authorized under subdivision 2. Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Fairmont and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.
Sec. 18. CITY OF FERGUS FALLS; TAXES AUTHORIZED.

Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, section 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at the November 8, 2016, general election, the city of Fergus Falls may impose, by ordinance, a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues from the tax authorized under subdivision 1 must be used by the city of Fergus Falls to pay the costs of collecting and administering the tax and securing and paying debt service on bonds issued to finance all or part of the costs of the expansion and betterment of the Fergus Falls Public Library located at 205 East Hampden Avenue in the city of Fergus Falls.

Subd. 3. **Bonding authority.** (a) The city of Fergus Falls may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the project authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $9,800,000, plus an amount applied to the payment of costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Fergus Falls, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60 and 275.61.

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

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 12 years after the tax is first imposed, or (2) when the city council determines that $9,800,000 has been received from the tax to pay for the cost of the project authorized under subdivision 2, plus an amount sufficient to pay the costs related to the issuance of the bonds authorized under subdivision 3, including interest on the bonds. Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at any earlier time if the city so determines by ordinance.
EFFECTIVE DATE. This section is effective the day after the governing body of the city of Fergus Falls and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 19. CITY OF MOOSE LAKE; TAXES AUTHORIZED.

Subdivision 1. Sales and use tax authorization. Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter, as approved by the voters at the November 6, 2012, general election, the city of Moose Lake may impose, by ordinance, a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. Use of sales and use tax revenues. The revenues derived from the tax authorized under subdivision 1 must be used by the city of Moose Lake to pay the costs of collecting and administering the tax and to finance the costs of: (1) improvements to the city's park system; (2) street and related infrastructure improvements; and (3) municipal arena improvements. Authorized costs include construction and engineering costs and associated bond costs.

Subd. 3. Bonding authority. The city of Moose Lake may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the facilities authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $3,000,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Moose Lake, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

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

Subd. 4. Termination of taxes. The tax imposed under subdivision 1 expires at the earlier of: (1) 20 years after the tax is first imposed; or (2) when the city council determines that $3,000,000 has been received from the tax to pay for the cost of the projects authorized under subdivision 2, plus an amount sufficient to pay the costs related to issuance of the bonds authorized under subdivision 3, including interest on the bonds. Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed...
in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier
time if the city so determines by ordinance.

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

Sec. 20. CITY OF NEW LONDON; TAX AUTHORIZED.

Subdivision 1. Sales and use tax authorization. Notwithstanding Minnesota Statutes,
section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city
charter, and as approved by the voters at the general election of November 8, 2016, the city
of New London may impose, by ordinance, a sales and use tax of one-half of one percent
for the purposes specified in subdivision 2. Except as otherwise provided in this section,
the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration,
collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. Use of sales and use tax revenues. The revenues derived from the tax authorized
under subdivision 1 must be used by the city of New London to pay the costs of collecting
and administering the tax and to finance the capital and administrative costs of the following
projects:

(1) construction and equipping of a new library and community room;
(2) construction of an ambulance bay at the fire hall; and
(3) improvements to the New London Senior Citizen Center.

The total that may be raised from the tax to pay for these projects is limited to $872,000
plus the costs related to the issuance and paying debt service on bonds for these projects.

Subd. 3. Bonding authority. (a) The city of New London may issue bonds under
Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the facilities
authorized in subdivision 2. The aggregate principal amount of bonds issued under this
subdivision may not exceed $872,000, plus an amount to be applied to the payment of the
costs of issuing the bonds. The bonds may be paid from or secured by any funds available
to the city of New London, including the tax authorized under subdivision 1. The issuance
of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and
275.61.

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

Subd. 4. Termination of taxes. The tax imposed under subdivision 1 expires at the
earlier of: (1) 20 years after the tax is first imposed; or (2) when the city council determines
that $872,000, plus an amount sufficient to pay the costs related to issuing the bonds
authorized under subdivision 3, including interest on the bonds, has been received from the
tax to pay for the cost of the projects authorized under subdivision 2. Any funds remaining
after payment of all such costs and retirement or redemption of the bonds shall be placed
in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier
time if the city so determines by ordinance.

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

Sec. 21. CITY OF SLEEPY EYE; LODGING TAX.

Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law,
ordinance, or city charter, the city council for the city of Sleepy Eye may impose, by
ordinance, a tax of up to two percent on the gross receipts subject to the lodging tax under
Minnesota Statutes, section 469.190. This tax is in addition to any tax imposed under
Minnesota Statutes, section 469.190, and the total tax imposed under that section and this
provision must not exceed five percent. Revenue from the tax imposed under this section
may only be used for the same purposes as a tax imposed under Minnesota Statutes, section
469.190.

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

Sec. 22. CITY OF SPICER; TAX AUTHORIZED.

Subdivision 1. Sales and use tax authorization. Notwithstanding Minnesota Statutes,
section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city
charter, and as approved by the voters at the general election of November 8, 2016, the city
of Spicer may impose, by ordinance, a sales and use tax of one-half of one percent for the
purposes specified in subdivision 2. Except as otherwise provided in this section, the
provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration,
collection, and enforcement of the tax authorized under this subdivision.
Subd. 2. Use of sales and use tax revenues. The revenues derived from the tax authorized under subdivision 1 must be used by the city of Spicer to pay the costs of collecting and administering the tax and to finance the capital and administrative costs of the following projects:

(1) pedestrian public safety improvements such as a pedestrian bridge or crosswalk signals at marked Trunk Highway 23;

(2) park and trail capital improvements including signage for bicycle share the road improvements and replacement of playground and related facilities; and

(3) capital improvements to regional community facilities such as the Dethelfs roof and window replacement and the Pioneerland branch library roof replacement.

Subd. 3. Termination of taxes. The tax imposed under subdivision 1 expires at the earlier of: (1) ten years after the tax is first imposed; or (2) December 31, 2027. All funds not used to pay collection and administration costs of the tax must be used for projects listed in subdivision 2. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

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

Sec. 23. CITY OF WALKER; LOCAL TAXES AUTHORIZED.

Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, pursuant to the approval of the voters at the general election on November 6, 2012, the city of Walker may impose by ordinance a sales and use tax of 1-1/2 percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the taxes authorized under this subdivision.

Subd. 2. Use of revenues. Revenues received from the tax authorized by subdivision 1 must be used to pay all or part of the capital and administrative costs of underground utility, street, curb, gutter, and sidewalk improvements in the city of Walker as outlined in the 2012 capital improvement plan of the engineer of the city of Walker.

Subd. 3. Bonding authority. The city of Walker, pursuant to the approval of the voters at the November 6, 2012, referendum authorizing the imposition of the taxes in this section, may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the projects described in subdivision 2, in an amount that does not exceed...
$20,000,000. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of tax.** (a) The tax authorized under subdivision 1 terminates at the earlier of:

1. 20 years after the date of initial imposition of the tax; or
2. when the city council determines that sufficient funds have been raised from the tax to finance the capital and administrative costs of the improvements described in subdivision 2, plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 3, including interest on the bonds.

(b) Any funds remaining after completion of the projects specified in subdivision 2 and retirement or redemption of bonds in subdivision 3 shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

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

Sec. 24. **CITY OF WINDOM; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, as approved by the voters at the general election held on November 8, 2016, the city of Windom may impose by ordinance a sales and use tax of up to one percent for the purposes specified in subdivision 3. Except as provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of revenues.** The proceeds of the tax imposed under this section must be used to pay for the cost of collecting the tax and to pay all or a portion of the expenses of constructing and improving a fire hall and a public safety facility, including any associated bond costs.

Subd. 3. **Bonding authority.** The city of Windom, pursuant to the approval of the voters at the referendum authorizing the imposition of tax in this section, may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the project described in subdivision 2. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.
Subd. 4. **Termination of tax.** (a) The tax authorized under subdivision 1 terminates at  
the earlier of:  

(1) 15 years after the date of initial imposition of the tax; or  

(2) when $3,500,000 has been collected.  

(b) Any funds remaining after completion of the projects specified in subdivision 2 may  
be placed in the general fund of the city. The tax imposed under subdivision 1 may expire  
at an earlier time if the city so determines by ordinance.  

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

Sec. 25. **CLAY COUNTY: TAX AUTHORIZED.**  
Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes,  
section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law or ordinance, and as  
approved by the voters at the November 8, 2016, general election, Clay County may impose,  
by ordinance, a sales and use tax of up to one-half of one percent for the purposes specified  
in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota  
Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement  
of the tax authorized under this subdivision.  

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized  
under subdivision 1 must be used by Clay County to pay the costs of collecting and  
administering the tax and to finance the capital and administrative costs of constructing and  
equipping a new correctional facility, law enforcement center, and related parking facility.  
Authorized expenses include but are not limited to paying design, development, and  
construction costs related to these facilities and improvements, and securing and paying  
debt service on bonds issued under subdivision 3 or other obligations issued to finance the  
facilities listed in this subdivision.  

Subd. 3. **Bonding authority.** Clay County may issue bonds under Minnesota Statutes,  
chapter 475, to finance all or a portion of the costs of the facilities authorized in subdivision  
2. The aggregate principal amount of bonds issued under this subdivision may not exceed  
$52,000,000, plus an amount to be applied to the payment of the costs of issuing the bonds.  
The bonds may be paid from or secured by any funds available to Clay County, including  
the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not  
subject to Minnesota Statutes, sections 275.60 and 275.61.
Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 20 years after the tax is first imposed; or (2) when the county board determines that $52,000,000, plus an amount sufficient to pay the costs related to issuance of the bonds authorized under subdivision 3, including interest on the bonds, has been received from the tax to pay for the cost of the projects authorized under subdivision 2. Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the county. The tax imposed under subdivision 1 may expire at an earlier time if the county so determines by ordinance.

**EFFECTIVE DATE.** This section is effective the day after the governing body of Clay County and its chief clerical officer comply with Minnesota Statutes, section 645.021.

Sec. 26. **GARRISON, KATHIO, WEST MILLE LACS LAKE SANITARY DISTRICT; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, and as approved by the voters at the November 8, 2016, general election, the Garrison, Kathio, West Mille Lacs Lake Sanitary District may impose, by majority vote of the governing body of the district, a sales and use tax of up to one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the Garrison, Kathio, West Mille Lacs Lake Sanitary District to pay the costs of collecting and administering the tax and to repay general obligation revenue notes issued or other debt incurred for the construction of the wastewater collection system through the Minnesota Public Facilities Authority, general obligation disposal system bonds issued to finance the expense incurred in financing construction of sewer system improvements, and notes payable issued for costs associated with the sewer services agreement between the Garrison, Kathio, West Mille Lacs Lake Sanitary District and ML Wastewater Inc., and any other costs associated with system maintenance and improvements, including extension of the system to unserved customers as determined by the governing body of the district.

Subd. 3. **Bonds.** The Garrison, Kathio, West Mille Lacs Lake Sanitary District, pursuant to the approval of the voters at the November 8, 2016, referendum authorizing the imposition of
of the tax under this section, may issue general obligation disposal system bonds for financing
construction of sewer system improvements without a separate election required under
Minnesota Statutes, section 442.25 or 475.58. The amount of bonds that may be issued
without a separate election is equal to $10,000,000 minus the amount of the tax revenue
under this section committed to repay other notes as allowed under subdivision 2.

Subd. 4. Termination of taxes. The tax imposed under subdivision 1 expires at the
earlier of: (1) 20 years after the tax is first imposed; or (2) when the governing body of the
Garrison, Kathio, West Mille Lacs Lake Sanitary District determines that $10,000,000 has
been received from the tax to pay for the costs authorized under subdivision 2. Any funds
remaining after payment of all such costs and retirement or redemption of the bonds shall
be placed in the general fund of the district. The tax imposed under subdivision 1 may expire
at an earlier time if the governing body of the district so determines.

EFFECTIVE DATE. This section is effective the day after the governing body of the
Garrison, Kathio, West Mille Lacs Lake Sanitary District and its chief clerical officer comply
with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 27. EFFECTIVE DATE; VALIDATION OF PRIOR ACT.

Notwithstanding the time limits in Minnesota Statutes, section 645.021, the city of
Proctor may approve Laws 2008, chapter 366, article 7, section 13, and Laws 2010, chapter
389, article 5, sections 1 and 2, and file its approval with the secretary of state by January
1, 2015. If approved under this paragraph, actions undertaken by the city pursuant to the
approval of the voters on November 2, 2010, and otherwise in accordance with those laws
are validated.

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

ARTICLE 8
TAX INCREMENT FINANCING

Section 1. Minnesota Statutes 2016, section 469.174, subdivision 12, is amended to read:

Subd. 12. Economic development district. "Economic development district" means a
type of tax increment financing district which consists of any project, or portions of a project,
which the authority finds to be in the public interest because:
(1) it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality; or
(2) it will result in increased employment in the state; or
(3) it will result in preservation and enhancement of the tax base of the state; or
(4) it satisfies the requirements of a workforce housing project under section 469.176, subdivision 4c, paragraph (d).

**EFFECTIVE DATE.** This section is effective for districts for which the request for certification was made after June 30, 2017.

Sec. 2. Minnesota Statutes 2016, section 469.175, subdivision 3, is amended to read:

**Subd. 3. Municipality approval.** (a) A county auditor shall not certify the original net tax capacity of a tax increment financing district until the tax increment financing plan proposed for that district has been approved by the municipality in which the district is located. If an authority that proposes to establish a tax increment financing district and the municipality are not the same, the authority shall apply to the municipality in which the district is proposed to be located and shall obtain the approval of its tax increment financing plan by the municipality before the authority may use tax increment financing. The municipality shall approve the tax increment financing plan only after a public hearing thereon after published notice in a newspaper of general circulation in the municipality at least once not less than ten days nor more than 30 days prior to the date of the hearing. The published notice must include a map of the area of the district from which increments may be collected and, if the project area includes additional area, a map of the project area in which the increments may be expended. The hearing may be held before or after the approval or creation of the project or it may be held in conjunction with a hearing to approve the project.

(b) Before or at the time of approval of the tax increment financing plan, the municipality shall make the following findings, and shall set forth in writing the reasons and supporting facts for each determination:

(1) that the proposed tax increment financing district is a redevelopment district, a renewal or renovation district, a housing district, a soils condition district, or an economic development district; if the proposed district is a redevelopment district or a renewal or renovation district, the reasons and supporting facts for the determination that the district meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) and (2), or
subdivision 10a, must be documented in writing and retained and made available to the
public by the authority until the district has been terminated;

(2) that, in the opinion of the municipality:

(i) the proposed development or redevelopment would not reasonably be expected to
occur solely through private investment within the reasonably foreseeable future; and

(ii) the increased market value of the site that could reasonably be expected to occur
without the use of tax increment financing would be less than the increase in the market
value estimated to result from the proposed development after subtracting the present value
of the projected tax increments for the maximum duration of the district permitted by the
plan. The requirements of this item do not apply if the district is a housing district;

(3) that the tax increment financing plan conforms to the general plan for the development
or redevelopment of the municipality as a whole;

(4) that the tax increment financing plan will afford maximum opportunity, consistent
with the sound needs of the municipality as a whole, for the development or redevelopment
of the project by private enterprise;

(5) that the municipality elects the method of tax increment computation set forth in
section 469.177, subdivision 3, paragraph (b), if applicable.

c) When the municipality and the authority are not the same, the municipality shall
approve or disapprove the tax increment financing plan within 60 days of submission by
the authority. When the municipality and the authority are not the same, the municipality
may not amend or modify a tax increment financing plan except as proposed by the authority
pursuant to subdivision 4. Once approved, the determination of the authority to undertake
the project through the use of tax increment financing and the resolution of the governing
body shall be conclusive of the findings therein and of the public need for the financing.

d) For a district that is subject to the requirements of paragraph (b), clause (2), item
(ii), the municipality's statement of reasons and supporting facts must include all of the
following:

(1) an estimate of the amount by which the market value of the site will increase without
the use of tax increment financing;

(2) an estimate of the increase in the market value that will result from the development
or redevelopment to be assisted with tax increment financing; and
(3) the present value of the projected tax increments for the maximum duration of the
district permitted by the tax increment financing plan.

c) For purposes of this subdivision, "site" means the parcels on which the development
or redevelopment to be assisted with tax increment financing will be located.

(f) Before or at the time of approval of the tax increment financing plan for a district to
be used to fund a workforce housing project under section 469.176, subdivision 4c, paragraph
d), the municipality shall make the following findings and set forth in writing the reasons
and supporting facts for each determination:

1) the city is located outside of the metropolitan area, as defined in section 473.121,

2) the average vacancy rate for rental housing located in the municipality and in any
statutory or home rule charter city located within 15 miles or less of the boundaries of the
municipality has been three percent or less for at least the immediately preceding two-year
period;

3) at least one business located in the municipality or within 15 miles of the municipality
that employs a minimum of 20 full-time equivalent employees in aggregate has provided a
written statement to the municipality indicating that the lack of available rental housing has
impeded the ability of the business to recruit and hire employees; and

4) the municipality and the development authority intend to use increments from the
district for the development of rental housing to serve employees of businesses located in
the municipality or surrounding area.

EFFECTIVE DATE. This section is effective for districts for which the request for
certification was made after June 30, 2017.

Sec. 3. Minnesota Statutes 2016, section 469.176, subdivision 4c, is amended to read:

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

1) the manufacturing or production of tangible personal property, including processing
resulting in the change in condition of the property;
(2) warehousing, storage, and distribution of tangible personal property, excluding retail sales;

(3) research and development related to the activities listed in clause (1) or (2);

(4) telemarketing if that activity is the exclusive use of the property;

(5) tourism facilities;

(6) space necessary for and related to the activities listed in clauses (1) to (5); or

(7) a workforce housing project that satisfies the requirements of paragraph (d).

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

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

(d) A project qualifies as a workforce housing project under this subdivision if:

(1) increments from the district are used exclusively to assist in the acquisition of property; construction of improvements; and provision of loans or subsidies, grants, interest rate subsidies, public infrastructure, and related financing costs for rental housing developments in the municipality; and

(2) the governing body of the municipality made the findings for the project required by section 469.175, subdivision 3, paragraph (f).

EFFECTIVE DATE. This section is effective for districts for which the request for certification was made after June 30, 2017.
Sec. 4. Minnesota Statutes 2016, section 469.1761, is amended by adding a subdivision 2 to read:

Subd. 5. Income limits; Minnesota Housing Finance Agency challenge program. For a project receiving a loan or grant from the Minnesota Housing Finance Agency challenge program under section 462A.33, the income limits under section 462A.33 are substituted for the applicable income limits for the project under subdivision 2 or 3.

EFFECTIVE DATE. This section is effective for districts for which the request for certification was made after June 30, 2017.

Sec. 5. Minnesota Statutes 2016, section 469.1763, subdivision 1, is amended to read:

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

(b) "Activities" means acquisition of property, clearing of land, site preparation, soils correction, removal of hazardous waste or pollution, installation of utilities, construction of public or private improvements, and other similar activities, but only to the extent that tax increment revenues may be spent for such purposes under other law.

(c) "Third party" means an entity other than (1) the person receiving the benefit of assistance financed with tax increments, or (2) the municipality or the development authority or other person substantially under the control of the municipality.

(d) "Revenues derived from tax increments paid by properties in the district" means only tax increment as defined in section 469.174, subdivision 25, clause (1), and does not include tax increment as defined in section 469.174, subdivision 25, clauses (2), (3), and (4) to (5).

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

Sec. 6. Minnesota Statutes 2016, section 469.1763, subdivision 2, is amended to read:

Subd. 2. Expenditures outside district. (a) For each tax increment financing district, an amount equal to at least 75 percent of the total revenue derived from tax increments paid by properties in the district must be expended on activities in the district or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities in the district or to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the in-district percentage for purposes of the preceding sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax increments paid by properties in the district may be expended, through a development fund or otherwise, on activities

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outside of the district but within the defined geographic area of the project except to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is 20 percent. The revenue revenues derived from tax increments for paid by properties in the district that are expended on costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before calculating the percentages that must be expended within and without the district.

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

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

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

(1) be used exclusively to assist housing that meets the requirement for a qualified low-income building, as that term is used in section 42 of the Internal Revenue Code; and

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

(3) be used to:

(i) acquire and prepare the site of the housing;

(ii) acquire, construct, or rehabilitate the housing; or

(iii) make public improvements directly related to the housing; or

(4) be used to develop housing:

(i) if the market value of the housing does not exceed the lesser of:
(A) 150 percent of the average market value of single-family homes in that municipality; or

(B) $200,000 for municipalities located in the metropolitan area, as defined in section 473.121, or $125,000 for all other municipalities; and

(ii) if the expenditures are used to pay the cost of site acquisition, relocation, demolition of existing structures, site preparation, and pollution abatement on one or more parcels, if the parcel contains a residence containing one to four family dwelling units that has been vacant for six or more months and is in foreclosure as defined in section 325N.10, subdivision 7, but without regard to whether the residence is the owner's principal residence, and only after the redemption period has expired.

(e) The authority under paragraph (d), clause (4), expires on December 31, 2016. Increments may continue to be expended under this authority after that date, if they are used to pay bonds or binding contracts that would qualify under subdivision 3, paragraph (a), if December 31, 2016, is considered to be the last date of the five-year period after certification under that provision.

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

Sec. 7. Minnesota Statutes 2016, section 469.1763, subdivision 3, is amended to read:

Subd. 3. **Five-year rule.** (a) Revenues derived from tax increments paid by properties in the district are considered to have been expended on an activity within the district under subdivision 2 only if one of the following occurs:

(1) before or within five years after certification of the district, the revenues are actually paid to a third party with respect to the activity;

(2) bonds, the proceeds of which must be used to finance the activity, are issued and sold to a third party before or within five years after certification, the revenues are spent to repay the bonds, and the proceeds of the bonds either are, on the date of issuance, reasonably expected to be spent before the end of the later of (i) the five-year period, or (ii) a reasonable temporary period within the meaning of the use of that term under section 148(c)(1) of the Internal Revenue Code, or are deposited in a reasonably required reserve or replacement fund;

(3) binding contracts with a third party are entered into for performance of the activity before or within five years after certification of the district and the revenues are spent under the contractual obligation;
(4) costs with respect to the activity are paid before or within five years after certification of the district and the revenues are spent to reimburse a party for payment of the costs, including interest on unreimbursed costs; or

(5) expenditures are made for housing purposes as permitted by subdivision 2, paragraphs (b) and (d), or for public infrastructure purposes within a zone as permitted by subdivision 2, paragraph (e).

(b) For purposes of this subdivision, bonds include subsequent refunding bonds if the original refunded bonds meet the requirements of paragraph (a), clause (2).

(c) For a redevelopment district or a renewal and renovation district certified after June 30, 2003, and before April 20, 2009, the five-year periods described in paragraph (a) are extended to ten years after certification of the district. For a redevelopment district certified after April 20, 2009, and before June 30, 2012, the five-year periods described in paragraph (a) are extended to eight years after certification of the district. This extension is provided primarily to accommodate delays in development activities due to unanticipated economic circumstances.

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

Sec. 8. Minnesota Statutes 2016, section 469.178, subdivision 7, is amended to read:

Subd. 7. **Interfund loans.** (a) The authority or municipality may advance or loan money to finance expenditures under section 469.176, subdivision 4, from its general fund or any other fund under which it has legal authority to do so.

(b) Not later than 60 days after money is transferred, advanced, or spent, whichever is earliest, the loan or advance must be authorized by resolution of the governing body or of the authority, whichever has jurisdiction over the fund from which the advance or loan is authorized, before money is transferred, advanced, or spent, whichever is earliest.

(c) The resolution may generally grant to the municipality or the authority the power to make interfund loans under one or more tax increment financing plans or for one or more districts. The resolution may be adopted before or after the adoption of the tax increment financing plan or the creation of the tax increment financing district from which the advance or loan is to be repaid.

(d) The terms and conditions for repayment of the loan must be provided in writing and amended in writing by the municipality or the authority before the latest decertification of...
any tax increment financing district from which the interfund loan is to be repaid. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under section 270C.40 or 549.09 as of the date the loan or advance is authorized, unless the written agreement states that the maximum interest rate will fluctuate as the interest rates specified under section 270C.40 or 549.09 are from time to time adjusted. Loans or advances may be structured as draw-down or line-of-credit obligations of the lending fund.

(e) The authority shall report in the annual report submitted under section 469.175, subdivision 6:

(1) the amount of any interfund loan or advance made in a calendar year; and

(2) any amendment of an interfund loan or advance made in a calendar year.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to all districts, regardless of when the request for certification was made.

Sec. 9. Laws 2008, chapter 154, article 9, section 21, subdivision 2, is amended to read:

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

(b) Prior to or upon the adoption of the first tax increment plan subject to 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 right of way) are characterized by one or more of the following conditions:

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

(2) soils or terrain that requires substantial filling in order to permit the development of commercial or residential 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) through (5), a parcel is deemed to be 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 deemed to be characterized by substandard buildings if the buildings occupy at least 30 percent of the area of the parcel.

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

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

(f) For a soil deficiency district:

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

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

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

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

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

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

(h) Increments from any district may not be used to pay the costs of landfill closure or public infrastructure located on the following parcels within the plat known as Burnsville Amphitheater: Lot 1, Block 1; Lots 1 and 2, Block 2; and Outlots A, B, C and D.

(i) The four-year rule under Minnesota Statutes, section 469.176, subdivision 6, is extended to nine years.
The city may specify in the tax increment financing plan for any district the first year in which it elects to receive increment, which may be up to eight years following approval of the district.

Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, paragraph (c), the city may waive any increment received in 2017 and, if so, it shall not be used in determining the duration limit for any district created under this section.

The authority to approve tax increment financing plans to establish tax increment financing districts under this section expires on December 31, 2018 March 20, 2023.

EFFECTIVE DATE. This section is effective upon approval by the governing body of the city of Burnsville and compliance with the requirements of Minnesota Statutes, section 645.021.

Sec. 10. Laws 2009, chapter 88, article 5, section 17, as amended by Laws 2010, chapter 382, section 84, is amended to read:

FINANCING DISTRICT; SPECIAL RULES.

(a) If the Seaway Port Authority of Duluth adopts a tax increment financing plan and the governing body of the city of Duluth approves the plan for the tax increment financing district consisting of one or more parcels identified as: 010-2730-00010; 010-2730-00020; 010-2730-00040; 010-2730-00050; 010-2730-00070; 010-2730-00080; 010-2730-00090; 010-2730-00100; 010-2730-00120; 010-2730-00130; 010-2730-00140; 010-2730-00160; 010-2730-00180; 010-2730-00200; 010-2730-00300; 010-2746-01250; 010-2746-01330; 010-2746-01340; 010-2746-01350; 010-2746-01440; 010-2746-1380; 010-2746-01490; 010-2746-01500; 010-2746-01510; 010-2746-01520; 010-2746-01530; 010-2746-01540; 010-2746-01550; 010-2746-01560; 010-2746-01570; 010-2746-01580; 010-2746-01590; 010-3300-4560; 010-3300-4565; 010-3300-04570; 010-3300-04580; 010-3300-04640; 010-3300-04645; and 010-3300-04650, the five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of the tax increment financing district, must be considered to be met if the activities are undertaken within five years after the date all qualifying parcels are delisted from the Federal Superfund list.

(b) The requirements of Minnesota Statutes, section 469.1763, subdivision 4, beginning in the sixth year following certification of the district requirement, will begin in the sixth year following the date all qualifying parcels are delisted from the Federal Superfund list.
(c) The action required under Minnesota Statutes, section 469.176, subdivision 6, are satisfied if the action is commenced within four years after the date all qualifying parcels are delisted from the Federal Superfund list and evidence of the action required is submitted to the county auditor by February 1 of the fifth year following the year in which all qualifying parcels are delisted from the Federal Superfund list.

(d) For purposes of this section, "qualifying parcels" means United States Steel parcels listed in paragraph (a) and shown by the Minnesota Pollution Control Agency as part of the USS St. Louis River-U.S. Steel Superfund Site (USEPA OU 02) that are included in the tax increment financing district.

(e) In addition to the reporting requirements of Minnesota Statutes, section 469.175, subdivision 5, the Seaway Port Authority of Duluth shall report the status of all parcels listed in paragraph (a) and shown as part of the USS St. Louis River-U.S. Steel Superfund Site (USEPA OU 02). The status report must show the parcel numbers, the listed or delisted status, and if delisted, the delisting date.

(f) Notwithstanding Minnesota Statutes, section 469.178, subdivision 7, or any other law to the contrary, the Seaway Port Authority of Duluth may establish an interfund loan program before approval of the tax increment financing plan for or the establishment of the district authorized by this section. The authority may make loans under this program. The proceeds of the loans may be used for any permitted use of increments under this law or Minnesota Statutes, section 469.176, for the district and may be repaid with increments from the district established under this section. This paragraph applies to any action authorized by the Seaway Port Authority of Duluth on or after March 25, 2010.

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

Sec. 11. Laws 2014, chapter 308, article 6, section 8, subdivision 1, is amended to read:

Subdivision 1. Authority to create districts. (a) The governing body of the city of Edina or its development authority may establish one or more tax increment financing housing districts in the Southeast Edina Redevelopment Project Area, as the boundaries exist on March 31, 2014.

(b) The authority to request certification of districts under this section expires on June 30, 2020.
EFFECTIVE DATE. This section is effective on the day following final enactment without local approval under Minnesota Statutes, section 645.023, subdivision 1, paragraph (a).

Sec. 12. Laws 2014, chapter 308, article 6, section 9, is amended to read:

Sec. 9. 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 them.

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

c) "Project area" means all or a portion of 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 to a point on the west line of the east one-half of the Southeast Quarter of section 23, thence south along said west line a distance of 1,200 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 Northeast 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 continuing South along the west right-of-way line of Pilgrim Lane North to the westerly extension of the north line of Outlot A, Park North Fourth Addition; thence easterly along the north line of Outlot A, Park North...
Fourth Addition to the northeast corner of said Outlot A; thence southerly along the east
line of said Outlot A to the southeast corner of said Outlot A; thence easterly along the south
line of Lot 1, Block 1, Park North Fourth Addition to the westerly right-of-way line of State
Highway 169; thence southerly, southwesterly, westerly, and northwesterly along the
westerly right-of-way line of State Highway 169 and the northerly right-of-way line of
Interstate 694 to its intersection with the southerly extension of the easterly right-of-way
line of Zachary Lane North; thence northerly along the easterly right-of-way line of Zachary
Lane North and its northerly extension to the north right-of-way line of CSAH 130; thence
westerly, southerly, northerly, southwesterly, and northwesterly to the point of beginning
and there terminating, provided that the project area includes the rights-of-way for all present
and future highway interchanges abutting the area described in this paragraph, and may
include any additional property necessary to cause the property included in the tax increment
financing district to consist of complete parcels.

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

1. unusual terrain or soil deficiencies that occurred over 80 percent of the acreage in
the district require substantial filling, grading, or other physical preparation for use; and
2. the estimated cost of the physical preparation under clause (1), but excluding costs
directly related to roads as defined in Minnesota Statutes, section 160.01, and local
improvements as described in Minnesota Statutes, sections 429.021, subdivision 1, clauses
(1) to (7), (11), and (12), and 430.01, exceeds the fair market value of the land before
completion of the preparation.

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

(b) Prior to or upon the adoption of the first tax increment plan subject to 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 require 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 five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, is extended to eight years for any district, and Minnesota Statutes, section 469.1763, subdivision 4, does not apply to any district.

e) Notwithstanding any provision to the contrary in Minnesota Statutes, section 469.1763, subdivision 2, paragraph (a), not more than 40 percent of the total revenue derived from tax increments paid by properties in any district, measured over the life of the district, may be expended on activities outside the district but within the project area.

(f) For a soil deficiency district:

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

(2) increments may be used only to:

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

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

(iii) pay for the administrative expenses of the authority allocable to the district; and

(3) any parcel acquired with increments from the district must be sold at no less than their fair market value.
(g) Increments spent for any infrastructure costs, whether inside a district or outside a
district but within the project area, are deemed to satisfy the requirements of Minnesota
Statutes, section 469.176, subdivision 4j.

(h) The authority to approve tax increment financing plans to establish tax increment
financing districts under this section expires June 30, 2020.

(i) Notwithstanding the restrictions in paragraph (f), clause (2), the city may use
increments from a soil deficiency district to acquire parcels and for other infrastructure costs
either inside or outside of the district, but within the project area, if the acquisition or
infrastructure is for a qualified development. For purposes of this paragraph, a development
is a qualified development only if all of the following requirements are satisfied:

(1) the city finds, by resolution, that the land acquisition and infrastructure are undertaken
primarily to serve the development;

(2) the city has a binding, written commitment and adequate financial assurances from
the developer that the development will be constructed; and

(3) the development does not consist of retail trade or housing improvements.

EFFECTIVE DATE. This section is effective upon approval by the governing body
of the city of Maple Grove and its compliance with the requirements of Minnesota Statutes,
section 645.021.

Sec. 13. CITY OF ANOKA; GREENS OF ANOKA TIF DISTRICT.

For purposes of Minnesota Statutes, section 469.1763, subdivision 3, paragraph (c), the
city of Anoka's Greens of Anoka redevelopment tax increment financing district is deemed
to be certified on June 29, 2012, rather than its actual certification date of July 2, 2012, and
the provisions of Minnesota Statutes, section 469.1763, subdivisions 3 and 4, apply as if
the district were certified on that date.

EFFECTIVE DATE. This section is effective upon approval by the governing body
of the city of Anoka and upon compliance by the city with Minnesota Statutes, section
645.021, subdivisions 2 and 3.

Sec. 14. CITY OF COON RAPIDS; TIF DISTRICT 6-1; PORT RIVERWALK.

Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b,
or any other law to the contrary, the city of Coon Rapids may collect tax increment from
District 6-1 Port Riverwalk through December 31, 2038.
EFFECTIVE DATE. This section is effective upon compliance by the governing bodies of the city of Coon Rapids, Anoka County, and Independent School District No. 11 with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 15. CITY OF COTTAGE GROVE; TIF DISTRICT 1-12; GATEWAY NORTH.

The requirement of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, is considered to be met for Tax Increment Financing District No. 1-12 (Gateway North), administered by the Cottage Grove Economic Development Authority, if the activities are undertaken prior to January 1, 2017.

EFFECTIVE DATE. This section is effective upon compliance by the chief clerical officer of the governing body of the city of Cottage Grove with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 16. CITY OF EDINA; APPROVAL OF 2014 SPECIAL LAW.

Notwithstanding the provisions of Minnesota Statutes, section 645.021, subdivision 3, the chief clerical officer of the city of Edina may file with the secretary of state certificate of approval of Laws 2014, chapter 308, article 6, section 8, by December 31, 2017, and, if the certificate is so filed and the requirements of Minnesota Statutes, section 645.021, subdivision 3, are otherwise complied with, the special law is deemed approved, and all actions taken by the city before the effective date of this section in reliance on Laws 2014, chapter 308, article 6, section 8, are deemed consistent with Laws 2014, chapter 308, article 6, section 8, and this act.

EFFECTIVE DATE. This section is effective the day following final enactment without local approval as an amendment to the provisions of Laws 2014, chapter 308, article 6, section 8.

Sec. 17. CITY OF MOORHEAD; TIF DISTRICT; FIRST AVENUE NORTH.

For purposes of Minnesota Statutes, section 469.1763, subdivision 3, paragraph (c), the city of Moorhead's 1st Avenue North (Central Corridors) Redevelopment Tax Increment Financing District is deemed to be certified on June 29, 2012, rather than its actual certification date of July 12, 2012, and Minnesota Statutes, section 469.1763, subdivisions 3 and 4, apply as if the district were certified on that date.
EFFECTIVE DATE. This section is effective upon approval by the governing body of the city of Moorhead and upon compliance by the city with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 18. CITY OF RICHFIELD; EXTENSION OF CEDAR AVENUE TIF DISTRICT.

Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, or any other law to the contrary, the city of Richfield and the Housing and Redevelopment Authority in and for the city of Richfield may elect to extend the duration limit of the redevelopment tax increment financing district known as the Cedar Avenue Tax Increment Financing District established by Laws 2005, chapter 152, article 2, section 25, by ten years.

EFFECTIVE DATE. This section is effective upon compliance by the city of Richfield, Hennepin County, and Independent School District No. 280 with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2; and 645.021, subdivisions 2 and 3.

Sec. 19. CITY OF RICHFIELD; LYNDALE GARDENS TIF DISTRICT.

The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, are considered to be met for the Lyndale Gardens Tax Increment Financing District established by the city of Richfield and the housing and redevelopment authority in and for the city of Richfield if the activities are undertaken within eight years from the date of certification.

EFFECTIVE DATE. This act is effective upon the city of Richfield's compliance with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 20. CITY OF ROCHESTER; TIF DISTRICT 36; BIOSCIENCE PROJECT.

Notwithstanding the provisions of Minnesota Statutes, sections 469.174 and 469.176, the city of Rochester may spend the proceeds from the sale or lease of any property purchased, in whole or part, with tax increments derived from tax increment financing district number 36 (Bioscience Project) for the costs of operating, maintaining, and improving any part of that property, including funding and maintaining reserves for capital or operating expenses and paying debt service on bonds or any obligations issued to finance that property. Following the close of the third calendar year after decertification of the district, none of the proceeds are subject to restrictions that apply to tax increments under Minnesota Statutes, sections 469.174 to 469.1794.
Sec. 21. CITY OF SOUTH ST. PAUL; EXTENSION OF TIME TO ADOPT INTERFUND LOAN RESOLUTION FOR 4TH AVENUE VILLAGE TIF DISTRICT.

Notwithstanding Minnesota Statutes, section 469.178, subdivision 7, the governing body of the South St. Paul Economic Development Authority, successor to the Housing and Redevelopment Authority in and for the city of South St. Paul, may retroactively approve a previously established interfund loan for the 4th Avenue Village Tax Increment District in the city of South St. Paul if the governing body adopts a resolution approving that loan by August 1, 2017, and if the requirements of Minnesota Statutes, section 469.178, subdivision 7, are otherwise complied with, the interfund loan authorization is deemed to satisfy Minnesota Statutes, section 469.178, subdivision 7.

EFFECTIVE DATE. This section is effective without local approval under Minnesota Statutes, section 645.023, subdivision 1, paragraph (a), on the day following final enactment.

Sec. 22. CITY OF ST. LOUIS PARK; ELMWOOD VILLAGE TIF DISTRICT.

For purposes of the Elmwood Village Tax Increment Financing District in the city of St. Louis Park, including during the duration extension authorized by Laws 2009, chapter 88, article 5, section 19, the period under Minnesota Statutes, section 469.1763, subdivision 3, is extended through December 31, 2019, and calendar year 2020 is the first year to which Minnesota Statutes, section 469.1763, subdivision 4, applies. In addition, the permitted percentage of increments that may be expended under Minnesota Statutes, section 469.1763, subdivision 2, on activities outside of the district is increased to 45 percent for the district.

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

Sec. 23. CITY OF ST. PAUL; FORD SITE REDEVELOPMENT TIF DISTRICT.

(a) For purposes of computing the duration limits under Minnesota Statutes, section 469.176, subdivision 1b, the housing and redevelopment authority of the city of St. Paul may waive receipt of increment for the Ford Site Redevelopment Tax Increment Financing District. This authority is limited to the first four years of increment or increments derived from taxes payable in 2023, whichever occurs first.
(b) If the city elects to waive receipt of increment under paragraph (a), for purposes of applying any limits based on when the district was certified under Minnesota Statutes, section 469.176, subdivision 6, or 469.1763, the date of certification for the district is deemed to be January 2 of the property tax assessment year for which increment is first received under the waiver.

**EFFECTIVE DATE.** This section is effective July 1, 2017, without local approval under Minnesota Statutes, section 645.023, subdivision 1, paragraph (a).

Sec. 24. **WASHINGTON COUNTY; NEWPORT REDROCK CROSSING PROJECT TIF DISTRICT; SPECIAL RULES.**

(a) If Washington County elects, upon the adoption of a tax increment financing plan for a district, the rules under this section apply to one or more tax increment financing districts established by the county or the community development agency of the county. The area within which the tax increment districts may be created is located in the city of Newport and is south of marked Interstate Highway 494, north of 15th Street extended to the Mississippi River, east of the Mississippi River, and west of marked Trunk Highway 61 and the adjacent rights-of-way and shall be referred to as the "Newport Red Rock Crossing Project Area" or "project area."

(b) The requirements for qualifying a redevelopment district under Minnesota Statutes, section 469.174, subdivision 10, do not apply to the parcels identified by parcel identification numbers: 2602822440051, 260282244050, 260282244049, 260282244048, 260282244046, 260282244045, 260282244044, 2602822440043, 2602822440026, 2602822440025, 260282244024, and 2602822440023, which are deemed substandard for the purpose of qualifying the district as a redevelopment district.

(c) Increments spent outside a district shall only be spent within the project area and on costs described in Minnesota Statutes, section 469.176, subdivision 4j.

(d) Notwithstanding anything to the contrary in Minnesota Statutes, section 469.1763, subdivision 2, paragraph (a), not more than 80 percent of the total revenue derived from tax increments paid by properties in any district, measured over the life of the district, may be expended on activities outside the district but within the project area. The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, applies as if the limit is nine years.

(e) The authority to approve a tax increment financing plan and to establish a tax increment financing district under this section expires December 31, 2027.
(f) The use of revenues for decertification in Minnesota Statutes, section 469.1763, subdivision 4, does not apply to the project area.

EFFECTIVE DATE. This section is effective and shall retroactively include the redevelopment district in the project area approved by Washington County on November 8, 2016, upon approval by the governing body of the city of Newport and Washington County and upon compliance by the county with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 25. CITY OF WAYZATA; TIF DISTRICT 3; WIDSTEN.

(a) The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, are considered to be met for Tax Increment Financing District 3 (Widsten) in the city of Wayzata if the revenues derived from tax increments from the district are expended for any project contemplated by the original tax increment financing plan for the district, including, without limitation, a municipal parking ramp within the district.

(b) The requirements of Minnesota Statutes, section 469.1763, subdivision 4, do not apply to the district if the revenues derived from tax increment from the district are expended for any project contemplated by the original tax increment financing plan for the district, including, without limitation, a municipal parking ramp within the district.

EFFECTIVE DATE. This section is effective upon compliance by the chief clerical officer of the governing body of the city of Wayzata with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

ARTICLE 9

PUBLIC FINANCE

Section 1. Minnesota Statutes 2016, section 366.095, subdivision 1, is amended to read:

Subdivision 1. Certificates of indebtedness. The town board may issue certificates of indebtedness within the debt limits for a town purpose otherwise authorized by law. The certificates shall be payable in not more than ten years and be issued on the terms and in the manner as the board may determine, provided that notes issued for projects that eliminate R-22, as defined in section 240A.09, paragraph (b), clause (2), must be payable in not more than 20 years. If the amount of the certificates to be issued exceeds 0.25 percent of the estimated market value of the town, they shall not be issued for at least ten days after

Article 9 Section 1.
publication in a newspaper of general circulation in the town of the board's resolution
determining to issue them. If within that time, a petition asking for an election on the
proposition signed by voters equal to ten percent of the number of voters at the last regular
town election is filed with the clerk, the certificates shall not be issued until their issuance
has been approved by a majority of the votes cast on the question at a regular or special
election. A tax levy shall be made to pay the principal and interest on the certificates as in
the case of bonds.

Sec. 2. Minnesota Statutes 2016, section 383B.117, subdivision 2, is amended to read:

Subd. 2. Equipment acquisition; capital notes. The board may, by resolution and
without public referendum, issue capital notes within existing debt limits for the purpose
of purchasing ambulance and other medical equipment, road construction or maintenance
equipment, public safety equipment and other capital equipment having an expected useful
life at least equal to the term of the notes issued. The notes shall be payable in not more
than ten years and shall be issued on terms and in a manner as the board determines, provided
that notes issued for projects that eliminate R-22, as defined in section 240A.09, paragraph
(b), clause (2), must be payable in not more than 20 years. The total principal amount of
the notes issued for any fiscal year shall not exceed one percent of the total annual budget
for that year and shall be issued solely for the purchases authorized in this subdivision. A
tax levy shall be made for the payment of the principal and interest on such notes as in the
case of bonds. For purposes of this subdivision, "equipment" includes computer hardware
and software, whether bundled with machinery or equipment or unbundled. For purposes
of this subdivision, the term "medical equipment" includes computer hardware and software
and other intellectual property for use in medical diagnosis, medical procedures, research,
record keeping, billing, and other hospital applications, together with application development
services and training related to the use of the computer hardware and software and other
intellectual property, all without regard to their useful life. For purposes of determining the
amount of capital notes which the county may issue in any year, the budget of the county
and Hennepin Healthcare System, Inc. shall be combined and the notes issuable under this
subdivision shall be in addition to obligations issuable under section 373.01, subdivision
3.

Sec. 3. Minnesota Statutes 2016, section 410.32, is amended to read:

410.32 CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL EQUIPMENT.
(a) Notwithstanding any contrary provision of other law or charter, a home rule charter city may, by resolution and without public referendum, issue capital notes subject to the city debt limit to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; and

(2) computer hardware and software, whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer hardware and software.

(c) The equipment or software must have an expected useful life at least as long as the term of the notes.

(d) The notes shall be payable in not more than ten years and be issued on terms and in the manner the city determines, provided that notes issued for projects that eliminate R-22, as defined in section 240A.09, paragraph (b), clause (2), must be payable in not more than 20 years. The total principal amount of the capital notes issued in a fiscal year shall not exceed 0.03 percent of the estimated market value of taxable property in the city for that year.

(e) A tax levy shall be made for the payment of the principal and interest on the notes, in accordance with section 475.61, as in the case of bonds.

(f) Notes issued under this section shall require an affirmative vote of two-thirds of the governing body of the city.

(g) Notwithstanding a contrary provision of other law or charter, a home rule charter city may also issue capital notes subject to its debt limit in the manner and subject to the limitations applicable to statutory cities pursuant to section 412.301.

Sec. 4. Minnesota Statutes 2016, section 412.301, is amended to read:

412.301 FINANCING PURCHASE OF CERTAIN EQUIPMENT.

(a) The council may issue certificates of indebtedness or capital notes subject to the city debt limits to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; and
(2) computer hardware and software, whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer hardware or software.

(c) The equipment or software must have an expected useful life at least as long as the terms of the certificates or notes.

(d) Such certificates or notes shall be payable in not more than ten years and shall be issued on such terms and in such manner as the council may determine, provided, however, that notes issued for projects that eliminate R-22, as defined in section 240A.09, paragraph (b), clause (2), must be payable in not more than 20 years.

(e) If the amount of the certificates or notes to be issued to finance any such purchase exceeds 0.25 percent of the estimated market value of taxable property in the city, they shall not be issued for at least ten days after publication in the official newspaper of a council resolution determining to issue them; and if before the end of that time, a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular municipal election is filed with the clerk, such certificates or notes shall not be issued until the proposition of their issuance has been approved by a majority of the votes cast on the question at a regular or special election.

(f) A tax levy shall be made for the payment of the principal and interest on such certificates or notes, in accordance with section 475.61, as in the case of bonds.

Sec. 5. [416.17] VOTER APPROVAL REQUIRED; LEASES OF PUBLIC BUILDINGS.

Subdivision 1. Reverse referendum; certain leases. (a) Before executing a qualified lease, a municipality must publish notice of its intention to execute the lease and the date and time of a hearing to obtain public comment on the matter. The notice must be published in the official newspaper of the municipality or in a newspaper of general circulation in the municipality and must include a statement of the amount of the obligations to be issued by the authority and the maximum amount of annual rent to be paid by the municipality under the qualified lease. The notice must be published at least 14, but not more than 28, days before the date of the hearing.

(b) A municipality may enter a lease subject to paragraph (a) 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 ten percent of the
votes cast in the municipality in the last state general election and is filed with the county
auditor within 30 days after the public hearing.

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

(b) "Authority" includes any of the following governmental units, the boundaries of
which include all or part of the geographic area of the municipality:

(1) a housing and redevelopment authority, as defined in section 469.002, subdivision
2;

(2) a port authority, as defined in section 469.048;

(3) an economic development authority, as established under section 469.091; or

(4) an entity established or exercising powers under a special law with powers similar
to those of an entity described in clauses (1) to (3).

(c) "Municipality" means a statutory or home rule charter city, a county, or a town
described in section 368.01, but does not include a city of the first class, however organized,
as defined in section 410.01.

(d) "Qualified lease" means a lease for use of public land, all or part of a public building,
or other public facilities consisting of real property for a term of three or more years as a
lessee if the property to be leased to the municipality was acquired or improved with the
proceeds of obligations, as defined in section 475.51, subdivision 3, issued by an authority.

Sec. 6. Minnesota Statutes 2016, section 469.101, subdivision 1, is amended to read:

Subdivision 1. Establishment. An economic development authority may create and
define the boundaries of economic development districts at any place or places within the
city, except that the district boundaries must be contiguous, and may use the powers granted
in sections 469.090 to 469.108 to carry out its purposes. First the authority must hold a
public hearing on the matter. At least ten days before the hearing, the authority shall publish
notice of the hearing in a daily newspaper of general circulation in the city. Also, the authority
shall find that an economic development district is proper and desirable to establish and
develop within the city.
Sec. 7. Minnesota Statutes 2016, section 473.39, is amended by adding a subdivision to read:

Subd. 1u. **Obligations.** In addition to other authority in this section, the council may issue certificates of indebtedness, bonds, or other obligations under this section in an amount not exceeding $126,000,000 for capital expenditures as prescribed in the council's transit capital improvement program and for related costs, including the costs of issuance and sale of the obligations. Of this authorization, after July 1, 2017, the council may issue certificates of indebtedness, bonds, or other obligations in an amount not exceeding $82,100,000, and after July 1, 2018, the council may issue certificates of indebtedness, bonds, or other obligations in an additional amount not exceeding $43,900,000.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 8. Minnesota Statutes 2016, section 473.39, is amended by adding a subdivision to read:

Subd. 6. **Limitation; light rail transit.** The council is prohibited from expending any proceeds from certificates of indebtedness, bonds, or other obligations under this section for project development, land acquisition, or construction to (1) establish a light rail transit line; or (2) expand a light rail transit line, including by extending a line or adding additional stops.

**EFFECTIVE DATE.** This section applies to the expenditures made after the day following final enactment, but does not apply to amounts expended under binding contracts entered into before March 25, 2017. This section applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 9. Minnesota Statutes 2016, section 475.60, subdivision 2, is amended to read:

Subd. 2. **Requirements waived.** The requirements as to public sale shall not apply:

(1) to obligations issued under the provisions of a home rule charter or of a law specifically authorizing a different method of sale, or authorizing them to be issued in such manner or on such terms and conditions as the governing body may determine;

(2) to obligations sold by an issuer in an amount not exceeding the total sum of $1,200,000 in any 12-month period;
(3) to obligations issued by a governing body other than a school board in anticipation of the collection of taxes or other revenues appropriated for expenditure in a single year, if sold in accordance with the most favorable of two or more proposals solicited privately;

(4) to obligations sold to any board, department, or agency of the United States of America or of the state of Minnesota, in accordance with rules or regulations promulgated by such board, department, or agency;

(5) to obligations issued to fund pension and retirement fund liabilities under section 475.52, subdivision 6, obligations issued with tender options under section 475.54, subdivision 5a, crossover refunding obligations referred to in section 475.67, subdivision 13, and any issue of obligations comprised in whole or in part of obligations bearing interest at a rate or rates which vary periodically referred to in section 475.56;

(6) to obligations to be issued for a purpose, in a manner, and upon terms and conditions authorized by law, if the governing body of the municipality, on the advice of bond counsel or special tax counsel, determines that interest on the obligations cannot be represented to be excluded from gross income for purposes of federal income taxation;

(7) to obligations issued in the form of an installment purchase contract, lease purchase agreement, or other similar agreement;

(8) to obligations sold under a bond reinvestment program; and

(9) if the municipality has retained an independent financial advisor municipal adviser, obligations which the governing body determines shall be sold by private negotiation.

ARTICLE 10

TOBACCO TAXES

Section 1. Minnesota Statutes 2016, section 297F.01, subdivision 13a, is amended to read:

Subd. 13a. **Premium cigar.** "Premium cigar" means any cigar that is hand-constructed and hand-rolled, has a wrapper that is made entirely from whole tobacco leaf, has a filler and binder that is made entirely of tobacco, except for adhesives or other materials used to maintain size, texture, or flavor, and has a wholesale price of no less than $2.

**EFFECTIVE DATE.** This section is effective July 1, 2017.

Sec. 2. Minnesota Statutes 2016, section 297F.05, subdivision 1, is amended to read:

Subdivision 1. **Rates; cigarettes.** A tax is imposed upon the sale of cigarettes in this state, upon having cigarettes in possession in this state with intent to sell, upon any person
engaged in business as a distributor, and upon the use or storage by consumers, at the rate of $141.5\,\text{mills}$, or $14.15\,\text{cents}$, on each cigarette.

**EFFECTIVE DATE.** This section is effective July 1, 2017.

Sec. 3. Minnesota Statutes 2016, section 297F.05, subdivision 3, is amended to read:

Subd. 3. **Rates; tobacco products.** (a) Except as provided in paragraphs (b) and (c) and subdivision 3a, a tax is imposed upon all tobacco products in this state and upon any person engaged in business as a distributor, at the rate of 95 percent of the wholesale sales price of the tobacco products. The tax is imposed at the time the distributor:

(1) brings, or causes to be brought, into this state from outside the state tobacco products for sale;

(2) makes, manufactures, or fabricates tobacco products in this state for sale in this state; or

(3) ships or transports tobacco products to retailers in this state, to be sold by those retailers.

(b) Notwithstanding paragraph (a), a minimum tax equal to the greater of the tax imposed under paragraph (a) or a minimum tax equal to the rate imposed on a pack of 20 cigarettes weighing not more than three pounds per thousand, as established under subdivision 1, is imposed on each container of moist snuff weighing not more than 1.2 ounces. When more than one container subject to tax under this paragraph is packaged together, each container is subject to the minimum tax.

(c) Except as provided in paragraph (b), a tax equal to the greater of the tax imposed under paragraph (a) or a minimum tax equal to the rate imposed on a pack of 20 cigarettes weighing not more than three pounds per thousand, as established under subdivision 1, multiplied by the number of ounces of moist snuff in the container, divided by 1.2, is imposed on each container of moist snuff weighing more than 1.2 ounces.

(d) For purposes of this subdivision, a "container" means the smallest consumer-size can, package, or other container that is marketed or packaged by the manufacturer, distributor, or retailer for separate sale to a retail purchaser. When more than one container is packaged together, each container is subject to tax.

**EFFECTIVE DATE.** This section is effective July 1, 2017.
Sec. 4. Minnesota Statutes 2016, section 297F.05, subdivision 3a, is amended to read:

Subd. 3a. Rates; premium cigars. (a) A tax is imposed upon all premium cigars in this state and upon any person engaged in business as a tobacco product distributor, at the lesser of:

1. the rate of 95 percent of the wholesale sales price of the premium cigars; or
2. $3.50 per premium cigar.

(b) The tax imposed under paragraph (a) is imposed at the time the tobacco products distributor:

1. brings, or causes to be brought, into this state from outside the state premium cigars for sale;
2. makes, manufactures, or fabricates premium cigars in this state for sale in this state; or
3. ships or transports premium cigars to retailers in this state, to be sold by those retailers.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 5. Minnesota Statutes 2016, section 297F.05, subdivision 4a, is amended to read:

Subd. 4a. Use tax; premium cigars. A tax is imposed upon the use or storage by consumers of all premium cigars in this state, and upon such consumers, at the lesser of:

1. the rate of 95 percent of the cost to the consumer of the premium cigars; or
2. $3.50 per premium cigar.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 6. REPEALER.

Minnesota Statutes 2016, section 297F.05, subdivision 1a, is repealed.

EFFECTIVE DATE. This section is effective July 1, 2017.

ARTICLE 11

TAX ADMINISTRATION

Section 1. [270C.075] PRIVATE LETTER RULINGS.

Subdivision 1. Program established. By January 1, 2018, the commissioner shall, by administrative rule adopted under chapter 14, establish and implement a program for issuing
private letter rulings to taxpayers to provide guidance as to how the commissioner will apply
Minnesota tax law to a specific transaction or proposed transaction, arrangement, or other
fact situation of the applying taxpayer. The commissioner must include in each ruling an
explanation of the reasoning for the determination. In establishing the terms of the program,
the commissioner may provide that rulings will not be issued in specified subject areas, for
categories of transactions, or under specified provisions of law, if the commissioner
determines doing so is in the best interests of the state and sound tax administration. The
program must include a process for the representative of a taxpayer to apply for a private
letter ruling and to communicate with the commissioner regarding the requested ruling.

Subd. 2. Application procedure; fees. (a) The commissioner shall establish an
application procedure and forms for a taxpayer or the taxpayer's appointed representative
to request a private letter ruling. The commissioner may require the taxpayer to provide any
supporting factual information and certifications that the commissioner determines necessary
or appropriate to issue a private letter ruling. The requirements may vary based on the type
of ruling requested.

(b) The commissioner may, in the administrative rule, establish a fee schedule to recover
the department's actual cost of preparing private letter rulings. The maximum fee per private
letter ruling is $1,000. The commissioner may require the applicant to pay the required fee
for a private letter ruling before the application is considered. If the administrative rule
provides for payment of a fee as a condition for providing a private letter ruling, the rule
must provide a fee structure that varies the amount of the fee by the complexity of the request
or the number and type of issues or both.

(c) If the commissioner fails to issue a ruling to the taxpayer within 90 days after the
taxpayer's filing of a completed application, the commissioner must refund the application
fee to the taxpayer; however, the commissioner must issue a private letter ruling unless the
taxpayer withdraws the request.

(d) Any fees collected under this section must be deposited in the Revenue Department
service and recovery special revenue fund established under section 270C.15, and are
appropriated to the commissioner to offset the cost of issuing private letter rulings and
related administrative costs.

Subd. 3. Effect. (a) A private letter ruling is binding on the commissioner with respect
to the taxpayer to whom the ruling is issued if:

(1) there was no misstatement or omission of material facts in the application or other
information provided to the commissioner;
(2) the facts that subsequently developed were not materially different from the facts
upon which the ruling was based;
(3) the applicable statute, administrative rule, federal law referenced by state law, or
other relevant law has not changed; and
(4) the taxpayer acted in good faith in applying for and relying on the ruling.

(b) Private letter rulings have no precedential effect and may not be relied upon by a
taxpayer other than as provided in paragraph (a).

Subd. 4. Public access. The commissioner shall make private letter rulings issued under
this section available to the public on the department’s Web site. The commissioner must
organize the private letter rulings by tax type and must make them available in a searchable
format. The published rulings must redact any information that would permit identification
of the requesting taxpayer.

Subd. 5. Legislative report. (a) By January 31 of each odd-numbered year, the
commissioner shall report in writing to the legislature the following information for the
immediately preceding two calendar years:
(1) the number of applications for private letter rulings;
(2) the number of private letter rulings issued, including the number issued within the
90-day time period under subdivision 2, paragraph (c);
(3) the amount of application fees refunded by tax type;
(4) the tax types for which rulings were requested;
(5) the types and characteristics of taxpayers applying for rulings; and
(6) any other information that the commissioner considers relevant to legislative oversight
of the private letter ruling program.

(b) The report must be filed as provided in section 3.195, and copies must be provided
to the chairs and ranking minority members of the committees of the house of representatives
and the senate with jurisdiction over taxes and appropriations to the Department of Revenue.

EFFECTIVE DATE. This section is effective the day following final enactment, except
that the first legislative report under subdivision 5 is due January 31, 2020.
Sec. 2. Minnesota Statutes 2016, section 270C.31, is amended by adding a subdivision to read:

Subd. 8. Authority to request dual examination. (a) A qualified taxpayer that is subject to an on-site examination or audit under this section of the amount of tax due under chapter 290 or 297A may request in writing that the commissioner conduct the examination or audit of the taxpayer's tax due under both chapters at the same time. The request must be made within 30 days of the receipt of the commissioner's notice of intent to conduct the on-site audit or examination in the form prescribed by the commissioner. If a qualified taxpayer files a timely written request under this subdivision and the commissioner elects to audit or examine the tax due under only one of the two chapters, the commissioner may not audit or examine the tax due under the other chapter for each taxable year or period that includes the taxable year or the period covered by the audit or examination that was conducted.

(b) For purposes of this subdivision, "qualified taxpayer" means a taxpayer that meets each of the following requirements:

(1) the taxpayer has been issued a permit to collect tax under section 297A.84;

(2) the gross receipts of the taxpayer, as reported on the return filed under chapter 290 for the most recent taxable year, is no more than $150,000. In applying this clause to a taxpayer that is a member of a unitary business, as defined in section 290.17, gross receipts include the gross receipts of all members of the unitary business; and

(3) the commissioner audited or examined the taxpayer's return filed under chapter 290 or 297A or both for a period that ended no more than five years prior to the taxable year or the period for which the qualified taxpayer made the request under this subdivision, and the commissioner determined that no more than the greater of (1) $1,000 or (2) five percent of the liability for tax in additional tax was owed by the taxpayer as a result of the audit or examination.

EFFECTIVE DATE. This section is effective for examinations and audits commenced after June 30, 2017.

Sec. 3. Minnesota Statutes 2016, section 270C.33, is amended by adding a subdivision to read:

Subd. 4a. Limitations; sales taxes. (a) The provisions of this subdivision are a limitation on the assessment authority of the commissioner under this section.

(b) The commissioner must not assess additional tax under chapter 297A if each of the following requirements are met:
(1) the tax reported by the taxpayer is consistent with and based on past reporting or
other practices of the taxpayer that were fully disclosed to the commissioner and were
specifically reviewed by the commissioner, including by issuing an audit assessing no
additional tax liability with respect to that item for a prior taxable period; and

(2) effective for a taxable period beginning after the period covered by clause (1), neither
the statute or administrative rule on which the reporting or other practice is based has been
materially changed, nor has the commissioner issued a revenue notice or directly notified
the taxpayer in writing of a change in the commissioner's position as to the proper reporting
or other treatment of the relevant transaction or other item.

(c) For an audit of a prior taxable period by the commissioner, paragraph (b), clause (1),
applies only to issues within the scope of and specifically addressed by the audit.

EFFECTIVE DATE. This section is effective for assessments made after June 30, 2017.

Sec. 4. Minnesota Statutes 2016, section 270C.33, is amended by adding a subdivision to
read:

Subd. 4b. Limit on assessments; reasonable cause for failure to collect or withhold.

(a) An assessment issued under subdivision 4 is reduced or eliminated to the extent that the
amount that would otherwise be assessed arose from the taxpayer's failure to collect or
withhold a tax from another individual or entity and the taxpayer had reasonable cause for
not collecting or withholding the tax. A taxpayer may raise this ground for prohibition of
an assessment during an audit, upon appeal from an assessment, or by refund claim following
payment of the assessment.

(b) For purposes of this subdivision and section 270C.35, subdivision 4:

(1) ignorance of the law is not reasonable cause;

(2) lack of clarity as to whether the law requires collection or withholding under the
circumstances may be reasonable cause; and

(3) failure to collect or withhold in accordance with prior written advice from the
commissioner on the specific question of the requirement to collect or withhold under the
same or similar circumstances that has not been superseded or preempted by a change in
statute or administrative rule or a subsequent written notice from the commissioner to the
taxpayer prior to commencement of the period for which the failure to collect or withhold
occurred is reasonable cause.
EFFECTIVE DATE. This section is effective for assessments made after June 30, 2017.

Sec. 5. Minnesota Statutes 2016, section 270C.34, subdivision 1, is amended to read:

Subdivision 1. Authority. (a) The commissioner may abate, reduce, or refund any penalty or interest that is imposed by a law administered by the commissioner, or imposed by section 270.0725, subdivision 1 or 2, or 270.075, subdivision 2, as a result of the late payment of tax or late filing of a return, or any part of an additional tax charge under section 289A.25, subdivision 2, or 289A.26, subdivision 4, if the failure to timely pay the tax or failure to timely file the return is due to reasonable cause, or if the taxpayer is located in a presidentially declared disaster or in a presidentially declared state of emergency area or in an area declared to be in a state of emergency by the governor under section 12.31.

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

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

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

(c) In addition to the authority under paragraphs (a) and (b), the commissioner may decline to impose or may abate any penalty under section 289A.60 or other law, or an additional tax charge under section 289A.25, subdivision 2, or 289A.26, subdivision 4.

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

Sec. 6. Minnesota Statutes 2016, section 270C.35, subdivision 4, is amended to read:

Subd. 4. Time and content for administrative appeal. Within 60 days after the notice date, the taxpayer must file a written appeal with the commissioner. The appeal need not be in any particular form but must contain the following information:

(1) name and address of the taxpayer;

(2) if a corporation, the state of incorporation of the taxpayer, and the principal place of business of the corporation;

(3) the Minnesota identification number or Social Security number of the taxpayer;
(4) the type of tax involved;

(5) the date;

(6) the tax years or periods involved and the amount of tax involved for each year or period;

(7) the findings in the notice that the taxpayer disputes;

(8) for a request to reduce or eliminate an assessment under section 270C.33, subdivision 4b, a statement of the taxpayer's grounds, along with a brief statement of the supporting facts, for the assertion of reasonable cause for the failure to collect or withhold tax from another individual or entity;

(9) a summary statement that the taxpayer relies on for each exception; and

(10) the taxpayer's signature or signature of the taxpayer's duly authorized agent.

EFFECTIVE DATE. This section is effective for assessments made after June 30, 2017.

Sec. 7. Minnesota Statutes 2016, section 271.06, subdivision 2a, is amended to read:

Subd. 2a. Timely mailing treated as timely filing. (a) If, after the period prescribed by subdivision 2, the original notice of appeal, proof of service upon the commissioner, and filing fee are delivered by United States mail to the Tax Court administrator or the court administrator of district court acting as court administrator of the Tax Court, then the date of filing is the date of the United States postmark stamped on the envelope or other appropriate wrapper in which the notice of appeal, proof of service upon the commissioner, and filing fee are mailed.

(b) This subdivision applies only if the postmark date falls within the period prescribed by subdivision 2 and the original notice of appeal, proof of service upon the commissioner, and filing fee are, within the time prescribed by subdivision 2, deposited in the mail in the United States in an envelope or other appropriate wrapper, postage prepaid, properly addressed to the Tax Court administrator or the court administrator of district court acting as court administrator of the Tax Court.

(c) Only the postmark of the United States Postal Service qualifies as proof of timely mailing under this subdivision. Private postage meters do not qualify as proof of timely filing under this subdivision. If the original notice of appeal, proof of service upon the commissioner, and filing fee are sent by United States registered mail, the date of registration is the postmark date. If the original notice of appeal, proof of service upon the commissioner,
and filing fee are sent by United States certified mail and the sender's receipt is postmarked by the postal employee to whom the envelope containing the original notice of appeal, proof of service upon the commissioner, and filing fee is presented, the date of the United States postmark on the receipt is the postmark date. If the envelope or other wrapper in which the notice of appeal, proof of service upon the commissioner, and filing fee are mailed does not contain a postmark of the United States Postal Service but is delivered by United States mail to the Tax Court administrator or the court administrator of the district court acting as court administrator of the Tax Court, then the date of mailing qualifies as timely filed under this subdivision, if proof of mailing within the time prescribed by subdivision 2 is provided by affidavit of the petitioner or counsel.

(d) A reference in this section to the United States mail must be treated as including a reference to any designated delivery service and a reference in this section to a postmark by the United States Postal Service must be treated as including a reference to any date recorded or marked by any designated delivery service in accordance with section 7502(f) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to notices mailed after June 30, 2017.

Sec. 8. Minnesota Statutes 2016, section 271.06, subdivision 6, is amended to read:

Subd. 6. Hearings; determination of issues; default. (a) The Tax Court shall hear, consider, and determine without a jury every appeal de novo. A Tax Court judge may empanel an advisory jury upon the judge's motion. The Tax Court shall hold a public hearing in every case. All such parties shall have an opportunity to offer evidence and arguments at the hearing; provided, that the order of the commissioner or the appropriate unit of government in every case shall be prima facie valid. When an appeal to the Tax Court has been taken from an order or determination of the commissioner or from the appropriate unit of government, the proceeding shall be an original proceeding in the nature of a suit to set aside or modify the order or determination. In case no appellant shall appear the Tax Court shall enter its order affirming the order of the commissioner of revenue or the appropriate unit of government from which the appeal was taken. If the Department of Revenue's sales ratio study is introduced in Tax Court as evidence, the sales ratio data from the study shall be admissible as evidence only as provided in section 278.05, subdivision 4.

(b) The commissioner, the taxpayer, and any other party to an appeal to the Tax Court may file all necessary notices, documents, and other necessary information with the Tax Court in a manner approved by the Tax Court.
EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 9. Minnesota Statutes 2016, section 271.08, subdivision 1, is amended to read:

Subdivision 1. Written order. The Tax Court, except in Small Claims Division, shall
determine every appeal by written order containing findings of fact and the decision of the
Tax Court. A memorandum of the grounds of the decision shall be appended. Notice of the
entry of the order and of the substance of the decision shall be mailed to all parties. A motion
for rehearing, which includes a motion for amended findings of fact, conclusions of law,
or a new trial, must be served by the moving party within 15 days after mailing of the
notice by the court as specified in this subdivision, and the motion must be heard within 30
days thereafter, unless the time for hearing is extended by the court within the 30-day period
for good cause shown.

EFFECTIVE DATE. This section is effective for petitions and appeals filed after June 30, 2017.

Sec. 10. Minnesota Statutes 2016, section 271.18, is amended to read:

271.18 EX-JUDGES NOT TO REPRESENT CLIENTS; EXCEPTION; VIOLATION.

No judge or employee of the Tax Court, except referees appointed for the Small Claims
Division, shall, within one year after the office or employment has terminated, act as counsel,
attorney, or agent for a taxpayer in connection with any claim or proceeding pending in the
department of revenue or in the Tax Court at the time of termination. No judge, referee, or
employee shall, at any time after the termination of the office or employment, act as counsel,
attorney, or agent in connection with any claim or proceeding of which the person terminated
has knowledge which was acquired in the course of a term of office or employment in the
Tax Court. Any violation of the provisions of this section shall be a gross misdemeanor.

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

Sec. 11. Minnesota Statutes 2016, section 289A.40, subdivision 1, is amended to read:

Subdivision 1. Time limit; generally. (a) Unless otherwise provided in this chapter, a
claim for a refund of an overpayment of state tax must be filed within 3-1/2 years from the
date prescribed for filing the return, plus any extension of time granted for filing the return,
but only if filed within the extended time, or one year from the date of an order assessing
tax under section 270C.33 or an order determining an appeal under section 270C.35,
subdivision 8, or one year from the date of a return made by the commissioner under section
264.1 270C.33, subdivision 3, upon payment in full of the tax, penalties, and interest shown on
the order or return made by the commissioner two years from the time the tax was paid,
whichever period expires later. Claims for refund, except for taxes under chapter 297A,
filed after the 3 1/2 year period but within the one year period are limited to the amount of
the tax, penalties, and interest on the order or return made by the commissioner and to issues
determined by the order or return made by the commissioner.

264.7 In the case of assessments under section 289A.38, subdivision 5 or 6, claims for refund
under chapter 297A filed after the 3 1/2 year period but within the one year period are limited to the amount of the tax, penalties, and interest on the order or return made by the commissioner that are due for the period before the 3 1/2 year period.

264.11 (b) For refunds due on a report required to be filed under section 289A.38, subdivision
7, the period under paragraph (a) is extended to the due date for the report required by
section 289A.38, subdivision 7.

264.14 EFFECTIVE DATE. This section is effective for claims for refund filed after the day
following final enactment.

264.16 Sec. 12. Minnesota Statutes 2016, section 289A.60, subdivision 1, is amended to read:

Subdivision 1. Penalty for failure to pay tax. (a) If a corporate franchise, fiduciary
income, mining company, estate, partnership, S corporation, or nonresident entertainer tax
is not paid within the time specified for payment, a penalty of six percent is added to the
unpaid tax, except that if a corporation or mining company meets the requirements of section
289A.19, subdivision 2, the penalty is not imposed.

264.22 (b) For the taxes listed in paragraph (a), in addition to the penalty in that paragraph,
whether imposed or not, if a return or amended return is filed after the due date, without
regard to extensions, and any tax reported as remaining due is not remitted with the return
or amended return, a penalty of five percent of the tax not paid is added to the tax. If the
commissioner issues an order assessing additional tax for a tax listed in paragraph (a), and
the tax is not paid within 60 days after the mailing of the order or, if appealed, within 60
days after final resolution of the appeal, a penalty of five percent of the unpaid tax is added
to the tax.

264.30 (c) If an individual income tax is not paid within the time specified for payment, a penalty
of four percent is added to the unpaid tax. There is a presumption of reasonable cause for
the late payment if the individual: (i) pays by the due date of the return at least 90 percent
of the amount of tax, after credits other than withholding and estimated payments, shown
owing on the return; (ii) files the return within six months after the due date; and (iii) pays
the remaining balance of the reported tax when the return is filed.

(d) If the commissioner issues an order assessing additional individual income tax, and
the tax is not paid within 60 days after the mailing of the order or, if appealed, within 60
days after final resolution of the appeal, a penalty of four percent of the unpaid tax is added
to the tax.

(e) If a withholding or sales or use tax is not paid within the time specified for payment,
a penalty must be added to the amount required to be shown as tax. The penalty is five
percent of the tax not paid on or before the date specified for payment of the tax if the failure
is for not more than 30 days, with an additional penalty of five percent of the amount of tax
remaining unpaid during each additional 30 days or fraction of 30 days during which the
failure continues, not exceeding 15 percent in the aggregate.

(f) No penalty applies under this section if:

(1) the total calculated penalty that would otherwise apply under paragraphs (a) to (e)
is less than $150; or

(2) for an underpayment of individual income tax under chapter 290 or sales tax under
chapter 297A, the liability for tax on which the penalty is calculated is less than $1,000 and
the taxpayer timely filed any returns required to be filed during the prior three calendar
years and was not subject to a penalty under this section, determined without regard to the
provisions of this paragraph, for any taxes on returns due during that three-year period.

EFFECTIVE DATE. This section is effective for penalties imposed after January 1,
2019.

ARTICLE 12

MISCELLANEOUS

Section 1. [16A.1246] NO SPENDING FOR CERTAIN RAIL PROJECTS.

(a) Except as provided in paragraph (b), no appropriation or other state money, whether
in the general or another fund, must be expended or used for any costs related to studying
the feasibility of, planning for, designing, engineering, acquiring property or constructing
facilities for or related to, or development or operation of intercity or interregional passenger
rail facilities or operations between the city of Rochester or locations in its metropolitan
area and any location in the metropolitan area, as defined in section 473.121, subdivision
2.
(b) The restrictions under this section do not apply to funds obtained from contributions, grants, or other voluntary payments made by nongovernmental entities from private sources.

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

Sec. 2. [16B.2965] PROPERTY LEASED FOR RAIL PROJECTS.

(a) If a state official leases, loans, or otherwise makes available state lands, air rights, or any other state property for use in connection with passenger rail facilities, as described in section 16A.1246, the lease or other agreement must include or be secured by a security bond or equivalent guarantee that allows the state to recover any costs it incurs in connection with the rail project from a responsible third party or secure source of capital, if the passenger rail facilities are not constructed, do not go into operation, or are abandoned, whether or not the facilities began operations. The security bond or equivalent guarantee must remain in place for the term of lease, loan, or other agreement that makes state property available for use by the project. These costs include restoring state property to its original condition.

(b) For purposes of this section, "state official" includes the commissioner, the commissioner of transportation, or any other state official with authority to enter a lease or other agreement providing for use by a nonstate entity of state property.

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

Sec. 3. [117.028] CONDEMNATION FOR CERTAIN RAIL FACILITIES PROHIBITED.

Notwithstanding section 222.27 or any other law to the contrary, no condemning authority may take property for the development or construction of or for facilities related to intercity or interregional passenger rail facilities or operations between the city of Rochester or locations in its metropolitan area and any location in the metropolitan area, as defined in section 473.121, subdivision 2.

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

Sec. 4. Minnesota Statutes 2016, section 216B.36, is amended to read:

216B.36 MUNICIPAL REGULATORY AND TAXING POWERS.

Subdivision 1. Municipal authority to regulate public utilities. Any public utility furnishing the utility services enumerated in section 216B.02 or occupying streets, highways, or other public property within a municipality may be required to obtain a license, permit, right, or franchise in accordance with the terms, conditions, and limitations of regulatory
acts of the municipality, including the placing of distribution lines and facilities underground.

Under the license, permit, right, or franchise, the utility may be obligated by any municipality to pay to the municipality fees to raise revenue or defray increased municipal costs accruing as a result of utility operations, or both. A fee that raises revenue under a license, permit, right, or franchise agreement entered into or renewed on or after August 1, 2017, is subject to the requirements of subdivision 2. The fee may include but is not limited to a sum of money based upon gross operating revenues or gross earnings from its operations in the municipality so long as the public utility shall continue to operate in the municipality, unless upon request of the public utility it is expressly released from the obligation at any time by such municipality. Notwithstanding the definition of "public utility" in section 216B.02, subdivision 4, a municipality may require payment of a fee under this section by a cooperative electric association organized under chapter 308A that furnishes utility services within the municipality. All existing licenses, permits, franchises, and other rights acquired by any public utility or municipality prior to April 11, 1974, including the payment of existing franchise fees, shall not be impaired or affected in any respect by the passage of this chapter, except with respect to matters of rate and service regulation, service area assignments, securities, and indebtedness that are vested in the jurisdiction of the commission by this chapter. However, in the event that a court of competent jurisdiction determines, or the parties by mutual agreement determine, that an existing license, permit, franchise, or other right has been abrogated or impaired by this chapter, or its execution, the municipality affected shall impose and the public utility shall collect an excise tax on the utility charges which from year to year yields an amount which is reasonably equivalent to that amount of revenue which then would be due as a fee, charges or other thing or service of value to the municipality under the franchise, license, or permit. The authorization shall be over and above taxing limitations including, but not limited to, those of section 477A.016. Franchises granted pursuant to this section shall be exempt from the provisions of chapter 80C. For purposes of this section, a public utility shall include a cooperative electric association.

**Subd. 2. Five-year renewal; reverse referendum.** (a) A municipality may impose a fee under subdivision 1 to raise revenue beyond what is needed to defray increased municipal costs due to utility operations for up to a five-year period, following the procedures in this subdivision.

(b) The municipality must include in its ordinance or license, permit, or franchise agreement with the public utility what constitutes a cost to the city.
(c) The municipality must identify in its ordinance or license, permit, or franchise agreement the uses of the portion of the fee that is for purposes other than to defray city costs. The municipality must publish a notice that explains:

(1) the fee and its intended uses;

(2) that the public utility is likely to pass the fee on to customers and how much that may increase customers' utility bills;

(3) that alternatives to the revenue-raising portion of the fee are to raise the revenue from another source available to the municipality or forego planned uses of the revenue;

and

(4) what revenue raised from another source will cost those paying it.

The notice must be published at least once each week for two consecutive weeks in the official publication of the municipality and must remain posted on the municipality's Web site throughout the notice period. The notice must also be sent to all affected ratepayers by either first class mail by the municipality or by including the notice in the affected ratepayers' billings.

(d) Following publication and before imposing the fee, the municipality must provide an opportunity at its next regular meeting for public comment relating to the issue. No sooner than 90 days after the public comment opportunity, the municipality may proceed with imposing the fee, unless a petition is filed as provided in paragraph (e).

(e) Within 90 days after the meeting held by the municipality at which public comment was accepted, a petition requesting a referendum may be filed with the chief clerical officer of the municipality. The petition must be signed by at least five percent of the registered voters in the municipality. The petition must meet the requirements of the secretary of state, as provided in section 204B.071, and any rules adopted to implement that section. If the petition is sufficient, the question of whether the municipality may impose a fee that raises revenue as provided in subdivision 1 must be placed on the ballot at the next general election. If a majority of the voters voting on the question votes in favor of using the fee to raise revenue, the municipality may proceed with imposing the fee.

(f) If a license, permit, right, or franchise agreement is entered into or renewed before August 1, 2017, and by its terms and the ordinance authorizing it, will be in effect after August 1, 2022, the municipality must follow the procedures in this subdivision to provide notice, a public hearing, and opportunity for a petition for a referendum by August 1, 2022.
(g) Except as provided in paragraph (f), this subdivision applies to a license, permit, right, or franchise agreement entered into or renewed on or after August 1, 2017.

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

Sec. 5. [222.271] PASSENGER RAIL PROJECTS; ENVIRONMENTAL INSURANCE REQUIRED.

Subdivision 1. Scope. (a) This section applies to any person that seeks a federal or state permit or other formal legal authorization to construct or operate a passenger rail project with an estimated capital cost exceeding $1,000,000,000.

(b) This section does not apply to a person whose only action within the scope of paragraph (a) is an application for a building permit.

Subd. 2. Definitions. (a) For purposes of this section, unless the context clearly indicates otherwise, the following definitions apply.

(b) "Commissioner" means the commissioner of the Pollution Control Agency.

(c) "Insurance" means a commercial insurance policy, a security bond, or an equivalent guarantee that provides assurance of the project's ability to pay claims for any liability under chapter 115B or similar provisions of common law or federal law resulting from construction or operation of the passenger rail project.

(d) "Passenger rail project" or "project" means a railroad or a line or lines of a railway located within or partly within Minnesota intended to provide passenger service, regardless of whether freight service is also provided, by a common carrier other than a federal or state government unit, a political subdivision of the state, or the National Railroad Passenger Corporation created under the Rail Passenger Service Act of 1970, Public Law 91-518.

(e) "Person" includes a corporation, limited liability company, partnership, other entity, or an individual.

Subd. 3. Environmental insurance required. (a) Any person subject to this section must obtain and maintain insurance that is adequate to cover potential claims and meets the other requirements of this section, as approved by the commissioner under paragraph (b).

The insurance must not contain dollar limits on liability, or if it does contain a dollar limit the limit must be not less than a reasonable estimate of the potential exposure of the project for environmental remediation or impairment damages. Any dollar limit must be adjusted if the scope, size, or cost of the project increases materially. The insurance must cover any liability incurred during and after the construction and operation of the project and must...
not contain exclusions, limitations, or other restrictions that are not standard in comprehensive environmental remediation insurance or in environmental impairment insurance, as applicable.

(b) In order to satisfy the requirements of this section, the commissioner must determine that the insurance is adequate and that it meets the other requirements of this section. The commissioner may require that the project provide any supporting documentation to determine that insurance is adequate and meets the other requirements of this section and that the project has the financial ability to maintain insurance during the project's operations.

**EFFECTIVE DATE.** This section is effective for passenger rail projects for which application for a permit or other formal legal authorization to construct is made after the day following final enactment.

Sec. 6. Minnesota Statutes 2016, section 270A.03, subdivision 7, is amended to read:

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

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

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

**EFFECTIVE DATE.** This section is effective for political contribution refund claims based on contributions made on or after July 1, 2017.
Sec. 7. Minnesota Statutes 2016, section 270C.13, subdivision 1, is amended to read:

Subdivision 1. **Biennial report.** The commissioner shall report to the legislature by March 1 of each odd-numbered year on the overall incidence of the income tax, sales and excise taxes, and property tax. The report shall present information on the distribution of the tax burden as follows: (1) for the overall income distribution, using a systemwide incidence measure such as the Suits index or other appropriate measures of equality and inequality; (2) by income classes, including at a minimum deciles of the income distribution; and (3) by other appropriate taxpayer characteristics. The report must also include information on the distribution of the burden of federal taxes borne by Minnesota residents.

Sec. 8. Minnesota Statutes 2016, section 287.08, is amended to read:

**287.08 TAX, HOW PAYABLE; RECEIPTS.**

(a) The tax imposed by sections 287.01 to 287.12 must be paid to the treasurer of any county in this state in which the real property or some part is located at or before the time of filing the mortgage for record. The treasurer shall endorse receipt on the mortgage and the receipt is conclusive proof that the tax has been paid in the amount stated and authorizes any county recorder or registrar of titles to record the mortgage. Its form, in substance, shall be "registration tax hereon of ..................... dollars paid." If the mortgage is exempt from taxation the endorsement shall, in substance, be "exempt from registration tax." In either case the receipt must be signed by the treasurer. In case the treasurer is unable to determine whether a claim of exemption should be allowed, the tax must be paid as in the case of a taxable mortgage. For documents submitted electronically, the endorsements and tax amount shall be affixed electronically and no signature by the treasurer will be required. The actual payment method must be arranged in advance between the submitter and the receiving county.

(b) The county treasurer may refund in whole or in part any mortgage registry tax overpayment if a written application by the taxpayer is submitted to the county treasurer within 3-1/2 years from the date of the overpayment. If the county has not issued a denial of the application, the taxpayer may bring an action in Tax Court in the county in which the tax was paid at any time after the expiration of six months from the time that the application was submitted. A denial of refund may be appealed within 60 days from the date of the denial by bringing an action in Tax Court in the county in which the tax was paid. The action is commenced by the serving of a petition for relief on the county treasurer, and by filing a copy with the court. The county attorney shall defend the action. The county
(c) If the county treasurer determines a refund should be paid, or if a refund is ordered by the court, the county treasurer of each county that actually received a portion of the tax shall immediately pay a proportionate share of three percent of the refund using any available county funds. The county treasurer of each county that received, or would have received, a portion of the tax shall also pay their county's proportionate share of the remaining 97 percent of the court-ordered refund on or before the 20th day of the following month using solely the mortgage registry tax funds that would be paid to the commissioner of revenue on that date under section 287.12. If the funds on hand under this procedure are insufficient to fully fund 97 percent of the court-ordered refund, the county treasurer of the county in which the action was brought shall file a claim with the commissioner of revenue under section 16A.48 for the remaining portion of 97 percent of the refund, and shall pay over the remaining portion upon receipt of a warrant from the state issued pursuant to the claim.

(d) When any mortgage covers real property located in more than one county in this state the total tax must be paid to the treasurer of the county where the mortgage is first presented for recording, and the payment must be receipted as provided in paragraph (a). If the principal debt or obligation secured by such a multiple county mortgage exceeds $10,000,000, the tax collected shall be forwarded by the county treasurer receiving it to the commissioner of revenue and the nonstate portion of the tax must be divided and paid over by the county treasurer receiving it to the commissioner of revenue, on or before the 20th day of each month after receipt, to the county or counties entitled in the ratio that the estimated market value of the real property covered by the mortgage in each county bears to the estimated market value of all the real property in this state described in the mortgage. In making the division and payment the county treasurer shall send a statement giving the description of the real property described in the mortgage and the estimated market value of the part located in each county. For this purpose, the treasurer of any county commissioner of revenue may require the treasurer of any other county to certify to the former the estimated market value of any tract of real property in any mortgage in the county.

(e) The mortgagor must pay the tax imposed by sections 287.01 to 287.12. The mortgagee may undertake to collect and remit the tax on behalf of the mortgagor. If the mortgagee collects money from the mortgagor to remit the tax on behalf of the mortgagor, the mortgagee has a fiduciary duty to remit the tax on behalf of the mortgagor as to the amount of the tax.
collected for that purpose and the mortgagor is relieved of any further obligation to pay the
tax as to the amount collected by the mortgagee for this purpose.

**EFFECTIVE DATE.** This section is effective for tax collected after June 30, 2017.

Sec. 9. Minnesota Statutes 2016, section 289A.50, subdivision 1, is amended to read:

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

(b) The claim must specify the name of the taxpayer, the date when and the period for
which the tax was paid, the kind of tax paid, the amount of the tax that the taxpayer claims
was erroneously paid, the grounds on which a refund is claimed, and other information
relative to the payment and in the form required by the commissioner. An income tax, estate
tax, or corporate franchise tax return, or amended return claiming an overpayment constitutes
a claim for refund.

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

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

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

(f) If the surety deposit required for a construction contract exceeds the liability of the
out-of-state contractor, the commissioner shall refund the difference to the contractor.
(g) An action of the commissioner in refunding the amount of the overpayment does not constitute a determination of the correctness of the return of the taxpayer.

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

**EFFECTIVE DATE.** This section is effective for political contribution refund claims based on contributions made on or after July 1, 2017.

Sec. 10. Minnesota Statutes 2016, section 290.01, subdivision 6, is amended to read:

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

**EFFECTIVE DATE.** This section is effective for political contribution refund claims based on contributions made on or after July 1, 2017.

Sec. 11. Minnesota Statutes 2016, section 296A.01, subdivision 12, is amended to read:

Subd. 12. *Compressed natural gas or CNG.* "Compressed natural gas" or "CNG" means natural gas, primarily methane, condensed under high pressure and stored in specially designed storage tanks at between 2,000 and 3,600 pounds per square inch. For purposes of this chapter, the energy content of CNG is considered to be 1,000 BTUs per cubic foot.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 12. Minnesota Statutes 2016, section 296A.08, subdivision 2, is amended to read:

Subd. 2. *Rate of tax.* The special fuel excise tax is imposed at the following rates:

(a) Liquefied petroleum gas or propane is taxed at the rate of 18.75 cents per gallon.

(b) Liquefied natural gas is taxed at the rate of 15 cents per gallon.

(c) Compressed natural gas is taxed at the rate of $2.174 per thousand cubic feet; or 25 cents per gasoline equivalent. For purposes of this paragraph, "gasoline equivalent," as defined by the National Conference on Weights and Measures, is 5.66 pounds of natural gas or 126.67 cubic feet.
(d) All other special fuel is taxed at the same rate as the gasoline excise tax as specified
in section 296A.07, subdivision 2. The tax is payable in the form and manner prescribed
by the commissioner.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June
30, 2017.

Sec. 13. Minnesota Statutes 2016, section 296A.16, subdivision 2, is amended to read:

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

(1) Gasoline or special fuel used in carrying on a trade or business, used on a farm
situated in Minnesota, and used for a farming purpose. "Farm" and "farming purpose" have
the meanings given them in section 6420(c)(2), (3), and (4) of the Internal Revenue Code
as defined in section 289A.02, subdivision 7.

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

(i) "Off-highway business use" means any use off the public highway by a person in
that person's trade, business, or activity for the production of income.
(ii) Off-highway business use includes use of a passenger snowmobile off the public highways as part of the operations of a resort as defined in section 157.15, subdivision 11; and use of gasoline or special fuel to operate a power takeoff unit on a vehicle, but not including fuel consumed during idling time.

(iii) Off-highway business use does not include use as a fuel in a motor vehicle which, at the time of use, is registered or is required to be registered for highway use under the laws of any state or foreign country; or use of a licensed motor vehicle fuel tank in lieu of a separate storage tank for storing fuel to be used for a qualifying purpose, as defined in this section. Fuel purchased to be used for a qualifying purpose cannot be placed in the fuel tank of a licensed motor vehicle and must be stored in a separate supply tank.

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

(4) Special fuel used in one of the following:

(i) to power a refrigeration unit mounted on a licensed motor vehicle, provided that the unit has an engine separate from the one used to propel the vehicle and the fuel is used exclusively for the unit;

(ii) to power an unlicensed motor vehicle that is used solely or primarily to move semitrailers within a cargo yard, warehouse facility, or intermodal facility; or

(iii) to operate a power take-off unit or auxiliary engine in or on a licensed motor vehicle, whether or not the unit or engine is fueled from the same or a different fuel tank as that from which the motor vehicle is fueled.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2017.

Sec. 14. Minnesota Statutes 2016, section 297A.68, subdivision 19, is amended to read:

Subd. 19. Petroleum products. The following petroleum products are exempt:

(1) products upon which a tax has been imposed and paid under chapter 296A, and for which no refund has been or will be allowed because the buyer used the fuel for nonhighway use;

(2) products that are used in the improvement of agricultural land by constructing, maintaining, and repairing drainage ditches, tile drainage systems, grass waterways, water impoundment, and other erosion control structures;
(3) products purchased by a transit system receiving financial assistance under section 174.24, 256B.0625, subdivision 17, or 473.384;

(4) products purchased by an ambulance service licensed under chapter 144E;

(5) products used in a passenger snowmobile, as defined in section 296A.01, subdivision 39, for off-highway business use as part of the operations of a resort as provided under section 296A.16, subdivision 2, clause (2);

(6) products purchased by a state or a political subdivision of a state for use in motor vehicles exempt from registration under section 168.012, subdivision 1, paragraph (b);

(7) products purchased by providers of transportation to recipients of medical assistance home and community-based services waivers enrolled in day programs, including adult day care, family adult day care, day treatment and habilitation, prevocational services, and structured day services; or

(8) products used in a motor vehicle used exclusively as a mobile medical unit for the provision of medical or dental services by a federally qualified health center, as defined under title 19 of the federal Social Security Act, as amended by Section 4161 of the Omnibus Budget Reconciliation Act of 1990; or

(9) special fuels eligible for a motor fuel tax refund under section 296A.16, subdivision 2, clause (4).

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2017.

Sec. 15. Minnesota Statutes 2016, section 297E.02, subdivision 6, is amended to read:

Subd. 6. Combined net receipts tax. (a) In addition to the taxes imposed under subdivision 1, a tax is imposed on the combined net receipts of the organization. As used in this section, "combined net receipts" is the sum of the organization's gross receipts from lawful gambling less gross receipts directly derived from the conduct of paper bingo, raffles, and paddlewheels, as defined in section 297E.01, subdivision 8, and less the net prizes actually paid, other than prizes actually paid for paper bingo, raffles, and paddlewheels, and less six percent of the amounts actually expended for lawful purpose contributions under section 349.12, subdivision 25, paragraph (a), clauses (1) to (7) and (9) to (26), for the fiscal year. The combined net receipts of an organization are subject to a tax computed according to the following schedule:

If the combined net receipts for the fiscal year are:

The tax is:
Not over $87,500  nine percent
Over $87,500, but not over $122,500  $7,875 plus 18 percent of the amount over $87,500, but not over $122,500
Over $122,500, but not over $157,500  $14,175 plus 27 percent of the amount over $122,500, but not over $157,500
Over $157,500  $23,625 plus 36 percent of the amount over $157,500

(b) On or before April 1, 2016, the commissioner shall estimate the total amount of revenue, including interest and penalties, that will be collected for fiscal year 2016 from taxes imposed under this chapter. If the amount estimated by the commissioner equals or exceeds $94,800,000, the commissioner shall certify that effective July 1, 2016, the rates under this paragraph apply in lieu of the rates under paragraph (a) and shall publish a notice to that effect in the State Register and notify each taxpayer by June 1, 2016. If the rates under this section apply, the combined net receipts of an organization are subject to a tax computed according to the following schedule:

If the combined net receipts for the fiscal year are:  
The tax is:
Not over $87,500  8.5 percent
Over $87,500, but not over $122,500  $7,438 plus 17 percent of the amount over $87,500, but not over $122,500
Over $122,500, but not over $157,500  $13,388 plus 25.5 percent of the amount over $122,500, but not over $157,500
Over $157,500  $22,313 plus 34 percent of the amount over $157,500

(c) Gross receipts derived from sports-themed tipboards are exempt from taxation under this section. For purposes of this paragraph, a sports-themed tipboard means a sports-themed tipboard as defined in section 349.12, subdivision 34, under which the winning numbers are determined by the numerical outcome of a professional sporting event.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 16. Minnesota Statutes 2016, section 298.225, subdivision 1, is amended to read:

Subdivision 1. Guaranteed distribution. (a) Except as provided under paragraph (c), the distribution of the taconite production tax as provided in section 298.28, subdivisions 3 to 5, 6, paragraph (b), 7, and 8, shall equal the lesser of the following amounts:

(1) the amount distributed pursuant to this section and section 298.28, with respect to 1983 production if the production for the year prior to the distribution year is no less than 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the amount...
of the distributions shall be reduced proportionately at the rate of two percent for each 1,000,000 tons, or part of 1,000,000 tons by which the production is less than 42,000,000 tons; or

(2)(i) for the distributions made pursuant to section 298.28, subdivisions 4, paragraphs (b) and (c), and 6, paragraph (c), 31.2 percent of the amount distributed pursuant to this section and section 298.28, with respect to 1983 production;

(ii) for the distributions made pursuant to section 298.28, subdivision 5, paragraphs (b) and (d), 75 percent of the amount distributed pursuant to this section and section 298.28, with respect to 1983 production provided that the aid guarantee for distributions under section 298.28, subdivision 5, paragraph (b), shall be reduced by five cents per taxable ton for production years 2014 and thereafter.

(b) The distribution of the taconite production tax as provided in section 298.28, subdivision 2, shall equal the following amount:

(1) if the production for the year prior to the distribution year is at least 42,000,000 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect to 1999 production; or

(2) if the production for the year prior to the distribution year is less than 42,000,000 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect to 1999 production, reduced proportionately at the rate of two percent for each 1,000,000 tons or part of 1,000,000 tons by which the production is less than 42,000,000 tons.

(c) The distribution of the taconite production tax under section 298.28, subdivision 3, paragraph (a), guaranteed under this section is equal to the amount distributed under section 298.28, with respect to 1983 production.

EFFECTIVE DATE. This section is effective for distributions in 2018 and thereafter.

Sec. 17. Minnesota Statutes 2016, section 298.28, subdivision 3, is amended to read:

Subd. 3. Cities; towns. (a) 12.5 cents per taxable ton, less any amount distributed under subdivision 8, and paragraph (b), must be allocated to the taconite municipal aid account to be distributed as provided in section 298.282. The amount allocated to the taconite municipal aid account must be annually increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1.

(b) An amount must be allocated to towns or cities that is annually certified by the county auditor of a county containing a taconite tax relief area as defined in section 273.134,
paragraph (b), within which there is (1) an organized township if, as of January 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron ore or (2) a city if, as of January 2, 1980, more than 75 percent of the assessed valuation of the city consists of iron ore.

(c) The amount allocated under paragraph (b) will be the portion of a township's or city's certified levy equal to the proportion of (1) the difference between 50 percent of January 2, 1982, assessed value in the case of a township and 50 percent of the January 2, 1980, assessed value in the case of a city and its current assessed value to (2) the sum of its current assessed value plus the difference determined in (1), provided that the amount distributed shall not exceed $55 per capita in the case of a township or $75 per capita in the case of a city. For purposes of this limitation, population will be determined according to the 1980 decennial census conducted by the United States Bureau of the Census. If the current assessed value of the township exceeds 50 percent of the township's January 2, 1982, assessed value, or if the current assessed value of the city exceeds 50 percent of the city's January 2, 1980, assessed value, this paragraph shall not apply. For purposes of this paragraph, "assessed value," when used in reference to years other than 1980 or 1982, means the appropriate net tax capacities multiplied by 10.2.

(d) In addition to other distributions under this subdivision, three cents per taxable ton for distributions in 2009 must be allocated for distribution to towns that are entirely located within the taconite tax relief area defined in section 273.134, paragraph (b). For distribution in 2010 through 2014 and for distribution in 2018 and subsequent years, the three-cent amount must be annually increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. The amount available under this paragraph will be distributed to eligible towns on a per capita basis, provided that no town may receive more than $50,000 in any year under this paragraph. Any amount of the distribution that exceeds the $50,000 limitation for a town under this paragraph must be redistributed on a per capita basis among the other eligible towns, to whose distributions do not exceed $50,000.

EFFECTIVE DATE. This section is effective for distributions in 2018 and thereafter.

Sec. 18. [459.36] NO SPENDING OF PUBLIC MONEY FOR CERTAIN RAIL PROJECTS.

(a) Except as provided in paragraph (b), a governmental unit must not spend or use any money for any costs related to studying the feasibility of, planning for, designing, engineering, acquiring property or constructing facilities for or related to, or development
or operation of intercity or interregional passenger rail facilities or operations between the
city of Rochester, or locations in its metropolitan area, and any location in the metropolitan
area, as defined in section 473.121, subdivision 2.

(b) The restrictions under this section do not apply to:

(1) funds the governmental unit obtains from contributions, grants, or other voluntary
payments made by nongovernmental entities from private sources; and

(2) expenditures for costs of public infrastructure, including public utilities, parking
facilities, a multimode transit hub, or similar projects located within the area of the
development district, as defined under section 469.40, and reflected in the development
plan adopted before the enactment of this section, that are intended to serve, and that are
made following the completed construction and commencement of operation of privately
financed and operated intercity or interregional passenger rail facilities.

(c) For purposes of this section, "governmental unit" means any of the following, located
in development regions 10 and 11, as designated under section 462.385, subdivision 1:

(1) statutory or home rule charter city;

(2) county;

(3) special taxing district, as defined in section 275.066;

(4) metropolitan planning organization; or

(5) destination medical center entity, which includes the Destination Medical Center
Corporation and agency, as those terms are defined in section 469.40, and any successor or
related entity.

EFFECTIVE DATE. This section is effective the day following final enactment without
local approval under Minnesota Statutes, section 645.023, subdivision 1, clause (c).

Sec. 19. Minnesota Statutes 2016, section 462.353, subdivision 4, is amended to read:

Subd. 4. Fees. (a) A municipality may prescribe fees sufficient to defray the costs incurred
by it in reviewing, investigating, and administering an application for an amendment to an
official control established pursuant to sections 462.351 to 462.364 or an application for a
permit or other approval required under an official control established pursuant to those
sections. Except as provided in subdivision 4a, fees as prescribed must be by ordinance.
Fees must be fair, reasonable, and proportionate and have a nexus to the actual cost of the
service for which the fee is imposed.
(b) A municipality must adopt management and accounting procedures to ensure that
fees are maintained and used only for the purpose for which they are collected. Upon request,
a municipality must explain the basis of its fees.

(c) Except as provided in this paragraph, a fee ordinance or amendment to a fee ordinance
is effective January 1 after its adoption. A municipality may adopt a fee ordinance or an
amendment to a fee ordinance with an effective date other than the next January 1, but the
ordinance or amendment does not apply if an application for final approval has been
submitted to the municipality.

(d) If a dispute arises over a specific fee imposed by a municipality related to a specific
application, the person aggrieved by the fee may appeal under section 462.361, provided
that the appeal must be brought within 60 days after approval of an application under this
section and deposit of the fee into escrow. A municipality must not condition the approval
of any proposed subdivision or development on an agreement to waive the right to challenge
the validity of a fee. An approved application may proceed as if the fee had been paid,
pending a decision on the appeal. This paragraph must not be construed to preclude the
municipality from conditioning approval of any proposed subdivision or development on
an agreement to waive a challenge to the cost associated with municipally installed
improvements of the type described in section 429.021.

(e) A municipality may not impose a fee to review or investigate a use if the use is
allowed without any permit, approval, or amendment to an official control. This limitation
does not apply to a fee for a review or investigation:

(1) of compliance with health and safety requirements; or

(2) that results in finding a violation, unless the finding is overturned on appeal or a
penalty, fine, or other charge is imposed for the violation.

EFFECTIVE DATE. This section is effective August 1, 2017, and applies to fees
imposed on or after that date.

Sec. 20. [473.1467] NO SPENDING FOR CERTAIN RAIL PROJECTS.

(a) Except as provided in paragraph (b), the council must not spend or use any money
for any costs related to studying the feasibility of, planning for, designing, engineering,
acquiring property or constructing facilities for or related to, or development or operation
of intercity or interregional passenger rail facilities or operations between the city of
Rochester or locations in its metropolitan area and any location in the metropolitan area, as
defined in section 473.121, subdivision 2.
(b) The restrictions under this section do not apply to funds the council obtains from contributions, grants, or other voluntary payments made by nongovernmental entities from private sources.

**EFFECTIVE DATE; APPLICATION.** This section is effective the day following final enactment and applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 21. **CLARIFYING AUTHORITY TO USE PREVIOUSLY DISTRIBUTED TACONITE TAX PROCEEDS.**

The commissioner of Iron Range resources and rehabilitation may use unspent amounts allocated under Minnesota Statutes 2014, section 298.2961, subdivision 5, clause (19), remaining as of May 22, 2016, for the specific purposes identified in that section. Notwithstanding Minnesota Statutes, section 298.28, subdivision 11, paragraph (a), or any other law to the contrary, interest accrued on this amount shall also be distributed to the recipient. Amounts under this section are available until expended and do not lapse or cancel under Minnesota Statutes, section 16A.28.

**EFFECTIVE DATE.** This section is effective retroactively from May 22, 2016.

Sec. 22. **CITY OF TAYLORS FALLS; DEVELOPMENT ZONE.**

Subdivision 1. **Authorization.** The governing body of the city of Taylors Falls may designate all or any part of the city as a development zone under Minnesota Statutes, section 469.1731.

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

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

Subd. 3. **Allocation of state tax reductions.** (a) The cumulative total amount of the state portion of the tax reductions for all years of the program under Minnesota Statutes, sections 469.1731 to 469.1735, for the city of Taylors Falls, is limited to $100,000. To provide the authority under this section, the amount of the allocation for border cities under Minnesota Statutes, section 469.169, in this act is reduced by $100,000.
(b) This allocation may be used for tax reductions provided in Minnesota Statutes, section 469.1732 or 469.1734, or for reimbursements under Minnesota Statutes, section 469.1735, subdivision 3, but only if the governing body of the city of Taylors Falls determines that the tax reduction or offset is necessary to enable a business to expand within the city or to attract a business to the city.

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

**EFFECTIVE DATE.** This section is effective July 1, 2017, and does not require local approval pursuant to Minnesota Statutes, section 645.023, subdivision 1, paragraph (a).

Sec. 23. **SUPPLEMENT TO 2017 REPORT.**

By January 2, 2018, the commissioner of revenue shall prepare a supplement to the 2017 tax incidence report containing the information required by section 7.

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

Sec. 24. **REPEALER.**

(a) Minnesota Statutes 2016, sections 10A.322, subdivision 4; 13.4967, subdivision 2; and 290.06, subdivision 23, and Minnesota Rules, part 4503.1400, subpart 4, are repealed.

(b) Minnesota Statutes 2016, section 477A.20, is repealed.

(c) Minnesota Statutes 2016, sections 136A.129; and 290.06, subdivision 36, are repealed.

**EFFECTIVE DATE.** Paragraph (a) is effective for contributions made after June 30, 2017, and refund claims filed after June 30, 2017. Paragraph (b) is effective the day following final enactment. Paragraph (c) is effective for agreements entered into after June 30, 2017, and for taxable years beginning after December 31, 2017.

**ARTICLE 13**

**TRANSPORTATION-RELATED TAXES**

Section 1. [174.54] **TRANSPORTATION PRIORITIES FUND.**

Subdivision 1. **Fund established.** A transportation priorities fund is established in the state treasury, under the budgetary jurisdiction of the legislative committees having jurisdiction over transportation finance. The fund consists of money provided by law, and any other funds donated, allotted, transferred, or otherwise provided. Money in the fund
must be allocated solely for transportation purposes as specified in this section and as
provided by law.

Sec. 2. Minnesota Statutes 2016, section 297A.815, subdivision 3, is amended to read:

Subd. 3. Motor vehicle lease sales tax revenue. (a) For purposes of this subdivision, "net revenue" means an amount equal to the revenues, including interest and penalties, collected under this section, during the fiscal year, less $32,000,000 in each fiscal year.

(b) (a) On or before June 30 of each fiscal year, the commissioner of revenue shall estimate the amount of the net revenue revenues, including interest and penalties, collected under this section for the current fiscal year.

(ε) (b) On or after July 1 of the subsequent fiscal year, the commissioner of management and budget shall transfer the net revenue as revenues estimated in paragraph (b) (a) from the general fund, as follows:

(1) $9,000,000 annually until January 1, 2015, and 50 percent annually thereafter to the county state-aid highway fund. Notwithstanding any other law to the contrary, the commissioner of transportation shall allocate the funds transferred under this clause to the counties in the metropolitan area, as defined in section 473.121, subdivision 4, excluding the counties of Hennepin and Ramsey, so that each county shall receive of such amount the percentage that its population, as defined in section 477A.011, subdivision 3, estimated or established by July 15 of the year prior to the current calendar year, bears to the total population of the counties receiving funds under this clause, and

(2) the remainder to the greater Minnesota transit account to the transportation priorities fund.

(c) The revenues under this subdivision do not include the revenues, including interest and penalties, generated by the sales tax imposed under section 297A.62, subdivision 1a, which must be deposited as provided under the Minnesota Constitution, article XI, section 15.

EFFECTIVE DATE. This section is effective the day following final enactment and applies beginning with transfers recognized in fiscal year 2018.

Sec. 3. Minnesota Statutes 2016, section 297A.94, is amended to read:

297A.94 DEPOSIT OF REVENUES.
(a) Except as provided in this section, the commissioner shall deposit the revenues,
including interest and penalties, derived from the taxes imposed by this chapter in the state
 treasury and credit them to the general fund.

(b) The commissioner shall deposit taxes in the Minnesota agricultural and economic
account in the special revenue fund if:

(1) the taxes are derived from sales and use of property and services purchased for the
 construction and operation of an agricultural resource project; and

(2) the purchase was made on or after the date on which a conditional commitment was
 made for a loan guaranty for the project under section 41A.04, subdivision 3.

The commissioner of management and budget shall certify to the commissioner the date on
which the project received the conditional commitment. The amount deposited in the loan
 guaranty account must be reduced by any refunds and by the costs incurred by the Department
 of Revenue to administer and enforce the assessment and collection of the taxes.

(c) The commissioner shall deposit the revenues, including interest and penalties, derived
from the taxes imposed on sales and purchases included in section 297A.61, subdivision 3,
paragraph (g), clauses (1) and (4), in the state treasury, and credit them as follows:

(1) first to the general obligation special tax bond debt service account in each fiscal
year the amount required by section 16A.661, subdivision 3, paragraph (b); and

(2) after the requirements of clause (1) have been met, the balance to the general fund.

(d) The commissioner shall deposit the revenues, including interest and penalties,
collected under section 297A.64, subdivision 5, in the state treasury and credit them to the
general fund. By July 15 of each year the commissioner shall transfer to the highway user
tax distribution fund an amount equal to the excess fees collected under section 297A.64,
subdivision 5, for the previous calendar year.

(e) 72.43 percent of the revenues, including interest and penalties, transmitted to the
commissioner under section 297A.65, must be deposited by the commissioner in the state
treasury as follows:

(1) 50 percent of the receipts must be deposited in the heritage enhancement account in
the game and fish fund, and may be spent only on activities that improve, enhance, or protect
fish and wildlife resources, including conservation, restoration, and enhancement of land,
water, and other natural resources of the state;
287.1 (2) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only for state parks and trails;

287.2 (3) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only on metropolitan park and trail grants;

287.3 (4) three percent of the receipts must be deposited in the natural resources fund, and may be spent only on local trail grants; and

287.4 (5) two percent of the receipts must be deposited in the natural resources fund, and may be spent only for the Minnesota Zoological Garden, the Como Park Zoo and Conservatory, and the Duluth Zoo.

287.5 (f) The revenue dedicated under paragraph (e) may not be used as a substitute for traditional sources of funding for the purposes specified, but the dedicated revenue shall supplement traditional sources of funding for those purposes. Land acquired with money deposited in the game and fish fund under paragraph (e) must be open to public hunting and fishing during the open season, except that in aquatic management areas or on lands where angling easements have been acquired, fishing may be prohibited during certain times of the year and hunting may be prohibited. At least 87 percent of the money deposited in the game and fish fund for improvement, enhancement, or protection of fish and wildlife resources under paragraph (e) must be allocated for field operations.

287.6 (g) Beginning with sales taxes remitted after July 1, 2017, the commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed on the lease or rental of a motor vehicle under section 297A.64, subdivision 1, into the state treasury and credit the revenues to the transportation priorities fund.

287.7 (h) Beginning with sales taxes remitted after July 1, 2017, in conjunction with the deposit of revenues under paragraph (g), the commissioner shall deposit into the state treasury and credit to the transportation priorities fund an amount equal to the estimated revenues derived from the tax rate imposed under section 297A.62, subdivision 1, on the lease or rental for not more than 28 days of rental motor vehicles subject to section 297A.64. The commissioner shall estimate the amount of sales tax revenues deposited under this paragraph based on the amount of revenue deposited under paragraph (g).

287.8 (i) $156,800,000 in fiscal year 2018, $151,100,000 in fiscal year 2019, $266,618,000 in fiscal year 2020, and $287,718,000 in fiscal year 2021 are transferred from the general fund to the commissioner for deposit in the transportation priorities fund. Annually in fiscal year 2022 and thereafter, 4.293 percent of the revenues generated by the sales tax imposed under section 297A.62, subdivision 1, is transferred from the general fund to the
commissioner for deposit in the transportation priorities fund. The commissioner must make transfers under this paragraph by July 15 in each year. Transfers in this paragraph represent revenues attributable to sales and purchases of motor vehicle repair and replacement parts.

(g) (j) The revenues deposited under paragraphs (a) to (f) this subdivision do not include the revenues, including interest and penalties, generated by the sales tax imposed under section 297A.62, subdivision 1a, which must be deposited as provided under the Minnesota Constitution, article XI, section 15.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 4. Minnesota Statutes 2016, section 297A.992, subdivision 6a, is amended to read:

Subd. 6a. Priority of fund uses. (a) The joint powers board shall allocate all revenues from the taxes imposed under this section in conformance with the following priority order:

(1) payment of debt service necessary for the fiscal year on bonds or other obligations issued prior to January 1, 2011, under subdivision 7; and

(2) payment to the Metropolitan Council of 100 percent, or a portion that is not paid by counties under section 297A.993, subdivision 2a, of the annual net operating and capital maintenance costs, as certified by the Metropolitan Council, for all light rail transit lines in which a grant award for project development, capital, capital maintenance, or operating expenditures has been provided under this section; and

(3) as otherwise authorized under this section.

(b) Project development in this subdivision includes but is not limited to feasibility and alternatives analysis, design, engineering, environmental analysis, property acquisition, and construction.

EFFECTIVE DATE. This section is effective the day following final enactment and applies for costs occurring on or after July 1, 2017.

Sec. 5. Minnesota Statutes 2016, section 297A.993, subdivision 1, is amended to read:

Subdivision 1. Authorization; rates. Notwithstanding section 297A.99, subdivisions 1, 2, 3, 5, and 13, or 477A.016, or any other law, the board of a county outside the metropolitan transportation area, as defined under section 297A.992, subdivision 1, or more than one county outside the metropolitan transportation area acting under a joint powers agreement, except when subject to voter approval, as provided in subdivision 1a, may by resolution of the county board, or each of the county boards, following a public hearing
impose (1) a transportation sales tax at a rate of up to one-half of one percent on retail sales and uses taxable under this chapter, and (2) an excise tax of $20 per motor vehicle, as defined in section 297B.01, subdivision 11, purchased or acquired from any person engaged in the business of selling motor vehicles at retail, occurring within the jurisdiction of the taxing authority.

**EFFECTIVE DATE.** This section is effective after March 31, 2017, and applies to new taxes or expansions of the use of existing taxes after that date.

Sec. 6. Minnesota Statutes 2016, section 297A.993, is amended by adding a subdivision to read:

Subd. 1a. **Certain counties; voter approval; limitations.** (a) Notwithstanding subdivision 1, a county that had imposed a tax under section 297A.992 may not impose a tax under this section greater than one quarter of one percent unless approved at a general election by the majority of voters who vote on the question to impose the taxes.

(b) Notwithstanding subdivision 2, a county that had imposed a tax under section 297A.992 may not expand the use of revenue from an existing tax under this section for any new transit project that will require an operating subsidy of $10,000,000 or more per year, unless the new use is approved by the majority of voters voting on the question at a general election.

**EFFECTIVE DATE.** This section is effective retroactively from March 15, 2017.

Sec. 7. Minnesota Statutes 2016, section 297A.993, subdivision 2, is amended to read:

Subd. 2. **Allocation; termination.** The proceeds of the taxes must be dedicated exclusively to: (1) payment of the capital cost of a specific transportation project or improvement; (2) payment of the costs, which may include both capital and operating costs, of a specific transit project or improvement; (3) payment of the capital costs of a safe routes to school program under section 174.40; or (4) payment of transit operating and capital maintenance costs, including as provided in subdivision 2a. The transportation or transit project or improvement must be designated by the board of the county, or more than one county acting under a joint powers agreement. Except for taxes for operating costs of a transit project or improvement, or for transit operations, the taxes must terminate when revenues raised are sufficient to finance the project.

**EFFECTIVE DATE.** This section is effective the day following final enactment.
Sec. 8. Minnesota Statutes 2016, section 297A.993, is amended by adding a subdivision to read:

Subd. 2a. Allocation for certain transitways. (a) This subdivision applies to a county:

(1) that has previously imposed and is no longer imposing a local sales tax as part of a joint powers agreement under section 297A.992;

(2) that imposes the tax under this section; and

(3) in which a light rail transit line is located, whether wholly or partially.

(b) All counties subject to this subdivision, and the joint powers board under section 297A.992 if the joint powers agreement under section 297A.992, subdivision 3, is not terminated, must collectively enter into an agreement that determines and allocates payments to the Metropolitan Council that, in total, equal at least the amount required to be provided under section 297A.992, subdivision 6a, paragraph (a), clause (2). Nothing in this paragraph prevents payments from other entities or sources of funds.

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

Sec. 9. Minnesota Statutes 2016, section 398A.10, subdivision 3, is amended to read:

Subd. 3. Application. This section only applies to a county that has imposed the metropolitan transportation sales and use tax under section 297A.992 and applies whether the tax is currently in effect or not.

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

Sec. 10. Minnesota Statutes 2016, section 398A.10, subdivision 4, is amended to read:

Subd. 4. Definition. For purposes of this section, "project" means the initial construction or extension of a minimum operable segment of a new light rail transit or commuter rail line, but does not include infill stations, project enhancements, extensions, or supportive infrastructure, constructed after the rail transit is operational.

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

Sec. 11. MOTOR VEHICLE PARTS SALES TAXES ESTIMATION.

(a) By January 15, 2019, the commissioner of revenue must submit a report on state general sales taxes attributable to motor vehicle repair and replacement parts to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes and transportation policy and finance.
(b) The report must provide an estimate, based on federal data and department consumption models, of the percentage of total sales tax revenues collected in a calendar year from the tax rate imposed under Minnesota Statutes, section 297A.62, subdivision 1, that is attributable to sales and purchases of motor vehicle repair and replacement parts.

(c) For purposes of this section, "motor vehicle repair and replacement parts" includes:

(1) all parts, motor vehicle tires, accessories, and equipment incorporated into or affixed to the motor vehicle as part of the motor vehicle maintenance or repair; and

(2) paint, oil, and other fluids that remain on or in the motor vehicle as part of the motor vehicle maintenance or repair.

(d) For purposes of this section, "motor vehicle tire" means any tire of the type used on highway vehicles if wholly or partially made of rubber and if marked according to federal regulations for highway use. For purposes of this section, "motor vehicle" has the meaning given in Minnesota Statutes, section 297B.01, subdivision 11.

Sec. 12. REPEALER.

Minnesota Statutes 2016, section 297A.992, subdivision 12, is repealed.

ARTICLE 14

VEHICLE TAXES AND FEES

Section 1. Minnesota Statutes 2016, section 168.013, subdivision 1a, is amended to read:

Subd. 1a. Passenger automobile; hearse. (a) On passenger automobiles as defined in section 168.002, subdivision 24, and hearses, except as otherwise provided, the tax shall be $10 plus an additional tax equal to 1.25 percent of the base value.

(b) Subject to the classification provisions herein, "base value" means the manufacturer's suggested retail price of the vehicle including destination charge using list price information published by the manufacturer or determined by the registrar if no suggested retail price exists, and shall not include the cost of each accessory or item of optional equipment separately added to the vehicle and the suggested retail price.

(c) If the manufacturer's list price information contains a single vehicle identification number followed by various descriptions and suggested retail prices, the registrar shall select from those listings only the lowest price for determining base value.

(d) If unable to determine the base value because the vehicle is specially constructed, or for any other reason, the registrar may establish such value upon the cost price to the
292.1 purchaser or owner as evidenced by a certificate of cost but not including Minnesota sales
or use tax or any local sales or other local tax.

292.2 (e) The registrar shall classify every vehicle in its proper base value class as follows:

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<thead>
<tr>
<th>FROM</th>
<th>TO</th>
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<tbody>
<tr>
<td>$ 0</td>
<td>$ 199.99</td>
</tr>
<tr>
<td>$ 200</td>
<td>$ 399.99</td>
</tr>
</tbody>
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and thereafter a series of classes successively set in brackets having a spread of $200
consisting of such number of classes as will permit classification of all vehicles.

292.7 (f) The base value for purposes of this section shall be the middle point between the
extremes of its class.

292.10 (g) The registrar shall establish the base value, when new, of every passenger automobile
and hearse registered prior to the effective date of Extra Session Laws 1971, chapter 31,
using list price information published by the manufacturer or any nationally recognized
firm or association compiling such data for the automotive industry. If unable to ascertain
the base value of any registered vehicle in the foregoing manner, the registrar may use any
other available source or method. The registrar shall calculate tax using base value
information available to dealers and deputy registrars at the time the application for
registration is submitted. The tax on all previously registered vehicles shall be computed
upon the base value thus determined taking into account the depreciation provisions of
paragraph (h).

292.20 (h) The annual additional tax must be computed upon a percentage of the base value as
follows: during the first year of vehicle life, upon 100 percent of the base value; for the
second year, 90 percent of such value; for the third year, 80 percent of such value; for the
fourth year, 70 percent of such value; for the fifth year, 60 percent of such value; for the
sixth year, 50 percent of such value; for the seventh year, 40 percent of such value; for the
eighth year, 30 percent of such value; for the ninth year, 20 percent of such value; for the
tenth year, ten percent of such value; for the 11th and each succeeding year, the sum of $25.

292.28 (i) In no event shall the annual additional tax be less than $25.

292.29 (j) For any vehicle previously registered in Minnesota and regardless of prior ownership,
the annual additional tax total amount due under this subdivision and subdivision 1m must
not exceed the smallest total amount of annual additional tax previously paid or due on the
vehicle.
EFFECTIVE DATE. This section is effective the day following final enactment, and applies to taxes payable for a registration period starting on or after January 1, 2018.

Sec. 2. Minnesota Statutes 2016, section 168.013, is amended by adding a subdivision to read:

Subd. 1m. Electric vehicle. In addition to the tax under subdivision 1a, a surcharge of $75 is imposed for an all-electric vehicle, as defined in section 169.011, subdivision 1a. Notwithstanding subdivision 8, revenue from the fee imposed under this subdivision must be deposited in the highway user tax distribution fund.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to a registration period starting on or after January 1, 2018.

Sec. 3. Minnesota Statutes 2016, section 169.011, is amended by adding a subdivision to read:

Subd. 1a. All-electric vehicle. (a) "All-electric vehicle" means an electric vehicle that is solely able to be powered by an electric motor drawing current from rechargeable storage batteries, fuel cells, or other portable sources of electrical current.

(b) All-electric vehicle excludes a plug-in hybrid electric vehicle.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to a registration period starting on or after January 1, 2018.

ARTICLE 15

DEPARTMENT OF REVENUE 2015-2016 SALES SUPPRESSION PROVISIONS

Section 1. [289A.14] USE OF AUTOMATED SALES SUPPRESSION DEVICES; DEFINITIONS.

(a) For the purposes of sections 289A.60, subdivision 32, 289A.63, subdivision 12, and 609.5316, subdivision 3, the following terms have the meanings given.

(b) "Automated sales suppression device" or "zapper" means a software program, carried on any tangible medium, or accessed through any other means, that falsifies the electronic records of electronic cash registers and other point-of-sale systems including, but not limited to, transaction data and transaction reports.

(c) "Electronic cash register" means a device that keeps a register or supporting documents through the means of an electronic device or computer system designed to record transaction
data for the purpose of computing, compiling, or processing retail sales transaction data in whatever manner.

(d) "Phantom-ware" means hidden preinstalled or later-installed programming option embedded in the operating system of an electronic cash register or hardwired into the electronic cash register that can be used to create a virtual second electronic cash register or may eliminate or manipulate transaction records that may or may not be preserved in digital formats to represent the true or manipulated record of transactions in the electronic cash register.

(e) "Transaction data" includes items purchased by a customer, the price of each item, the taxability determination for each item, a segregated tax amount for each of the taxed items, the date and time of the purchase, the name, address, and identification number of the vendor, and the receipt or invoice number of the transaction.

(f) "Transaction report" means a report documenting, but not limited to, the sales, taxes collected, media totals, and discount voids at an electronic cash register that is printed on cash register tape at the end of a day or shift, or a report documenting every action at an electronic cash register that is stored electronically.

EFFECTIVE DATE. This section is effective for activities enumerated in Minnesota Statutes, section 289A.63, subdivision 12, or 289A.60, subdivision 32, that occur on or after August 1, 2017.

Sec. 2. Minnesota Statutes 2016, section 289A.60, is amended by adding a subdivision to read:

Subd. 32. Sales suppression. (a) A person who:

(1) sells;

(2) transfers;

(3) develops;

(4) manufactures; or

(5) possesses with the intent to sell or transfer an automated sales suppression device, zapper, phantom-ware, or similar device capable of being used to commit tax fraud or suppress sales is liable for a civil penalty calculated under paragraph (b).
(b) The amount of the civil penalty equals the greater of (1) $2,000, or (2) the total amount of all taxes and penalties due that are attributable to the use of any automated sales suppression device, zapper, phantom-ware, or similar device facilitated by the sale, transfer, development, or manufacture of the automated sales suppression device, zapper, phantom-ware, or similar device by the person.

(c) The definitions in section 289A.14 apply to this subdivision.

(d) This subdivision does not apply to the commissioner, a person acting at the direction of the commissioner, an agent of the commissioner, law enforcement agencies, or postsecondary education institutions that possess an automated sales suppression device, zapper, or phantom-ware for study to combat the evasion of taxes by use of the automated sales suppression devices, zappers, or phantom-ware.

EFFECTIVE DATE. This section is effective for activities enumerated that occur on or after August 1, 2017.

Sec. 3. Minnesota Statutes 2016, section 289A.63, is amended by adding a subdivision to read:

Subd. 12. Felony. (a) A person who sells, purchases, installs, transfers, develops, manufactures, or uses an automated sales suppression device, zapper, phantom-ware, or similar device knowing that the device or phantom-ware is capable of being used to commit tax fraud or suppress sales is guilty of a felony and may be sentenced to imprisonment for not more than five years or to a payment of a fine of not more than $10,000, or both.

(b) An automated sales suppression device, zapper, phantom-ware, and any other device containing an automated sales suppression, zapper, or phantom-ware device or software is contraband and subject to forfeiture under section 609.5316.

(c) The definitions in section 289A.14 apply to this subdivision.

(d) This subdivision does not apply to the commissioner, a person acting at the direction of the commissioner, an agent of the commissioner, law enforcement agencies, or postsecondary education institutions that possess an automated sales suppression device, zapper, or phantom-ware for study to combat the evasion of taxes by use of the automated sales suppression devices, zappers, or phantom-ware.

EFFECTIVE DATE. This section is effective for activities enumerated that occur on or after August 1, 2017.
Sec. 4. Minnesota Statutes 2016, section 609.5316, subdivision 3, is amended to read:

Subd. 3. **Weapons, telephone cloning paraphernalia, automated sales suppression devices, and bullet-resistant vests.** Weapons used are contraband and must be summarily forfeited to the appropriate agency upon conviction of the weapon's owner or possessor for a controlled substance crime; for any offense of this chapter or chapter 624, or for a violation of an order for protection under section 518B.01, subdivision 14. Bullet-resistant vests, as defined in section 609.486, worn or possessed during the commission or attempted commission of a crime are contraband and must be summarily forfeited to the appropriate agency upon conviction of the owner or possessor for a controlled substance crime or for any offense of this chapter. Telephone cloning paraphernalia used in a violation of section 609.894, and automated sales suppression devices, phantom-ware, and other devices containing an automated sales suppression or phantom-ware device or software used in violation of section 289A.63, subdivision 12, are contraband and must be summarily forfeited to the appropriate agency upon a conviction.

EFFECTIVE DATE. This section is effective for activities enumerated in Minnesota Statutes, section 289A.63, subdivision 12, that occur on or after August 1, 2017.

ARTICLE 16

DEPARTMENT OF REVENUE 2015-2016 POLICY AND TECHNICAL PROVISIONS; INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

Section 1. Minnesota Statutes 2016, section 289A.08, subdivision 11, is amended to read:

Subd. 11. **Information included in income tax return.** (a) The return must state:

1. the name of the taxpayer, or taxpayers, if the return is a joint return, and the address of the taxpayer in the same name or names and same address as the taxpayer has used in making the taxpayer's income tax return to the United States;

2. the date or dates of birth of the taxpayer or taxpayers;

3. the Social Security number of the taxpayer, or taxpayers, if a Social Security number has been issued by the United States with respect to the taxpayers; and

4. the amount of the taxable income of the taxpayer as it appears on the federal return for the taxable year to which the Minnesota state return applies.

(b) The taxpayer must attach to the taxpayer's Minnesota state income tax return a copy of the federal income tax return that the taxpayer has filed or is about to file for the period.
unless the taxpayer is eligible to telefile the federal return and does file the Minnesota return by telefiling.

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

Sec. 2. Minnesota Statutes 2016, section 289A.08, subdivision 16, is amended to read:

Subd. 16. **Tax refund or return preparers; electronic filing; paper filing fee imposed.**

(a) A "tax refund or return preparer," as defined in section 289A.60, subdivision 13, paragraph (f), who is a tax return preparer for purposes of section 6011(e) of the Internal Revenue Code, and who reasonably expects to prepare more than ten Minnesota individual income, corporate franchise, S corporation, partnership, or fiduciary income tax returns for the prior calendar year must file all Minnesota individual income, corporate franchise, S corporation, partnership, or fiduciary income tax returns prepared for that calendar year by electronic means.

(b) Paragraph (a) does not apply to a return if the taxpayer has indicated on the return that the taxpayer did not want the return filed by electronic means.

(c) For each return that is not filed electronically by a tax refund or return preparer under this subdivision, including returns filed under paragraph (b), a paper filing fee of $5 is imposed upon the preparer. The fee is collected from the preparer in the same manner as income tax. The fee does not apply to returns that the commissioner requires to be filed in paper form.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 3. Minnesota Statutes 2016, section 289A.09, subdivision 2, is amended to read:

Subd. 2. **Withholding statement.** (a) A person required to deduct and withhold from an employee a tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, or who would have been required to deduct and withhold a tax under section 290.92, subdivision 2a or 3, or persons required to withhold tax under section 290.923, subdivision 2, determined without regard to section 290.92, subdivision 19, if the employee or payee had claimed no more than one withholding exemption, or who paid wages or made payments not subject to withholding under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, to an employee or person receiving royalty payments in excess of $600, or who has entered into a voluntary withholding agreement with a payee under section 290.92, subdivision 20, must give every employee or person receiving royalty payments in respect to the remuneration...
paid by the person to the employee or person receiving royalty payments during the calendar
eyear, on or before January 31 of the succeeding year, or, if employment is terminated before
the close of the calendar year, within 30 days after the date of receipt of a written request
from the employee if the 30-day period ends before January 31, a written statement showing
the following:

1 name of the person;
2 the name of the employee or payee and the employee's or payee's Social Security
account number;
3 the total amount of wages as that term is defined in section 290.92, subdivision 1,
paragraph (1); the total amount of remuneration subject to withholding under section 290.92,
subdivision 20; the amount of sick pay as required under section 6051(f) of the Internal
Revenue Code; and the amount of royalties subject to withholding under section 290.923,
subdivision 2; and
4 the total amount deducted and withheld as tax under section 290.92, subdivision 2a
or 3, or 290.923, subdivision 2.
(b) The statement required to be furnished by paragraph (a) with respect to any
remuneration must be furnished at those times, must contain the information required, and
must be in the form the commissioner prescribes.
(c) The commissioner may prescribe rules providing for reasonable extensions of time,
not in excess of 30 days, to employers or payers required to give the statements to their
employees or payees under this subdivision.
(d) A duplicate of any statement made under this subdivision and in accordance with
rules prescribed by the commissioner, along with a reconciliation in the form the
commissioner prescribes of the statements for the calendar year, including a reconciliation
of the quarterly returns required to be filed under subdivision 1, must be filed with the
commissioner on or before February 28 January 31 of the year after the payments were
made.
(e) If an employer cancels the employer's Minnesota withholding account number required
by section 290.92, subdivision 24, the information required by paragraph (d), must be filed
with the commissioner within 30 days of the end of the quarter in which the employer
cancels its account number.
(f) The employer must submit the statements required to be sent to the commissioner in
the same manner required to satisfy the federal reporting requirements of section 6011(e)
of the Internal Revenue Code and the regulations issued under it. An employer must submit
statements to the commissioner required by this section by electronic means if the employer
is required to send more than 25 statements to the commissioner, even though the employer
is not required to submit the returns federally by electronic means. For statements issued
for wages paid in 2011 and after, the threshold is ten. All statements issued for withholding
required under section 290.92 are aggregated for purposes of determining whether the
electronic submission threshold is met. The commissioner shall prescribe the content, format,
and manner of the statement pursuant to section 270C.30.

(g) A "third-party bulk filer" as defined in section 290.92, subdivision 30, paragraph
(a), clause (2), must submit the returns required by this subdivision and subdivision 1,
paragraph (a), with the commissioner by electronic means.

EFFECTIVE DATE. This section is effective for statements required to be sent to the
commissioner after December 31, 2017, except that the date change in paragraph (d) is
effective for wages paid after December 31, 2016.

Sec. 4. Minnesota Statutes 2016, section 289A.12, subdivision 14, is amended to read:

Subd. 14. Regulated investment companies; Reporting exempt interest and
exempt-interest dividends. (a) A regulated investment company paying $10 or more in
exempt-interest dividends to an individual who is a resident of Minnesota, or any person
receiving $10 or more of exempt interest or exempt-interest dividends and paying as nominee
to an individual who is a resident of Minnesota, must make a return indicating the amount
of the exempt interest or exempt-interest dividends, the name, address, and Social Security
number of the recipient, and any other information that the commissioner specifies. The
return must be provided to the shareholder recipient by February 15 of the year following
the year of the payment. The return provided to the shareholder recipient must include a
clear statement, in the form prescribed by the commissioner, that the exempt interest or
exempt-interest dividends must be included in the computation of Minnesota taxable income.
By June 1 of each year, the regulated investment company payor must file a copy of the
return with the commissioner.

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

(1) "Exempt-interest dividends" mean exempt-interest dividends as defined in section
852(b)(5) of the Internal Revenue Code, but does not include the portion of exempt-interest
dividends that are not required to be added to federal taxable income under section 290.0131,
subdivision 2, paragraph (b).
(2) "Regulated investment company" means regulated investment company as defined in section 851(a) of the Internal Revenue Code or a fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code.

(3) "Exempt interest" means income on obligations of any state other than Minnesota, or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota, and exempt from federal income taxes under the Internal Revenue Code or any other federal statute.

EFFECTIVE DATE. This section is effective for reports required to be filed after December 31, 2017.

Sec. 5. Minnesota Statutes 2016, section 289A.18, is amended by adding a subdivision to read:

Subd. 2a. Annual withholding returns; eligible employers. (a) An employer who deducts and withholds an amount required to be withheld by section 290.92 may file an annual return and make an annual payment of the amount required to be deducted and withheld for that calendar year if the employer has received a notification under paragraph (b). The ability to elect to file an annual return continues through the year following the year where an employer is required to deduct and withhold more than $500.

(b) The commissioner is authorized to determine which employers are eligible to file an annual return and to notify employers who newly qualify to file an annual return because the amount an employer is required to deduct and withhold for that calendar year is $500 or less based on the most recent period of four consecutive quarters for which the commissioner has compiled data on that employer's withholding tax for that period. At the time of notification, eligible employers may still decide to file returns and make deposits quarterly. An employer who decides to file returns and make deposits quarterly is required to make all returns and deposits required by this chapter and, notwithstanding paragraph (a), is subject to all applicable penalties for failing to do so.

(c) If, at the end of any calendar month other than the last month of the calendar year, the aggregate amount of undeposited tax withheld by an employer who has elected to file an annual return exceeds $500, the employer must deposit the aggregate amount with the commissioner within 30 days of the end of the calendar month.

(d) If an employer who has elected to file an annual return ceases to pay wages for which withholding is required, the employer must file a final return and deposit any undeposited
tax within 30 days of the end of the calendar month following the month in which the employer ceased paying wages.

(e) An employer not subject to paragraph (c) or (d) who elects to file an annual return must file the return and pay the tax not previously deposited before February 1 of the year following the year in which the tax was withheld.

(f) A notification to an employer regarding eligibility to file an annual return under Minnesota Rules, part 8092.1400, is considered a notification under paragraph (a).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2016.

Sec. 6. Minnesota Statutes 2016, section 289A.20, subdivision 2, is amended to read:

Subd. 2. Withholding from wages, entertainer withholding, withholding from payments to out-of-state contractors, and withholding by partnerships, small business corporations, trusts. (a) Except as provided in section 289A.18, subdivision 2a, a tax required to be deducted and withheld during the quarterly period must be paid on or before the last day of the month following the close of the quarterly period, unless an earlier time for payment is provided. A tax required to be deducted and withheld from compensation of an entertainer and from a payment to an out-of-state contractor must be paid on or before the date the return for such tax must be filed under section 289A.18, subdivision 2. Taxes required to be deducted and withheld by partnerships, S corporations, and trusts must be paid on a quarterly basis as estimated taxes under section 289A.25 for partnerships and trusts and under section 289A.26 for S corporations.

(b) An employer who, during the previous quarter, withheld more than $1,500 of tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, must deposit tax withheld under those sections with the commissioner within the time allowed to deposit the employer's federal withheld employment taxes under Code of Federal Regulations, title 26, section 31.6302-1, as amended through December 31, 2001, without regard to the safe harbor or de minimis rules in paragraph (f) or the one-day rule in paragraph (c)(3). Taxpayers must submit a copy of their federal notice of deposit status to the commissioner upon request by the commissioner.

(c) The commissioner may prescribe by rule other return periods or deposit requirements. In prescribing the reporting period, the commissioner may classify payors according to the amount of their tax liability and may adopt an appropriate reporting period for the class that
the commissioner judges to be consistent with efficient tax collection. In no event will the
duration of the reporting period be more than one year.

(d) If less than the correct amount of tax is paid to the commissioner, proper adjustments
with respect to both the tax and the amount to be deducted must be made, without interest,
in the manner and at the times the commissioner prescribes. If the underpayment cannot be
adjusted, the amount of the underpayment will be assessed and collected in the manner and
at the times the commissioner prescribes.

(e) If the aggregate amount of the tax withheld is $10,000 or more in a fiscal year ending
June 30, the employer must remit each required deposit for wages paid in all subsequent
calendar years by electronic means.

(f) A third-party bulk filer as defined in section 290.92, subdivision 30, paragraph (a),
clause (2), who remits withholding deposits must remit all deposits by electronic means as
provided in paragraph (e), regardless of the aggregate amount of tax withheld during a fiscal
year for all of the employers.

EFFECTIVE DATE. This section is effective for taxable years beginning after December
31, 2016.

Sec. 7. Minnesota Statutes 2016, section 289A.31, subdivision 1, is amended to read:

Subdivision 1. Individual income, fiduciary income, mining company, corporate
franchise, and entertainment taxes. (a) Individual income, fiduciary income, mining
company, and corporate franchise taxes, and interest and penalties, must be paid by the
taxpayer upon whom the tax is imposed, except in the following cases:

(1) The tax due from a decedent for that part of the taxable year in which the decedent
died during which the decedent was alive and the taxes, interest, and penalty due for the
prior years must be paid by the decedent's personal representative, if any. If there is no
personal representative, the taxes, interest, and penalty must be paid by the transferees, as
defined in section 270C.58, subdivision 3, to the extent they receive property from the
decedent;

(2) The tax due from an infant or other incompetent person must be paid by the person's
guardian or other person authorized or permitted by law to act for the person;

(3) The tax due from the estate of a decedent must be paid by the estate's personal
representative;
The tax due from a trust, including those within the definition of a corporation, as defined in section 290.01, subdivision 4, must be paid by a trustee; and

The tax due from a taxpayer whose business or property is in charge of a receiver, trustee in bankruptcy, assignee, or other conservator, must be paid by the person in charge of the business or property so far as the tax is due to the income from the business or property.

(b) Entertainment taxes are the joint and several liability of the entertainer and the entertainment entity. The payor is liable to the state for the payment of the tax required to be deducted and withheld under section 290.9201, subdivision 7, and is not liable to the entertainer for the amount of the payment.

c) The taxes imposed under sections 289A.35 and 290.0922 on partnerships are the joint and several liability of the partnership and the general partners.

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

Sec. 8. Minnesota Statutes 2016, section 289A.35, is amended to read:

289A.35 ASSESSMENTS ON RETURNS.

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

(b) Upon petition by a taxpayer, and when the commissioner determines that it is in the best interest of the state, the commissioner may allow S corporations and partnerships to receive orders of assessment issued under section 270C.33, subdivision 4, on behalf of their owners, and to pay liabilities shown on such orders. In such cases, the owners' liability must be calculated using the method provided in section 289A.08, subdivision 7, paragraph (b).

(c) A taxpayer may petition the commissioner for the use of the method described in paragraph (b) after the taxpayer is notified that an audit has been initiated and before an order of assessment has been issued.

(d) A determination of the commissioner under paragraph (b) to grant or deny the petition of a taxpayer cannot be appealed to the Tax Court or any other court.

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

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

Sec. 9. Minnesota Statutes 2016, section 289A.60, subdivision 28, is amended to read:

Subd. 28. **Preparer identification number.** Any Minnesota individual income tax return or claim for refund prepared by a "tax refund or return preparer" as defined in subdivision 13, paragraph (f), shall bear the identification number the preparer is required to use federally under section 6109(a)(4) of the Internal Revenue Code. A tax refund or return preparer who prepares a Minnesota individual income tax return required by section 289A.08, subdivisions 1, 2, 3, and 7; or 289A.12, subdivision 3, or claim for refund and fails to include the required number on the return or claim is subject to a penalty of $50 for each failure.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 10. Minnesota Statutes 2016, section 290.0672, subdivision 1, is amended to read:

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

(b) "Long-term care insurance" means a policy that:

(1) qualifies for a deduction under section 213 of the Internal Revenue Code, disregarding the 7.5 percent adjusted gross income test; or meets the requirements given in section 62A.46; or provides similar coverage issued under the laws of another jurisdiction; and

(2) has a lifetime long-term care benefit limit of not less than $100,000; and

(3) has been offered in compliance with the inflation protection requirements of section 62S.23.

(c) "Qualified beneficiary" means the taxpayer or the taxpayer's spouse.

(d) "Premiums deducted in determining federal taxable income" means the lesser of (1) long-term care insurance premiums that qualify as deductions under section 213 of the Internal Revenue Code; and (2) the total amount deductible for medical care under section 213 of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning after December 31, 2012.
Sec. 11. Minnesota Statutes 2016, section 290.068, subdivision 2, is amended to read:

Subd. 2. Definitions. For purposes of this section, the following terms have the meanings given.

(a) "Qualified research expenses" means (i) qualified research expenses and basic research payments as defined in section 41(b) and (e) of the Internal Revenue Code, except it does not include expenses incurred for qualified research or basic research conducted outside the state of Minnesota pursuant to section 41(d) and (e) of the Internal Revenue Code; and (ii) contributions to a nonprofit corporation established and operated pursuant to the provisions of chapter 317A for the purpose of promoting the establishment and expansion of business in this state, provided the contributions are invested by the nonprofit corporation for the purpose of providing funds for small, technologically innovative enterprises in Minnesota during the early stages of their development.

(b) "Qualified research" means qualified research as defined in section 41(d) of the Internal Revenue Code, except that the term does not include qualified research conducted outside the state of Minnesota.

(c) "Base amount" means base amount as defined in section 41(c) of the Internal Revenue Code, except that the average annual gross receipts and aggregate gross receipts must be calculated using Minnesota sales or receipts under section 290.191 and the definitions contained in clauses paragraphs (a) and (b) shall apply.

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

Sec. 12. Minnesota Statutes 2016, section 290.17, subdivision 2, is amended to read:

Subd. 2. Income not derived from conduct of a trade or business. The income of a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or business must be assigned in accordance with paragraphs (a) to (f):

(a)(1) Subject to paragraphs (a)(2) and (a)(3), income from wages as defined in section 3401(a) and (f) of the Internal Revenue Code is assigned to this state if, and to the extent that, the work of the employee is performed within it; all other income from such sources is treated as income from sources without this state.

Severance pay shall be considered income from labor or personal or professional services.

(2) In the case of an individual who is a nonresident of Minnesota and who is an athlete or entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner:
The amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota. For purposes of this paragraph, off-season training activities, unless conducted at the team's facilities as part of a team imposed program, are not included in the total number of duty days. Bonuses earned as a result of play during the regular season or for participation in championship, play-off, or all-star games must be allocated under the formula. Signing bonuses are not subject to allocation under the formula if they are not conditional on playing any games for the team, are payable separately from any other compensation, and are nonrefundable; and

The amount of income to be assigned to Minnesota for an individual who is a nonresident, and who is an athlete or entertainer not listed in clause (i), for that person's athletic or entertainment performance in Minnesota shall be determined by assigning to this state all income from performances or athletic contests in this state.

(3) For purposes of this section, amounts received by a nonresident as "retirement income" as defined in section (b)(1) of the State Income Taxation of Pension Income Act, Public Law 104-95, are not considered income derived from carrying on a trade or business or from wages or other compensation for work an employee performed in Minnesota, and are not taxable under this chapter.

(b) Income or gains from tangible property located in this state that is not employed in the business of the recipient of the income or gains must be assigned to this state.

(c) Income or gains from intangible personal property not employed in the business of the recipient of the income or gains must be assigned to this state if the recipient of the income or gains is a resident of this state or is a resident trust or estate.

Gain on the sale of a partnership interest is allocable to this state in the ratio of the original cost of partnership tangible property in this state to the original cost of partnership tangible property everywhere, determined at the time of the sale. If more than 50 percent of the value of the partnership's assets consists of intangibles, gain or loss from the sale of the partnership interest is allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding the tax period of the partnership during which the partnership interest was sold.

Gain on the sale of an interest in a single member limited liability company that is disregarded for federal income tax purposes is allocable to this state as if the single member...
limited liability company did not exist and the assets of the limited liability company are personally owned by the sole member.

Gain on the sale of goodwill or income from a covenant not to compete that is connected with a business operating all or partially in Minnesota is allocated to this state to the extent that the income from the business in the year preceding the year of sale was assignable allocable to Minnesota under subdivision 3.

When an employer pays an employee for a covenant not to compete, the income allocated to this state is in the ratio of the employee's service in Minnesota in the calendar year preceding leaving the employment of the employer over the total services performed by the employee for the employer in that year.

(d) Income from winnings on a bet made by an individual while in Minnesota is assigned to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

(e) All items of gross income not covered in paragraphs (a) to (d) and not part of the taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

(f) For the purposes of this section, working as an employee shall not be considered to be conducting a trade or business.

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

Sec. 13. Minnesota Statutes 2016, section 290.31, subdivision 1, is amended to read:

Subdivision 1. Partners, not partnership, subject to tax. Except as provided under section 289A.35, paragraph (b), a partnership as such shall not be subject to the income tax imposed by this chapter, but is subject to the tax imposed under section 290.0922. Persons carrying on business as partners shall be liable for income tax only in their separate or individual capacities.

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

Sec. 14. Minnesota Statutes 2016, section 290A.19, is amended to read:

290A.19 OWNER OR MANAGING AGENT TO FURNISH RENT CERTIFICATE.

(a) The owner or managing agent of any property for which rent is paid for occupancy as a homestead must furnish a certificate of rent paid to a person who is a renter on December 31, in the form prescribed by the commissioner. If the renter moves before December 31, the owner or managing agent may give the certificate to the renter at the time of moving,
or mail the certificate to the forwarding address if an address has been provided by the
renter. The certificate must be made available to the renter before February 1 of the year
following the year in which the rent was paid. The owner or managing agent must retain a
duplicate of each certificate or an equivalent record showing the same information for a
period of three years. The duplicate or other record must be made available to the
commissioner upon request.

(b) The commissioner may require the owner or managing agent, through a simple
process, to furnish to the commissioner on or before March 1 a copy of each certificate of
rent paid furnished to a renter for rent paid in the prior year, in the content, format, and
manner prescribed by the commissioner pursuant to section 270C.30. Prior to implementation,
the commissioner, after consulting with representatives of owners or managing agents, shall
develop an implementation and administration plan for the requirements of this paragraph
that attempts to minimize financial burdens, administration and compliance costs, and takes
into consideration existing systems of owners and managing agents.

(c) For the purposes of this section, "owner" includes a park owner as defined under
section 327C.01, subdivision 6, and "property" includes a lot as defined under section
327C.01, subdivision 3.

EFFECTIVE DATE. This section is effective for certificates of rent paid furnished to
a renter for rent paid after December 31, 2016.

Sec. 15. Minnesota Statutes 2016, section 291.016, subdivision 2, is amended to read:

Subd. 2. Additions. The following amounts, to the extent deducted in computing or
otherwise excluded from the federal taxable estate, must be added in computing the
Minnesota taxable estate:

(1) the amount of the deduction for state death taxes allowed under section 2058 of the
Internal Revenue Code;

(2) the amount of the deduction for foreign death taxes allowed under section 2053(d)
of the Internal Revenue Code; and

(3) the aggregate amount of taxable gifts as defined in section 2503 of the Internal
Revenue Code, made by the decedent within three years of the date of death. For purposes
of this clause, the amount of the addition equals the value of the gift under section 2512 of
the Internal Revenue Code and excludes any value of the gift included in the federal estate.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents
dying after June 30, 2013.
Sec. 16. Minnesota Statutes 2016, section 291.016, subdivision 3, is amended to read:

Subd. 3. Subtraction. The following amounts, to the extent included in computing the federal taxable estate, may be subtracted in computing the Minnesota taxable estate but must not reduce the Minnesota taxable estate to less than zero:

1. the value of property subject to an election under section 291.03, subdivision 1d;

2. the value of qualified small business property under section 291.03, subdivision 9, and the value of qualified farm property under section 291.03, subdivision 10, or the result of $5,000,000 minus the amount for the year of death listed in clauses (1) to (5), whichever is less, may be subtracted in computing the Minnesota taxable estate but must not reduce the Minnesota taxable estate to less than zero:

   1. $1,200,000 for estates of decedents dying in 2014;
   2. $1,400,000 for estates of decedents dying in 2015;
   3. $1,600,000 for estates of decedents dying in 2016;
   4. $1,800,000 for estates of decedents dying in 2017; and
   5. $2,000,000 for estates of decedents dying in 2018 and thereafter.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after June 30, 2011.

Sec. 17. Minnesota Statutes 2016, section 291.03, subdivision 9, is amended to read:

Subd. 9. Qualified small business property. Property satisfying all of the following requirements is qualified small business property:

1. The value of the property was included in the federal adjusted taxable estate.

2. The property consists of the assets of a trade or business or shares of stock or other ownership interests in a corporation or other entity engaged in a trade or business. Shares of stock in a corporation or an ownership interest in another type of entity do not qualify under this subdivision if the shares or ownership interests are traded on a public stock exchange at any time during the three-year period ending on the decedent's date of death. For purposes of this subdivision, an ownership interest includes the interest the decedent is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code.

3. During the taxable year that ended before the decedent's death, the trade or business must not have been a passive activity within the meaning of section 469(c) of the Internal Revenue Code.
Revenue Code, and the decedent or the decedent's spouse must have materially participated in the trade or business within the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided by United States Treasury Department regulation that substitutes material participation in prior taxable years for material participation in the taxable year that ended before the decedent's death.

(4) The gross annual sales of the trade or business were $10,000,000 or less for the last taxable year that ended before the date of the death of the decedent.

(5) The property does not consist of include:

(i) cash;

(ii) cash equivalents;

(iii) publicly traded securities; or

(iv) any assets not used in the operation of the trade or business.

(6) For property consisting of shares of stock or other ownership interests in an entity, the value of cash, cash equivalents, publicly traded securities, or assets not used in the operation of the trade or business held by the corporation or other entity items described in clause (5) must be deducted from the value of the property qualifying under this subdivision in proportion to the decedent's share of ownership of the entity on the date of death excluded in the valuation of the decedent's interest in the entity.

(7) The decedent continuously owned the property, including property the decedent is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code, for the three-year period ending on the date of death of the decedent. In the case of a sole proprietor, if the property replaced similar property within the three-year period, the replacement property will be treated as having been owned for the three-year period ending on the date of death of the decedent.

(8) For three years following the date of death of the decedent, the trade or business is not a passive activity within the meaning of section 469(c) of the Internal Revenue Code, and a family member materially participates in the operation of the trade or business within the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided by United States Treasury Department regulation that substitutes material participation in prior taxable years for material participation in the three years following the date of death of the decedent.
(9) The estate and the qualified heir elect to treat the property as qualified small business property and agree, in the form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.

**EFFECTIVE DATE.** This section is effective retroactively for estates of decedents dying after June 30, 2011.

Sec. 18. Minnesota Statutes 2016, section 291.03, subdivision 11, is amended to read:

Subd. 11. Recapture tax. (a) If, within three years after the decedent's death and before the death of the qualified heir, the qualified heir disposes of any interest in the qualified property, other than by a disposition to a family member, or a family member ceases to satisfy the requirement under subdivision 9, clause (7); or 10, clause (5), an additional estate tax is imposed on the property. In the case of a sole proprietor, if the qualified heir replaces qualified small business property excluded under subdivision 9 with similar property, then the qualified heir will not be treated as having disposed of an interest in the qualified property.

(b) The amount of the additional tax equals the amount of the exclusion claimed by the estate under subdivision 8, paragraph (d), multiplied by 16 percent.

(c) The additional tax under this subdivision is due on the day which is six months after the date of the disposition or cessation in paragraph (a).

(d) This subdivision shall not apply as a result of any of the following:

(1) a portion of qualified farm property consisting of less than one-fifth of the acreage of the property is reclassified as class 2b property under section 273.13, subdivision 23, and the qualified heir has not substantially altered the reclassified property during the three-year holding period; or

(2) a portion of qualified farm property classified as 2a property at the death of the decedent pursuant to section 273.13, subdivision 23, paragraph (a), consisting of a residence, garage, and immediately surrounding one acre of land is reclassified as 4bb property during the three-year holding period, and the qualified heir has not substantially altered the property.

**EFFECTIVE DATE.** This section is effective retroactively for estates of decedents dying after June 30, 2011.

Sec. 19. **REPEALER.**

(a) Minnesota Rules, part 8092.1400, is repealed.

(b) Minnesota Rules, part 8092.2000, is repealed.
Paragraph (a) is effective for taxable years beginning after December 31, 2016, except that notifications from the Department of Revenue to employers regarding eligibility to file an annual return for taxes withheld in calendar year 2017 remain in force. Paragraph (b) is effective the day following final enactment.

ARTICLE 17

DEPARTMENT OF REVENUE 2015-2016 POLICY AND TECHNICAL PROVISIONS; SPECIAL TAXES AND SALES AND USE TAXES

Section 1. Minnesota Statutes 2016, section 69.021, subdivision 5, is amended to read:

Subd. 5. Calculation of state aid. (a) The amount of fire state aid available for apportionment, before the addition of the minimum fire state aid allocation amount under subdivision 7, is equal to 107 percent of the amount of premium taxes paid to the state upon the fire, lightning, sprinkler leakage, and extended coverage premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report. This amount must be reduced by the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations.

The total amount for apportionment in respect to fire state aid must not be less than two percent of the premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report after subtracting the following amounts:

(1) the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations; and

(2) one percent of the premiums reported by town and farmers’ township mutual insurance companies and mutual property and casualty companies with total assets of $5,000,000 or less.

(b) The total amount for apportionment as police state aid is equal to 104 percent of the amount of premium taxes paid to the state on the premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report. The total amount for apportionment in respect to the police state aid program must not be less than two percent of the amount of premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report.

(c) The commissioner shall calculate the percentage of increase or decrease reflected in the apportionment over or under the previous year's available state aid using the same premiums as a basis for comparison.
In addition to the amount for apportionment of police state aid under paragraph (b), each year $100,000 must be apportioned for police state aid. An amount sufficient to pay this increase is annually appropriated from the general fund.

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

Sec. 2. Minnesota Statutes 2016, section 289A.38, subdivision 6, is amended to read:

Subd. 6. Omission in excess of 25 percent. Additional taxes may be assessed within 6-1/2 years after the due date of the return or the date the return was filed, whichever is later, if:

(1) the taxpayer omits from gross income an amount properly includable in it that is in excess of 25 percent of the amount of gross income stated in the return;

(2) the taxpayer omits from a sales, use, or withholding tax return, or a return for a tax imposed under section 295.52, an amount of taxes in excess of 25 percent of the taxes reported in the return; or

(3) the taxpayer omits from the gross estate assets in excess of 25 percent of the gross estate reported in the return.

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

Sec. 3. Minnesota Statutes 2016, section 290.0922, subdivision 2, is amended to read:

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

(1) corporations exempt from tax under section 290.05;

(2) real estate investment trusts;

(3) regulated investment companies or a fund thereof; and

(4) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code;

(5) town and farmers' township mutual insurance companies;

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

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

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

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

Sec. 4. Minnesota Statutes 2016, section 295.54, subdivision 2, is amended to read:

**Subd. 2. Pharmacy refund.** A pharmacy may claim an annual refund against the total amount of tax, if any, the pharmacy owes during that calendar year under section 295.52, subdivision 4. The refund shall equal the amount paid by the pharmacy to a wholesale drug distributor subject to tax under section 295.52, subdivision 3, for legend drugs delivered by the pharmacy outside of Minnesota, multiplied by the tax percentage specified in section 295.52, subdivision 3. If the amount of the refund exceeds the tax liability of the pharmacy under section 295.52, subdivision 4, the commissioner shall provide the pharmacy with a refund equal to the excess amount. Each qualifying pharmacy must apply for the refund on the annual return as provided under section 295.55, subdivision 5 prescribed by the commissioner, on or before March 15 of the year following the calendar year the legend drugs were delivered outside Minnesota. The refund must be claimed within 18 months from the date the drugs were delivered outside of Minnesota. shall not be allowed if the initial claim for refund is filed more than one year after the original due date of the return.

Interest on refunds paid under this subdivision will begin to accrue 60 days after the date a claim for refund is filed. For purposes of this subdivision, the date a claim is filed is the due date of the return if a return is due or the date of the actual claim for refund, whichever is later.

**EFFECTIVE DATE.** This section is effective for qualifying legend drugs delivered outside Minnesota after December 31, 2017.

Sec. 5. Minnesota Statutes 2016, section 296A.01, is amended by adding a subdivision to read:

**Subd. 9a. Bulk storage or bulk storage facility.** "Bulk storage" or "bulk storage facility" means a single property, or contiguous or adjacent properties used for a common purpose and owned or operated by the same person, on or in which are located one or more stationary tanks that are used singularly or in combination for the storage or containment of more than 1,100 gallons of petroleum.
315.1 **EFFECTIVE DATE.** This section is effective the day following final enactment.

315.2 Sec. 6. Minnesota Statutes 2016, section 296A.01, subdivision 33, is amended to read:

315.3 Subd. 33. **Motor fuel.** "Motor fuel" means a liquid or gaseous form of fuel, regardless of its composition or properties, used to propel a motor vehicle.

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

315.6 Sec. 7. Minnesota Statutes 2016, section 296A.01, subdivision 42, is amended to read:

315.7 Subd. 42. **Petroleum products.** "Petroleum products" means all of the products defined in subdivisions 2, 7, 8, 8a, 8b, 10, 14, 16, 19, 20, 22 to 26, 28, 32, and 35.

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

315.10 Sec. 8. Minnesota Statutes 2016, section 296A.07, subdivision 1, is amended to read:

315.11 Subdivision 1. **Tax imposed.** There is imposed an excise tax on gasoline, gasoline blended with ethanol, and agricultural alcohol gasoline used in producing and generating power for propelling motor vehicles used on the public highways of this state. The tax is imposed on the first licensed distributor who received the product in Minnesota. For purposes of this section, gasoline is defined in section 296A.01, subdivisions 8b, 10, 18, 20, 23, 24, 25, 32, and 34. The tax is payable at the time and in the form and manner prescribed by the commissioner. The tax is payable at the rates specified in subdivision 3, subject to the exceptions and reductions specified in section 296A.17.

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

315.20 Sec. 9. Minnesota Statutes 2016, section 297A.82, subdivision 4, is amended to read:

315.21 Subd. 4. **Exemptions.** (a) The following transactions are exempt from the tax imposed in this chapter to the extent provided.

315.22 (b) The purchase or use of aircraft previously registered in Minnesota by a corporation or partnership is exempt if the transfer constitutes a transfer within the meaning of section 351 or 721 of the Internal Revenue Code.

315.26 (c) The sale to or purchase, storage, use, or consumption by a licensed aircraft dealer of an aircraft for which a commercial use permit has been issued pursuant to section 360.654 is exempt, if the aircraft is resold while the permit is in effect.
(d) Air flight equipment when sold to, or purchased, stored, used, or consumed by airline
companies, as defined in section 270.071, subdivision 4, is exempt. For purposes of this
subdivision, "air flight equipment" includes airplanes and parts necessary for the repair and
maintenance of such air flight equipment, and flight simulators, but does not include airplanes
aircraft with a gross maximum takeoff weight of less than 30,000 pounds that are used on
intermittent or irregularly timed flights.

(e) Sales of, and the storage, distribution, use, or consumption of aircraft, as defined in
section 360.511 and approved by the Federal Aviation Administration, and which the seller
delivers to a purchaser outside Minnesota or which, without intermediate use, is shipped or
transported outside Minnesota by the purchaser are exempt, but only if the purchaser is not
a resident of Minnesota and provided that the aircraft is not thereafter returned to a point
within Minnesota, except in the course of interstate commerce or isolated and occasional
use, and will be registered in another state or country upon its removal from Minnesota.
This exemption applies even if the purchaser takes possession of the aircraft in Minnesota
and uses the aircraft in the state exclusively for training purposes for a period not to exceed
ten days prior to removing the aircraft from this state.

(f) The sale or purchase of the following items that relate to aircraft operated under
Federal Aviation Regulations, Parts 91 and 135, and associated installation charges:
equipment and parts necessary for repair and maintenance of aircraft; and equipment and
parts to upgrade and improve aircraft.

EFFECTIVE DATE. This section is effective for sales and purchases made after
December 31, 2017.

Sec. 10. Minnesota Statutes 2016, section 297A.82, subdivision 4a, is amended to read:

Subd. 4a. Deposit in state airports fund. Tax revenue, including interest and penalties,
collected from the sale or purchase of an aircraft taxable under this chapter must be deposited
in the state airports fund established in section 360.017. For purposes of this subdivision,
"revenue" does not include the revenue, including interest and penalties, generated by the
sales tax imposed under section 297A.62, subdivision 1a, which must be deposited as
provided under article XI, section 15, of the Minnesota Constitution.

EFFECTIVE DATE. This section is effective the day following final enactment.
Sec. 11. Minnesota Statutes 2016, section 297E.02, subdivision 7, is amended to read:

Subd. 7. Untaxed gambling product. (a) In addition to penalties or criminal sanctions imposed by this chapter, a person, organization, or business entity possessing or selling a pull-tab, electronic pull-tab game, raffle board, or tipboard upon which the tax imposed by this chapter has not been paid is liable for a tax of six percent of the ideal gross of each pull-tab, electronic pull-tab game, raffle board, or tipboard. The tax on a partial deal must be assessed as if it were a full deal.

(b) In addition to penalties and criminal sanctions imposed by this chapter, a person (1) not licensed by the board who conducts bingo, linked bingo, electronic linked bingo, raffles, or paddlewheel games, or (2) who conducts gambling prohibited under sections 609.75 to 609.763, other than activities subject to tax under section 297E.03, is liable for a tax of six percent of the gross receipts from that activity.

(c) The tax may be assessed by the commissioner. An assessment must be considered a jeopardy assessment or jeopardy collection as provided in section 270C.36. The commissioner shall assess the tax based on personal knowledge or information available to the commissioner. The commissioner shall mail to the taxpayer at the taxpayer's last known address, or serve in person, a written notice of the amount of tax, demand its immediate payment, and, if payment is not immediately made, collect the tax by any method described in chapter 270C, except that the commissioner need not await the expiration of the times specified in chapter 270C. The tax assessed by the commissioner is presumed to be valid and correctly determined and assessed. The burden is upon the taxpayer to show its incorrectness or invalidity. The tax imposed under this subdivision does not apply to gambling that is exempt from taxation under subdivision 2.

(d) A person, organization, or business entity conducting gambling activity under this subdivision must file monthly tax returns with the commissioner, in the form required by the commissioner. The returns must be filed on or before the 20th day of the month following the month in which the gambling activity occurred. The tax imposed by this section is due and payable at the time when the returns are required to be filed.

(e) Notwithstanding any law to the contrary, neither the commissioner nor a public employee may reveal facts contained in a tax return filed with the commissioner of revenue as required by this subdivision, nor can any information contained in the report or return be used against the tax obligor in any criminal proceeding, unless independently obtained, except in connection with a proceeding involving taxes due under this section, or as provided in section 270C.055, subdivision 1. However, this paragraph does not prohibit the
commissioner from publishing statistics that do not disclose the identity of tax obligors or
the contents of particular returns or reports. Any person violating this paragraph is guilty
of a gross misdemeanor.

EFFECTIVE DATE. This section is effective for games played or purchased after June
30, 2017.

Sec. 12. Minnesota Statutes 2016, section 297H.06, subdivision 2, is amended to read:

Subd. 2. Materials. The tax is not imposed upon charges to generators of mixed municipal
solid waste or upon the volume of nonmixed municipal solid waste for waste management
services to manage the following materials:

(1) mixed municipal solid waste and nonmixed municipal solid waste generated outside
of Minnesota;

(2) recyclable materials that are separated for recycling by the generator, collected
separately from other waste, and recycled, to the extent the price of the service for handling
recyclable material is separately itemized on a bill to the generator;

(3) recyclable nonmixed municipal solid waste that is separated for recycling by the
.generator, collected separately from other waste, delivered to a waste facility for the purpose
of recycling, and recycled;

(4) industrial waste, when it is transported to a facility owned and operated by the same
person that generated it;

(5) mixed municipal solid waste from a recycling facility that separates or processes
recyclable materials and reduces the volume of the waste by at least 85 percent, provided
that the exempted waste is managed separately from other waste;

(6) recyclable materials that are separated from mixed municipal solid waste by the
generator, collected and delivered to a waste facility that recycles at least 85 percent of its
waste, and are collected with mixed municipal solid waste that is segregated in leakproof
bags, provided that the mixed municipal solid waste does not exceed five percent of the
total weight of the materials delivered to the facility and is ultimately delivered to a waste
facility identified as a preferred waste management facility in county solid waste plans
under section 115A.46;

(7) source-separated compostable waste materials, if the waste is delivered
to a facility exempted as described in this clause. To initially qualify for an exemption, a
facility must apply for an exemption in its application for a new or amended solid waste
permit to the Pollution Control Agency. The first time a facility applies to the agency it
must certify in its application that it will comply with the criteria in items (i) to (v) and the
commissioner of the agency shall so certify to the commissioner of revenue who must grant
the exemption. The facility must annually apply to the agency for certification to renew its
exemption for the following year. The application must be filed according to the procedures
of, and contain the information required by, the agency. The commissioner of revenue shall
grant the exemption if the commissioner of the Pollution Control Agency finds and certifies
to the commissioner of revenue that based on an evaluation of the composition of incoming
waste and residuals and the quality and use of the product:

(i) generators separate materials at the source;

(ii) the separation is performed in a manner appropriate to the technology specific to the
facility that:

(A) maximizes the quality of the product;

(B) minimizes the toxicity and quantity of residuals rejects; and

(C) provides an opportunity for significant improvement in the environmental efficiency
of the operation;

(iii) the operator of the facility educates generators, in coordination with each county
using the facility, about separating the waste to maximize the quality of the waste stream
for technology specific to the facility;

(iv) process residuals rejects do not exceed 15 percent of the weight of the total material
delivered to the facility; and

(v) the final product is accepted for use;

(8) waste and waste by-products for which the tax has been paid; and

(9) daily cover for landfills that has been approved in writing by the Minnesota Pollution
Control Agency.

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

Sec. 13. Minnesota Statutes 2016, section 297I.05, subdivision 2, is amended to read:

Subd. 2. Town and farmers’ Township mutual insurance. A tax is imposed on town
and farmers’ township mutual insurance companies. The rate of tax is equal to one percent
of gross premiums less return premiums on all direct business received by the insurer or
agents of the insurer in Minnesota, in cash or otherwise, during the year.
Sec. 14. Minnesota Statutes 2016, section 297I.10, subdivision 1, is amended to read:

Subdivision 1. Cities of the first class. (a) The commissioner shall order and direct a surcharge to be collected of two percent of the fire, lightning, and sprinkler leakage gross premiums, less return premiums, on all direct business received by any licensed foreign or domestic fire insurance company on property in a city of the first class, or by its agents for it, in cash or otherwise.

(b) By July 31 and December 31 of each year, the commissioner shall pay to each city of the first class a warrant for an amount equal to the total amount of the surcharge on the premiums collected within that city since the previous payment.

(c) The treasurer of the city shall place the money received under this subdivision in a special account or fund to defray all or a portion of the employer contribution requirement of public employees police and fire plan coverage for city firefighters.

Sec. 15. Minnesota Statutes 2016, section 297I.10, subdivision 3, is amended to read:

Subd. 3. Appropriation. The amount necessary to make the payments required under this section is appropriated to the commissioner of management and budget from the general fund.

Sec. 16. Minnesota Statutes 2016, section 298.01, subdivision 4c, is amended to read:

Subd. 4c. Special deductions; net operating loss. (a) For purposes of determining taxable income under subdivision 4, the provisions of sections 290.0133, subdivisions 7 and 9, and 290.0134, subdivisions 7 and 9, are not used to determine taxable income.

(b) The amount of net operating loss incurred in a taxable year beginning before January 1, 1990, that may be carried over to a taxable year beginning after December 31, 1989, is the amount of net operating loss carryover determined in the calculation of the hypothetical corporate franchise tax under Minnesota Statutes 1988, sections 298.40 and 298.402.

EFFECTIVE DATE. This section is effective the day following final enactment.
ARTICLE 18

DEPARTMENT OF REVENUE 2015-2016 POLICY AND TECHNICAL PROVISIONS; PROPERTY TAX

Section 1. Minnesota Statutes 2016, section 13.51, subdivision 2, is amended to read:

Subd. 2. Income property assessment data. The following data collected by political subdivisions and the state from individuals or business entities concerning income properties are classified as private or nonpublic data pursuant to section 13.02, subdivisions 9 and 12:

(a) detailed income and expense figures;
(b) average vacancy factors;
(c) verified net rentable areas or net usable areas, whichever is appropriate;
(d) anticipated income and expenses;
(e) projected vacancy factors; and
(f) lease information.

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

Sec. 2. Minnesota Statutes 2016, section 270.071, subdivision 2, is amended to read:

Subd. 2. Air commerce. (a) "Air commerce" means the transportation by aircraft of persons or property for hire in interstate, intrastate, or international transportation on regularly scheduled flights or on intermittent or irregularly timed flights by airline companies and includes transportation by any airline company making three or more flights in or out of Minnesota, or within Minnesota, during a calendar year.

(b) "Air commerce" includes but is not limited to an intermittent or irregularly timed flight, a flight arranged at the convenience of an airline and the person contracting for the transportation, or a charter flight. It includes any airline company making three or more flights in or out of Minnesota during a calendar year.

(c) "Air commerce" does not include casual transportation for hire by aircraft commonly owned and used for private air flight purposes if the person furnishing the transportation does not hold out to be engaged regularly in transportation for hire.

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.
Sec. 3. Minnesota Statutes 2016, section 270.071, subdivision 7, is amended to read:

Subd. 7. Flight property. "Flight property" means all aircraft and flight equipment used in connection therewith, including spare flight equipment. Flight property also includes computers and computer software used in operating, controlling, or regulating aircraft and flight equipment. Flight property does not include aircraft with a maximum takeoff weight of less than 30,000 pounds.

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 4. Minnesota Statutes 2016, section 270.071, subdivision 8, is amended to read:

Subd. 8. Person. "Person" means any individual, corporation, firm, copartnership, company, or association, and includes any guardian, trustee, executor, administrator, receiver, conservator, or any person acting in any fiduciary capacity therefor, trust, estate, fiduciary, partnership, company, corporation, limited liability company, association, governmental unit or agency, public or private organization of any kind, or other legal entity.

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 5. Minnesota Statutes 2016, section 270.071, is amended by adding a subdivision to read:

Subd. 10. Intermittent or irregularly timed flights. "Intermittently or irregularly timed flights" means any flight in which the departure time, departure location, and arrival location are specifically negotiated with the customer or the customer's representative, including but not limited to charter flights.

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 6. Minnesota Statutes 2016, section 270.072, subdivision 2, is amended to read:

Subd. 2. Assessment of flight property. Flight property that is owned by, or is leased, loaned, or otherwise made available to an airline company operating in Minnesota shall be assessed and appraised annually by the commissioner with reference to its value on January 2 of the assessment year in the manner prescribed by sections 270.071 to 270.079. Aircraft with a gross weight of less than 30,000 pounds and used on intermittent or irregularly timed flights shall be excluded from the provisions of sections 270.071 to 270.079.

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.
Sec. 7. Minnesota Statutes 2016, section 270.072, subdivision 3, is amended to read:

Subd. 3. Report by airline company. (a) Each year, on or before July 1, every airline company engaged in air commerce in this state shall file with the commissioner a report under oath setting forth specifically the information prescribed by the commissioner to enable the commissioner to make the assessment required in sections 270.071 to 270.079, unless the commissioner determines that the airline company or person should be excluded from is exempt from filing because its activities do not constitute air commerce as defined herein.

(b) The commissioner shall prescribe the content, format, and manner of the report pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws. If a report is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws.

EFFECTIVE DATE. The amendment to paragraph (a) is effective for reports filed in 2018 and thereafter. The amendment adding paragraph (b) is effective the day following final enactment.

Sec. 8. Minnesota Statutes 2016, section 270.072, is amended by adding a subdivision to read:

Subd. 3a. Commissioner filed reports. If an airline company fails to file a report required by subdivision 3, the commissioner may, from information in the commissioner's possession or obtainable by the commissioner, make and file a report for the airline company, or may issue a notice of net tax capacity and tax under section 270.075, subdivision 2.

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 9. Minnesota Statutes 2016, section 270.12, is amended by adding a subdivision to read:

Subd. 6. Reassessment orders. If the State Board of Equalization determines that a considerable amount of property has been undervalued or overvalued compared to like property such that the assessment is grossly unfair or inequitable, the State Board of Equalization may, pursuant to its responsibilities under subdivisions 2 and 3, issue orders to the county assessor to reassess all parcels or an identified set of parcels in a county.

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.
Sec. 10. Minnesota Statutes 2016, section 270C.89, subdivision 1, is amended to read:

Subdivision 1. Initial report. Each county assessor shall file by April 1 with the commissioner a copy of the abstract that will be acted upon by the local and county boards of review. The abstract must list the real and personal property in the county itemized by assessment districts. The assessor of each county in the state shall file with the commissioner, within ten working days following final action of the local board of review or equalization and within five days following final action of the county board of equalization, any changes made by the local or county board. The information must be filed in the manner prescribed by the commissioner. It must be accompanied by a printed or typewritten copy of the proceedings of the appropriate board.

EFFECTIVE DATE. This section is effective for local and county boards of appeal and equalization meetings held in 2017 and thereafter.

Sec. 11. Minnesota Statutes 2016, section 272.02, subdivision 9, is amended to read:

Subd. 9. Personal property; exceptions. Except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, paragraphs (c) and (d), shall be exempt.

The following personal property shall be taxable:

(a) personal property which is part of (1) an electric generating, transmission, or distribution system or (2) a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; or (3) mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures;

(b) railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80;

(c) personal property defined in section 272.03, subdivision 2, clause (3);

(d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; 273.124, subdivision 7; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;

(e) manufactured homes and sectional structures, including storage sheds, decks, and similar removable improvements constructed on the site of a manufactured home, sectional structure, park trailer or travel trailer as provided in section 273.125, subdivision 8, paragraph (f); and

(f) flight property as defined in section 270.071.
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EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 12. Minnesota Statutes 2016, section 272.029, subdivision 2, is amended to read:

Subd. 2. Definitions. (a) For the purposes of this section, the term:

(1) "wind energy conversion system" has the meaning given in section 216C.06, subdivision 19, and also includes a substation that is used and owned by one or more wind energy conversion facilities;

(2) "large scale wind energy conversion system" means a wind energy conversion system of more than 12 megawatts, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b);

(3) "medium scale wind energy conversion system" means a wind energy conversion system of over two and not more than 12 megawatts, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b); and

(4) "small scale wind energy conversion system" means a wind energy conversion system of two megawatts and under, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b).

(b) For systems installed and contracted for after January 1, 2002, the total size of a wind energy conversion system under this subdivision shall be determined according to this paragraph. Unless the systems are interconnected with different distribution systems, the nameplate capacity of one wind energy conversion system shall be combined with the nameplate capacity of any other wind energy conversion system that is:

(1) located within five miles of the wind energy conversion system;

(2) constructed within the same calendar year 12-month period as the wind energy conversion system; and

(3) under common ownership.

In the case of a dispute, the commissioner of commerce shall determine the total size of the system, and shall draw all reasonable inferences in favor of combining the systems.

(c) In making a determination under paragraph (b), the commissioner of commerce may determine that two wind energy conversion systems are under common ownership when the underlying ownership structure contains similar persons or entities, even if the ownership shares differ between the two systems. Wind energy conversion systems are not under common ownership solely because the same person or entity provided equity financing for the systems.
326.1 EFFECTIVE DATE. This section is effective for reports filed in 2018 and thereafter.

326.2 Sec. 13. Minnesota Statutes 2016, section 272.029, is amended by adding a subdivision to read:

Subd. 8. Extension. The commissioner may, for good cause, extend the time for filing the report required by subdivision 4. The extension must not exceed 15 days.

326.3 EFFECTIVE DATE. This section is effective for reports filed in 2018 and thereafter.

326.4 Sec. 14. Minnesota Statutes 2016, section 273.061, subdivision 7, is amended to read:

Subd. 7. Division of duties between local and county assessor. The duty of the duly appointed local assessor shall be to view and appraise the value of all property as provided by law, but all the book work shall be done by the county assessor, or the assessor's assistants, and the value of all property subject to assessment and taxation shall be determined by the county assessor, except as otherwise hereinafter provided. If directed by the county assessor, the local assessor shall must perform the duties enumerated in subdivision 8, clause (16), and must enter construction and valuation data into the records in the manner prescribed by the county assessor.

326.5 EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

326.6 Sec. 15. Minnesota Statutes 2016, section 273.08, is amended to read:

273.08 ASSESSOR'S DUTIES.

The assessor shall actually view, and determine the market value of each tract or lot of real property listed for taxation, including the value of all improvements and structures thereon, at maximum intervals of five years and shall enter the value opposite each description. When directed by the county assessor, local assessors must enter construction and valuation data into the records in the manner prescribed by the county assessor.

326.7 EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

326.8 Sec. 16. Minnesota Statutes 2016, section 273.121, is amended by adding a subdivision to read:

Subd. 3. Compliance. A county assessor, or a city assessor having the powers of a county assessor, who does not comply with the timely notice requirement under subdivision 1 must:
(1) mail an additional valuation notice to each person who was not provided timely notice; and

(2) convene a supplemental local board of appeal and equalization or local review session no sooner than ten days after sending the additional notices required by clause (1).

EFFECTIVE DATE. This section is effective for valuation notices sent in 2018 and thereafter.

Sec. 17. Minnesota Statutes 2016, section 273.13, subdivision 22, is amended to read:

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

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

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

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

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

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

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

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

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

(c) Class 1c property is commercial use real and personal property that abuts public water as defined in section 103G.005, subdivision 15, and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort even if the title to the homestead is held by the corporation, partnership, or limited liability company. For purposes of this paragraph, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy. Class 1c property must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 1c property must provide recreational activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. Any unit in which the right to use the property is transferred to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c even though it may remain available for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. If the same owner owns two separate parcels that are located in the same township, and one of those properties is classified as a class 1c property and the other would be eligible to be classified as a class 1c property if it was used as the homestead of the owner, both properties will be assessed as a single class 1c property; for purposes of this sentence, properties are deemed to be owned by the same owner if each of them is owned by a limited liability company, and both limited liability companies have the same membership. The portion of the property used as a homestead is class 1a property under paragraph (a). The remainder of the property is classified as follows: the first $600,000 of market value is tier I, the next $1,700,000 of market value is tier II, and any remaining market value is tier III. The classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners of real and personal property devoted to
temporary and seasonal residential occupancy for recreation purposes in which all or a portion of the property was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated as class 1c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located must be designated as class 3a commercial. The owner of property desiring designation as class 1c property must provide guest registers or other records demonstrating that the units for which class 1c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 18. Minnesota Statutes 2016, section 273.33, subdivision 1, is amended to read:

Subdivision 1. Listing and assessment in county. The personal property of express, stage and transportation companies, and of pipeline companies engaged in the business of transporting natural gas, gasoline, crude oil, or other petroleum products, except as otherwise
provided by law, shall be listed and assessed in the county, town or district where the same
is usually kept.

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

Sec. 19. Minnesota Statutes 2016, section 273.33, subdivision 2, is amended to read:

**Subd. 2. Listing and assessment by commissioner.** The personal property, consisting
of the pipeline system of mains, pipes, and equipment attached thereto, of pipeline companies
and others engaged in the operations or business of transporting natural gas, gasoline, crude
oil, or other petroleum products by pipelines, shall be listed with and assessed by the
commissioner of revenue and the values provided to the city or county assessor by order.

This subdivision shall not apply to the assessment of the products transported through the
pipelines nor to the lines of local commercial gas companies engaged primarily in the
business of distributing gas products to consumers at retail nor to pipelines used by the
owner thereof to supply natural gas or other petroleum products exclusively for such owner's
own consumption and not for resale to others. If more than 85 percent of the natural gas or
other petroleum products actually transported over the pipeline is used for the owner's own
consumption and not for resale to others, then this subdivision shall not apply; provided,
however, that in that event, the pipeline shall be assessed in proportion to the percentage
of gas products actually transported over such pipeline that is not used for the owner's own
consumption. On or before August 1, the commissioner shall certify to the auditor of each
county, the amount of such personal property assessment against each company in each
district in which such property is located. If the commissioner determines that the amount
of personal property assessment certified on or before August 1 is in error, the commissioner
may issue a corrected certification on or before October 1. The commissioner may correct
errors that are merely clerical in nature until December 31.

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

Sec. 20. Minnesota Statutes 2016, section 273.372, subdivision 2, is amended to read:

**Subd. 2. Contents and filing of petition.** (a) In all appeals to court that are required to
be brought against the commissioner under this section, the petition initiating the appeal
must be served on the commissioner and must be filed with the Tax Court in Ramsey County,
as provided in paragraph (b) or (c).

(b) If the appeal to court is from an order of the commissioner, it must be brought under
chapter 271 and filed within the time period prescribed in section 271.06, subdivision 2,
except that when the provisions of this section conflict with chapter 271 or 278, this section

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precedes. In addition, the petition must include all the parcels encompassed by that order
which the petitioner claims have been partially, unfairly, or unequally assessed, assessed
at a valuation greater than their real or actual value, misclassified, or are exempt. For this
purpose, an order of the commissioner is either (1) a certification or notice of value by the
commissioner for property described in subdivision 1, or (2) the final determination by the
commissioner of either an administrative appeal conference or informal administrative
appeal described in subdivision 4.

(c) If the appeal is from the tax that results from implementation of the commissioner's
order, certification, or recommendation, it must be brought under chapter 278, and the
provisions in that chapter apply, except that service shall be on the commissioner only and
not on the local officials specified in section 278.01, subdivision 1, and if any other provision
of this section conflicts with chapter 278, this section prevails. In addition, the petition must
include either all the utility parcels or all the railroad parcels in the state in which the
petitioner claims an interest and which the petitioner claims have been partially, unfairly,
or unequally assessed, assessed at a valuation greater than their real or actual value,

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 21. Minnesota Statutes 2016, section 273.372, subdivision 4, is amended to read:

Subd. 4. Administrative appeals. (a) Companies that submit the reports under section
270.82 or 273.371 by the date specified in that section, or by the date specified by the
commissioner in an extension, may appeal administratively to the commissioner prior to
bringing an action in court.

(b) Companies that must submit reports under section 270.82 must submit a written
request to the commissioner for a conference within ten 30 days after
the notice date of the commissioner's valuation certification or other notice to the company,
or by June 15, whichever is earlier. For purposes of this section, "notice date" means the
notice date of the valuation certification, commissioner's order, recommendation, or other
notice.

(c) Companies that submit reports under section 273.371 must submit a written request
to the commissioner for a conference within ten days after the date of the commissioner's
valuation certification or notice to the company, or by July 1, whichever is earlier. The
appeal need not be in any particular form but must contain the following information:

(1) name and address of the company;
(2) the date;
(3) its Minnesota identification number;
(4) the assessment year or period involved;
(5) the findings in the valuation that the company disputes;
(6) a summary statement specifying its reasons for disputing each item; and
(7) the signature of the company’s duly authorized agent or representative.

(d) When requested in writing and within the time allowed for filing an administrative appeal, the commissioner may extend the time for filing an appeal for a period of not more than 15 days from the expiration of the time for filing the appeal.

(e) The commissioner shall conduct the conference either in person or by telephone upon the commissioner’s entire files and records and such further information as may be offered. The conference must be held no later than 20 days after the date of the commissioner’s valuation certification or notice to the company, or by the date specified by the commissioner in an extension request for an appeal. Within 60 days after the conference the commissioner shall make a final determination of the matter and shall notify the company promptly of the determination. The conference is not a contested case hearing subject to chapter 14.

(e) In addition to the opportunity for a conference under paragraph (a), the commissioner shall also provide the railroad and utility companies the opportunity to discuss any questions or concerns relating to the values established by the commissioner through certification or notice in a less formal manner. This does not change or modify the deadline for requesting a conference under paragraph (a), the deadline in section 271.06 for appealing an order of the commissioner, or the deadline in section 278.01 for appealing property taxes in court.

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 22. Minnesota Statutes 2016, section 273.372, is amended by adding a subdivision to read:

Subd. 5. Agreement determining valuation. When it appears to be in the best interest of the state, the commissioner may settle any matter under consideration regarding an appeal filed under this section. The agreement must be in writing and signed by the commissioner and the company or the company’s authorized representative. The agreement is final and conclusive, and except upon a showing of fraud, malfeasance, or misrepresentation of a material fact, the case may not be reopened as to the matters agreed upon.
Sec. 23. Minnesota Statutes 2016, section 273.372, is amended by adding a subdivision to read:

Subd. 6. Dismissal of administrative appeal. If a taxpayer files an administrative appeal from an order of the commissioner and also files an appeal to the tax court for that same order of the commissioner, the administrative appeal is dismissed and the commissioner is no longer required to make the determination of appeal under subdivision 4.

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 24. [273.88] EQUALIZATION OF PUBLIC UTILITY STRUCTURES.

After making the apportionment provided in Minnesota Rules, part 8100.0600, the commissioner must equalize the values of the operating structures to the level accepted by the State Board of Equalization if the appropriate sales ratio for each county, as conducted by the Department of Revenue pursuant to section 270.12, subdivision 2, clause (6), is outside the range accepted by the State Board of Equalization. The commissioner must not equalize the value of the operating structures if the sales ratio determined pursuant to this subdivision is within the range accepted by the State Board of Equalization.

EFFECTIVE DATE. This section is effective beginning with assessment year 2017.

Sec. 25. Minnesota Statutes 2016, section 274.01, subdivision 1, is amended to read:

Subdivision 1. Ordinary board; meetings, deadlines, grievances. (a) The town board of a town, or the council or other governing body of a city, is the local board of appeal and equalization except (1) in cities whose charters provide for a board of equalization or (2) in any city or town that has transferred its local board of review power and duties to the county board as provided in subdivision 3. The county assessor shall fix a day and time when the board or the local board of equalization shall meet in the assessment districts of the county. Notwithstanding any law or city charter to the contrary, a city board of equalization shall be referred to as a local board of appeal and equalization. On or before February 15 of each year the assessor shall give written notice of the time to the city or town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings must be held between April 1 and May 31 each year. The clerk shall give published and posted notice of the meeting at least ten days before the date of the meeting.

The board shall meet either at a central location within the county or at the office of the clerk to review the assessment and classification of property in the town or city. No changes

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in valuation or classification which are intended to correct errors in judgment by the county
assessor may be made by the county assessor after the board has adjourned in those cities
or towns that hold a local board of review; however, corrections of errors that are merely
clerical in nature or changes that extend homestead treatment to property are permitted after
adjournment until the tax extension date for that assessment year. The changes must be fully
documented and maintained in the assessor's office and must be available for review by any
person. A copy of the changes made during this period in those cities or towns that hold a
local board of review must be sent to the county board no later than December 31 of the
assessment year.

(b) The board shall determine whether the taxable property in the town or city has been
properly placed on the list and properly valued by the assessor. If real or personal property
has been omitted, the board shall place it on the list with its market value, and correct the
assessment so that each tract or lot of real property, and each article, parcel, or class of
personal property, is entered on the assessment list at its market value. No assessment of
the property of any person may be raised unless the person has been duly notified of the
intent of the board to do so. On application of any person feeling aggrieved, the board shall
review the assessment or classification, or both, and correct it as appears just. The board
may not make an individual market value adjustment or classification change that would
benefit the property if the owner or other person having control over the property has refused
the assessor access to inspect the property and the interior of any buildings or structures as
provided in section 273.20. A board member shall not participate in any actions of the board
which result in market value adjustments or classification changes to property owned by
the board member, the spouse, parent, stepparent, child, stepchild, grandparent, grandchild,
brother, sister, uncle, aunt, nephew, or niece of a board member, or property in which a
board member has a financial interest. The relationship may be by blood or marriage.

(c) A local board may reduce assessments upon petition of the taxpayer but the total
reductions must not reduce the aggregate assessment made by the county assessor by more
than one percent. If the total reductions would lower the aggregate assessments made by
the county assessor by more than one percent, none of the adjustments may be made. The
assessor shall correct any clerical errors or double assessments discovered by the board
without regard to the one percent limitation.

(d) A local board does not have authority to grant an exemption or to order property
removed from the tax rolls.

(e) A majority of the members may act at the meeting, and adjourn from day to day until
they finish hearing the cases presented. The assessor shall attend and take part in the
proceedings, but must not vote. The county assessor, or an assistant delegated by the county
assessor shall attend the meetings. The board shall list separately all omitted property added
to the list by the board and all items of property increased or decreased, with the market
value of each item of property, added or changed by the board. The county assessor shall
enter all changes made by the board.

(f) Except as provided in subdivision 3, if a person fails to appear in person, by counsel,
or by written communication before the board after being duly notified of the board's intent
to raise the assessment of the property, or if a person feeling aggrieved by an assessment
or classification fails to apply for a review of the assessment or classification, the person
may not appear before the county board of appeal and equalization for a review. This
paragraph does not apply if an assessment was made after the local board meeting, as
provided in section 273.01, or if the person can establish not having received notice of
market value at least five days before the local board meeting.

(g) The local board must complete its work and adjourn within 20 days from the time
of convening stated in the notice of the clerk, unless a longer period is approved by the
commissioner of revenue. No action taken after that date is valid. All complaints about an
assessment or classification made after the meeting of the board must be heard and
determined by the county board of equalization. A nonresident may, at any time, before the
meeting of the board file written objections to an assessment or classification with the county
assessor. The objections must be presented to the board at its meeting by the county assessor
for its consideration.

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

Sec. 26. Minnesota Statutes 2016, section 274.13, subdivision 1, is amended to read:

Subdivision 1. Members; meetings; rules for equalizing assessments. The county
commissioners, or a majority of them, with the county auditor, or, if the auditor cannot be
present, the deputy county auditor, or, if there is no deputy, the court administrator of the
district court, shall form a board for the equalization of the assessment of the property of
the county, including the property of all cities whose charters provide for a board of
equalization. This board shall be referred to as the county board of appeal and equalization.
The board shall meet annually, on the date specified in section 274.14, at the office of the
auditor. Each member shall take an oath to fairly and impartially perform duties as a member.
Members shall not participate in any actions of the board which result in market value
adjustments or classification changes to property owned by the board member, the spouse,
parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt,
nephew, or niece of a board member, or property in which a board member has a financial
interest. The relationship may be by blood or marriage. The board shall examine and compare
the returns of the assessment of property of the towns or districts, and equalize them so that
each tract or lot of real property and each article or class of personal property is entered on
the assessment list at its market value, subject to the following rules:

(1) The board shall raise the valuation of each tract or lot of real property which in its
opinion is returned below its market value to the sum believed to be its market value. The
board must first give notice of intention to raise the valuation to the person in whose name
it is assessed, if the person is a resident of the county. The notice must fix a time and place
for a hearing.

(2) The board shall reduce the valuation of each tract or lot which in its opinion is returned
above its market value to the sum believed to be its market value.

(3) The board shall raise the valuation of each class of personal property which in its
opinion is returned below its market value to the sum believed to be its market value. It
shall raise the aggregate value of the personal property of individuals, firms, or corporations,
when it believes that the aggregate valuation, as returned, is less than the market value of
the taxable personal property possessed by the individuals, firms, or corporations, to the
sum it believes to be the market value. The board must first give notice to the persons of
intention to do so. The notice must set a time and place for a hearing.

(4) The board shall reduce the valuation of each class of personal property that is returned
above its market value to the sum it believes to be its market value. Upon complaint of a
party aggrieved, the board shall reduce the aggregate valuation of the individual's personal
property, or of any class of personal property for which the individual is assessed, which
in its opinion has been assessed at too large a sum, to the sum it believes was the market
value of the individual's personal property of that class.

(5) The board must not reduce the aggregate value of all the property of its county, as
submitted to the county board of equalization, with the additions made by the auditor under
this chapter, by more than one percent of its whole valuation. The board may raise the
aggregate valuation of real property, and of each class of personal property, of the county,
or of any town or district of the county, when it believes it is below the market value of the
property, or class of property, to the aggregate amount it believes to be its market value.

(6) The board shall change the classification of any property which in its opinion is not
properly classified.
(7) The board does not have the authority to grant an exemption or to order property removed from the tax rolls.

(8) The board may not make an individual market value adjustment or classification change that would benefit property if the owner or other person having control over the property has refused the assessor access to inspect the property and the interior of any buildings or structures as provided in section 273.20.

EFFECTIVE DATE. This section is effective for county board of appeal and equalization meetings in 2018 and thereafter.

Sec. 27. Minnesota Statutes 2016, section 274.135, subdivision 3, is amended to read:

Subd. 3. Proof of compliance; transfer of duties. (a) Any county that conducts county boards of appeal and equalization meetings must provide proof to the commissioner by December 1, 2009, and each year thereafter, February 1, that it is in compliance with the requirements of subdivision 2. Beginning in 2009, this notice must also verify that there was a quorum of voting members at each meeting of the board of appeal and equalization in the current previous year. A county that does not comply with these requirements is deemed to have transferred its board of appeal and equalization powers to the special board of equalization appointed pursuant to section 274.13, subdivision 2, beginning with the following year's assessment and continuing unless the powers are reinstated under paragraph (c). A county that does not comply with the requirements of subdivision 2 and has not appointed a special board of equalization shall appoint a special board of equalization before the following year's assessment.

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

(c) A county board whose powers are transferred to the special board of equalization under this subdivision may be reinstated by resolution of the county board and upon proof of compliance with the requirements of subdivision 2. The resolution and proofs must be provided to the commissioner by December February 1 in order to be effective for the following current year's assessment.
(d) If a person who was entitled to appeal to the county board of appeal and equalization or to the county special board of equalization is not able to do so in a particular year because the county board or special board did not meet the quorum and training requirements in this section and section 274.13, or because the special board was not appointed, that person may instead appeal to the commissioner of revenue, provided that the appeal is received by the commissioner prior to August 1. The appeal is not subject to either chapter 14 or section 270C.92. The commissioner must issue an appropriate order to the county assessor in response to each timely appeal, either upholding or changing the valuation or classification of the property. Prior to October 1 of each year, the commissioner must charge and bill the county where the property is located $500 for each tax parcel covered by an order issued under this paragraph in that year. Amounts received by the commissioner under this paragraph must be deposited in the state's general fund. If payment of a billed amount is not received by the commissioner before December 1 of the year when billed, the commissioner must deduct that unpaid amount from any state aid the commissioner would otherwise pay to the county under chapter 477A in the next year. Late payments may either be returned to the county uncashed and undeposited or may be accepted. If a late payment is accepted, the state aid paid to the county under chapter 477A must be adjusted within 12 months to eliminate any reduction that occurred because the payment was late. Amounts needed to make these adjustments are included in the appropriation under section 477A.03, subdivision 2.

**EFFECTIVE DATE.** This section is effective for county boards of appeal and equalization meetings held in 2018 and thereafter.

Sec. 28. Minnesota Statutes 2016, section 275.065, subdivision 1, is amended to read:

Subdivision 1. *Proposed levy.* (a) Notwithstanding any law or charter to the contrary, on or before September 30, each county and each home rule charter or statutory city shall certify to the county auditor the proposed property tax levy for taxes payable in the following year.

(b) Notwithstanding any law or charter to the contrary, on or before September 15, each town and each special taxing district shall adopt and certify to the county auditor a proposed property tax levy for taxes payable in the following year. For towns, the final certified levy shall also be considered the proposed levy.

(c) On or before September 30, each school district that has not mutually agreed with its home county to extend this date shall certify to the county auditor the proposed property tax levy for taxes payable in the following year. Each school district that has agreed with
its home county to delay the certification of its proposed property tax levy must certify its
proposed property tax levy for the following year no later than October 7. The school district
shall certify the proposed levy as:

(1) a specific dollar amount by school district fund, broken down between voter-approved
and non-voter-approved levies and between referendum market value and tax capacity
levies; or

(2) the maximum levy limitation certified by the commissioner of education according
to section 126C.48, subdivision 1.

d) If the board of estimate and taxation or any similar board that establishes maximum
tax levies for taxing jurisdictions within a first class city certifies the maximum property
tax levies for funds under its jurisdiction by charter to the county auditor by the date specified
in paragraph (a), the city shall be deemed to have certified its levies for those taxing
jurisdictions.

e) For purposes of this section, "special taxing district" means a special taxing district
as defined in section 275.066. Intermediate school districts that levy a tax under chapter
124 or 136D, joint powers boards established under sections 123A.44 to 123A.446, and
Common School Districts No. 323, Franconia, and No. 815, Prinsburg, are also special
taxing districts for purposes of this section.

(f) At the meeting at which a taxing authority, other than a town, adopts its proposed
tax levy under this subdivision, the taxing authority shall announce the time and place of
its any subsequent regularly scheduled meetings at which the budget and levy will be
discussed and at which the public will be allowed to speak. The time and place of those
meetings must be included in the proceedings or summary of proceedings published in the
official newspaper of the taxing authority under section 123B.09, 375.12, or 412.191.

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

Sec. 29. Minnesota Statutes 2016, section 275.62, subdivision 2, is amended to read:

Subd. 2. Local governments required to report. For purposes of this section, "local
governmental unit" means a county, home rule charter or statutory city with a population
greater than 2,500, a town with a population greater than 5,000, or a home rule charter or
statutory city or town that receives a distribution from the taconite municipal aid account
in the levy year.

EFFECTIVE DATE. This section is effective the day following final enactment.
Sec. 30. Minnesota Statutes 2016, section 278.01, subdivision 1, is amended to read:

Subdivision 1. **Determination of validity.** (a) Any person having personal property, or any estate, right, title, or interest in or lien upon any parcel of land, who claims that such property has been partially, unfairly, or unequally assessed in comparison with other property in the (1) city, or (2) county, or (3) in the case of a county containing a city of the first class, the portion of the county excluding the first class city, or that the parcel has been assessed at a valuation greater than its real or actual value, or that the tax levied against the same is illegal, in whole or in part, or has been paid, or that the property is exempt from the tax so levied, may have the validity of the claim, defense, or objection determined by the district court of the county in which the tax is levied or by the Tax Court by serving one copy of a petition for such determination upon the county auditor, one copy on the county attorney, one copy on the county treasurer, and three copies on the county assessor. The county assessor shall immediately forward one copy of the petition to the appropriate governmental authority in a home rule charter or statutory city or town in which the property is located if that city or town employs its own certified assessor. A copy of the petition shall also be forwarded by the assessor to the school board of the school district in which the property is located.

(b) In counties where the office of county treasurer has been combined with the office of county auditor, the county may elect to require the petitioner to serve the number of copies as determined by the county. The county assessor shall immediately forward one copy of the petition to the appropriate governmental authority in a home rule charter or statutory city or town in which the property is located if that city or town employs its own certified assessor. A list of petitioned properties, including the name of the petitioner, the identification number of the property, and the estimated market value, shall be sent on or before the first day of July by the county auditor/treasurer to the school board of the school district in which the property is located.

(c) For all counties, the petitioner must file the copies with proof of service, in the office of the court administrator of the district court on or before April 30 of the year in which the tax becomes payable. A petition for determination under this section may be transferred by the district court to the Tax Court. An appeal may also be taken to the Tax Court under chapter 271 at any time following receipt of the valuation notice that county assessors or city assessors having the powers of a county assessor are required by section 273.121 to send to persons whose property is to be included on the assessment roll that year, but prior to May 1 of the year in which the taxes are payable.

**EFFECTIVE DATE.** This section is effective the day following final enactment.
Sec. 31. Minnesota Statutes 2016, section 282.01, subdivision 1a, is amended to read:

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

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

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

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

(d) Nonconservation tax-forfeited lands may be sold by the county board to an organized or incorporated governmental subdivision of the state or state agency for less than their market value if:
(1) the county board determines that a sale at a reduced price is in the public interest because a reduced price is necessary to provide an incentive to correct the blighted conditions that make the lands undesirable in the open market, or the reduced price will lead to the development of affordable housing; and

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

If the sale under this paragraph is to a governmental subdivision of the state, the commissioner of revenue must convey the property on behalf of the state by quitclaim deed.

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

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

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

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

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

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

(5) public beaches or boat launches;

(6) public parking;

(7) civic recreation or conference facilities; and
(8) public service facilities such as fire halls, police stations, lift stations, water towers, sanitation facilities, water treatment facilities, and administrative offices.

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

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

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

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

(j) Tax-forfeited land held in trust in favor of the taxing districts may be conveyed by the commissioner of revenue in the name of the state to a governmental subdivision for a school forest under section 89.41. An application that includes a statement of facts as to the use to be made of the tract and the favorable recommendation of the county board and the commissioner of natural resources must be submitted to the commissioner of revenue. No monetary compensation or consideration is required for the conveyance, but the conveyance is subject to the conditional use and reversion provisions of subdivisions 1c and 1d, paragraph (e). At any time, the governmental subdivision may reconvey the property back to the state in trust for the taxing districts. The deed of reconveyance is subject to approval by the commissioner of revenue.

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

Sec. 32. Minnesota Statutes 2016, section 282.01, subdivision 1d, is amended to read:

Subd. 1d. Reverter for failure to use; conveyance to state. (a) After three years from the date of any conveyance of tax-forfeited land to a governmental subdivision for an authorized public use as provided in this section, regardless of when the deed for the authorized public use was executed, if the governmental subdivision has failed to put the land to that use, or abandons that use, the governing body of the subdivision must: (1) with the approval of the county board, purchase the property for an authorized public purpose at the present market value as determined by the county board, or (2) authorize the proper officers to convey the land, or the part of the land not required for an authorized public use, to the state of Minnesota in trust for the taxing districts. If the governing body purchases the property under clause (1), the commissioner of revenue shall, upon proper application submitted by the county auditor and upon the reconveyance of the land subject to the conditional use deed to the state, convey the property on behalf of the state by quitclaim deed to the subdivision free of a use restriction and the possibility of reversion or defeasement. If the governing body decides to reconvey the property to the state under this clause, the officers shall execute a deed of conveyance immediately. The conveyance is subject to the approval of the commissioner and its form must be approved by the attorney general. For 15 years from the date of the conveyance, there is no failure to put the land to the authorized public use and no abandonment of that use if a formal plan of the governmental subdivision, including, but not limited to, a comprehensive plan or land use plan, shows an intended future use of the land for the authorized public use.
(b) Property held by a governmental subdivision of the state under a conditional use deed executed under this section by the commissioner of revenue on or after January 1, 2007, may be acquired by that governmental subdivision after 15 years from the date of the conveyance if the commissioner determines upon written application from the subdivision that the subdivision has in fact put the property to the authorized public use for which it was conveyed, and the subdivision has made a finding that it has no current plans to change the use of the lands. Prior to conveying the property, the commissioner shall inquire whether the county board where the land is located objects to a conveyance of the property to the subdivision without conditions and without further act by or obligation of the subdivision. If the county does not object within 60 days, and the commissioner makes a favorable determination, the commissioner shall issue a quitclaim deed on behalf of the state unconditionally conveying the property to the governmental subdivision. For purposes of this paragraph, demonstration of an intended future use for the authorized public use in a formal plan of the governmental subdivision does not constitute use for that authorized public use.

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

(d) Except for tax-forfeited land conveyed to establish a school forest under section 89.41, property conveyed under a conditional use deed executed under this section by the commissioner of revenue, regardless of when the deed for the authorized public use was executed, is released from the use restriction and reverter, and any use restriction or reverter for which no declaration of reversion has been recorded with the county recorder or registrar of titles, as appropriate, is nullified on the later of: (1) January 1, 2015; (2) 30 years from the date the deed was acknowledged; or (3) final resolution of an appeal to district court under subdivision 1e, if a lis pendens related to the appeal is recorded in the office of the county recorder or registrar of titles, as appropriate, prior to January 1, 2015.

(e) Notwithstanding paragraphs (a) to (d), tax-forfeited land conveyed to establish a school forest under section 89.41 is subject to a perpetual conditional use deed and reverter. The property reverts to the state in trust for the taxing districts by operation of law if the commissioner of natural resources determines and reports to the commissioner of revenue under section 89.41, subdivision 3, that the governmental subdivision has failed to use the
Sec. 33. Minnesota Statutes 2016, section 477A.013, is amended by adding a subdivision to read:

Subd. 14. Communication by electronic mail. Prior to receiving aid pursuant to this section, a city must register an official electronic mail address with the commissioner, which the commissioner may use as an exclusive means to communicate with the city.

EFFECTIVE DATE. This section is effective for aids payable in 2018 and thereafter.

Sec. 34. Minnesota Statutes 2016, section 477A.19, is amended by adding a subdivision to read:

Subd. 3a. Certification. On or before June 1 of each year, the commissioner of natural resources shall certify to the commissioner of revenue the number of watercraft launches and the number of watercraft trailer parking spaces in each county.

EFFECTIVE DATE. This section is effective for aids payable in 2018 and thereafter.

Sec. 35. Minnesota Statutes 2016, section 477A.19, is amended by adding a subdivision to read:

Subd. 3b. Certification. On or before June 1 of each year, the commissioner of natural resources shall certify to the commissioner of revenue the counties that complied with the requirements of subdivision 3 the prior year and are eligible to receive aid under this section.

EFFECTIVE DATE. This section is effective for aids payable in 2018 and thereafter.

Sec. 36. Minnesota Statutes 2016, section 559.202, subdivision 2, is amended to read:

Subd. 2. Exception. This section does not apply to sales made under chapter 282 or if the purchaser is represented throughout the transaction by either:

(1) a person licensed to practice law in this state; or

(2) a person licensed as a real estate broker or salesperson under chapter 82, provided that the representation does not create a dual agency, as that term is defined in section 82.55, subdivision 6.
EFFECTIVE DATE. This section is effective for sales of tax-forfeited land occurring
the day following final enactment and thereafter.

Sec. 37. Laws 2014, chapter 308, article 9, section 94, is amended to read:

Sec. 94. REPEALER.

(a) Minnesota Statutes 2012, sections 273.1398, subdivision 4b; 290.01, subdivision
19e; 290.0674, subdivision 3; 290.191, subdivision 4; and 290.33, and Minnesota Rules,
part 8007.0200, are repealed.

(b) Minnesota Statutes 2012, sections 16D.02, subdivisions 5 and 8; 16D.11, subdivision
2; 270C.53; 270C.991, subdivision 4; 272.02, subdivisions 1, 1a, 43, 48, 51, 53, 67, 72, and
82; 272.027, subdivision 2; 272.031; 273.015, subdivision 1; 273.03, subdivision 3; 273.075;
273.13, subdivision 21a; 273.1383; 273.1386; 273.80; 275.77; 279.32; 281.173, subdivision
8; 281.174, subdivision 8; 281.328; 282.10; 282.23; 287.20, subdivision 4; 287.27,
subdivision 2; 290.01, subdivisions 4b and 20e; 295.52, subdivision 7; 297A.666; 297A.71,
subdivisions 4, 5, 7, 9, 10, 17, 18, 20, 32, and 41; 297F.08, subdivision 11; 297H.10,
subdivision 2; 469.174, subdivision 10c; 469.175, subdivision 2b; 469.176, subdivision 1i;
469.177, subdivision 10; 477A.0124, subdivisions 1 and 6; and 505.173, Minnesota Statutes
2013 Supplement, section 273.1103, Laws 1993, chapter 375, article 9, section 47, and
Minnesota Rules, parts 8002.0200, subpart 8; 8100.0800; and 8130.7500, subpart 7, are
repealed.

(c) Minnesota Statutes 2012, section 469.1764, is repealed.

(d) Minnesota Statutes 2012, sections 289A.56, subdivision 7; 297A.68, subdivision 38;
469.330; 469.331; 469.332; 469.333; 469.334; 469.335; 469.336; 469.337; 469.338; 469.339;
469.340, subdivisions 1, 2, 3, and 5; and 469.341, and Minnesota Statutes 2013 Supplement,
section 469.340, subdivision 4, are repealed.

(e) Minnesota Statutes 2012, section 290.06, subdivisions 30 and 31, are repealed.

EFFECTIVE DATE. This section is effective retroactively from May 20, 2014, and
pursuant to Minnesota Statutes, section 645.36, Minnesota Statutes, section 272.027,
subdivision 2, is revived and reenacted as of that date.

Sec. 38. REPEALER.

(a) Minnesota Statutes 2016, section 281.22, is repealed.

(b) Minnesota Rules, part 8100.0700, is repealed.

Article 18 Sec. 38.
**EFFECTIVE DATE.** Paragraph (a) is effective the day following final enactment.

Paragraph (b) is effective for assessment year 2017 and thereafter.

**ARTICLE 19**

**DEPARTMENT OF REVENUE 2015-2016 POLICY AND TECHNICAL PROVISIONS; MISCELLANEOUS**

Section 1. Minnesota Statutes 2016, section 270.82, subdivision 1, is amended to read:

**Subdivision 1. Annual report required.** Every railroad company doing business in Minnesota shall annually file with the commissioner on or before March 31 a report under oath setting forth the information prescribed by the commissioner to enable the commissioner to make the valuation and equalization required by sections 270.80 to 270.87. The commissioner shall prescribe the content, format, and manner of the report pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws. If a report is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws.

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

Sec. 2. Minnesota Statutes 2016, section 270A.03, subdivision 5, is amended to read:

**Subd. 5. Debt.** (a) "Debt" means a legal obligation of a natural person to pay a fixed and certain amount of money, which equals or exceeds $25 and which is due and payable to a claimant agency. The term includes criminal fines imposed under section 609.10 or 609.125, fines imposed for petty misdemeanors as defined in section 609.02, subdivision 4a, and restitution. A debt may arise under a contractual or statutory obligation, a court order, or other legal obligation, but need not have been reduced to judgment.

A debt includes any legal obligation of a current recipient of assistance which is based on overpayment of an assistance grant where that payment is based on a client waiver or an administrative or judicial finding of an intentional program violation; or where the debt is owed to a program wherein the debtor is not a client at the time notification is provided to initiate recovery under this chapter and the debtor is not a current recipient of food support, transitional child care, or transitional medical assistance.

(b) A debt does not include any legal obligation to pay a claimant agency for medical care, including hospitalization if the income of the debtor at the time when the medical care was rendered does not exceed the following amount:
(1) for an unmarried debtor, an income of $8,800 or less;
(2) for a debtor with one dependent, an income of $11,270 or less;
(3) for a debtor with two dependents, an income of $13,330 or less;
(4) for a debtor with three dependents, an income of $15,120 or less;
(5) for a debtor with four dependents, an income of $15,950 or less; and
(6) for a debtor with five or more dependents, an income of $16,630 or less.

For purposes of this paragraph, "debtor" means the individual whose income, together
with the income of the individual's spouse, other than a separated spouse, brings the
individual within the income provisions of this paragraph. For purposes of this paragraph,
a spouse, other than a separated spouse, shall be considered a dependent.

(c) The commissioner shall adjust the income amounts in paragraph (b) by the percentage
determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except
that in section 1(f)(3)(B) the word "1992" shall be substituted for the word "1992."
For 2004, the commissioner shall then determine the percent change from the 12
months ending on August 31, 1999, to the 12 months ending on August 31, 2000,
and in each subsequent year, from the 12 months ending on August 31, 1999, to the
12 months ending on August 31 of the year preceding the taxable year. The determination
of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall
not be subject to the Administrative Procedure Act contained in chapter 14. The income
amount as adjusted must be rounded to the nearest $10 amount. If the amount ends in $5,
the amount is rounded up to the nearest $10 amount.

(d) Debt also includes an agreement to pay a MinnesotaCare premium, regardless of the
dollar amount of the premium authorized under section 256L.15, subdivision 1a.

EFFECTIVE DATE. The section is effective retroactively for debts incurred after
December 31, 2014.

Sec. 3. Minnesota Statutes 2016, section 270B.14, subdivision 1, is amended to read:

Subdivision 1. Disclosure to commissioner of human services. (a) On the request of
the commissioner of human services, the commissioner shall disclose return information
regarding taxes imposed by chapter 290, and claims for refunds under chapter 290A, to the
extent provided in paragraph (b) and for the purposes set forth in paragraph (c).
(b) Data that may be disclosed are limited to data relating to the identity, whereabouts, employment, income, and property of a person owing or alleged to be owing an obligation of child support.

(c) The commissioner of human services may request data only for the purposes of carrying out the child support enforcement program and to assist in the location of parents who have, or appear to have, deserted their children. Data received may be used only as set forth in section 256.978.

(d) The commissioner shall provide the records and information necessary to administer the supplemental housing allowance to the commissioner of human services.

(e) At the request of the commissioner of human services, the commissioner of revenue shall electronically match the Social Security numbers and names of participants in the telephone assistance plan operated under sections 237.69 to 237.71, with those of property tax refund filers, and determine whether each participant's household income is within the eligibility standards for the telephone assistance plan.

(f) The commissioner may provide records and information collected under sections 295.50 to 295.59 to the commissioner of human services for purposes of the Medicaid Voluntary Contribution and Provider-Specific Tax Amendments of 1991, Public Law 102-234. Upon the written agreement by the United States Department of Health and Human Services to maintain the confidentiality of the data, the commissioner may provide records and information collected under sections 295.50 to 295.59 to the Centers for Medicare and Medicaid Services section of the United States Department of Health and Human Services for purposes of meeting federal reporting requirements.

(g) The commissioner may provide records and information to the commissioner of human services as necessary to administer the early refund of refundable tax credits.

(h) The commissioner may disclose information to the commissioner of human services as necessary to verify income for income verification for eligibility and premium payment under the MinnesotaCare program, under section 256L.05, subdivision 2, as well as the medical assistance program under chapter 256B.

(i) The commissioner may disclose information to the commissioner of human services necessary to verify whether applicants or recipients for the Minnesota family investment program, general assistance, food support, Minnesota supplemental aid program, and child care assistance have claimed refundable tax credits under chapter 290 and the property tax refund under chapter 290A, and the amounts of the credits.
The commissioner may disclose information to the commissioner of human services necessary to verify income for purposes of calculating parental contribution amounts under section 252.27, subdivision 2a.

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

Sec. 4. Minnesota Statutes 2016, section 270C.30, is amended to read:

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

Except as otherwise provided by law, the commissioner shall prescribe the content, format, and manner of all returns and other forms required to be filed under a law administered by the commissioner, and may furnish them subject to charge on application.

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

Sec. 5. Minnesota Statutes 2016, section 270C.33, subdivision 5, is amended to read:

**Subd. 5. Prohibition against collection during appeal period of an order.** No collection action can be taken on an order of assessment, or any other order imposing a liability, including the filing of liens under section 270C.63, and no late payment penalties may be imposed when a return has been filed for the tax type and period upon which the order is based, during the appeal period of an order. The appeal period of an order ends: (1) 60 days after the order has been mailed to the taxpayer notice date designated by the commissioner on the order; (2) if an administrative appeal is filed under section 270C.35, 60 days after the notice date designated by the commissioner on the written determination of the administrative appeal; (3) if an appeal to Tax Court is filed under chapter 271, when the decision of the Tax Court is made; or (4) if an appeal to Tax Court is filed and the appeal is based upon a constitutional challenge to the tax, 60 days after final determination of the appeal. This subdivision does not apply to a jeopardy assessment under section 270C.36, or a jeopardy collection under section 270C.36.

**EFFECTIVE DATE.** This section is effective for orders dated after December 31, 2017.

Sec. 6. Minnesota Statutes 2016, section 270C.33, subdivision 8, is amended to read:

**Subd. 8. Sufficiency of notice.** An assessment of tax made by the commissioner, sent postage prepaid by United States mail to the taxpayer at the taxpayer's last known address, or sent by electronic mail to the taxpayer's last known electronic mailing address as provided for in section 325L.08, is sufficient even if the taxpayer is deceased or is under a legal
disability, or, in the case of a corporation, has terminated its existence, unless the
commissioner has been provided with a new address by a party authorized to receive notices
designated by the commissioner on the assessment.

**EFFECTIVE DATE.** This section is effective for assessments dated after December 31, 2017.

Sec. 7. Minnesota Statutes 2016, section 270C.34, subdivision 2, is amended to read:

Subd. 2. **Procedure.** (a) A request for abatement of penalty under subdivision 1 or
section 289A.60, subdivision 4, or a request for abatement of interest or additional tax
charge, must be filed with the commissioner within 60 days of the notice date of the notice
was mailed to the taxpayer's last known address, stating that a penalty has been imposed or
additional tax charge. For purposes of this section, "notice date" means the notice date
designated by the commissioner on the order or other notice that a penalty or additional tax
charge has been imposed.

(b) If the commissioner issues an order denying a request for abatement of penalty, interest, or additional tax charge, the taxpayer may file an administrative appeal as provided
in section 270C.35 or appeal to Tax Court as provided in section 271.06.

(c) If the commissioner does not issue an order on the abatement request within 60 days
from the date the request is received, the taxpayer may appeal to Tax Court as provided in
section 271.06.

**EFFECTIVE DATE.** This section is effective for orders and notices dated after
December 31, 2017.

Sec. 8. Minnesota Statutes 2016, section 270C.35, subdivision 3, is amended to read:

Subd. 3. **Notice date.** For purposes of this section, the term "notice date" means the
notice date designated by the commissioner on the order adjusting the tax or order denying
a request for abatement, or, in the case of a denied refund, the notice date designated by
the commissioner on the notice of denial.

**EFFECTIVE DATE.** This section is effective for orders and notices dated after
December 31, 2017.
Sec. 9. Minnesota Statutes 2016, section 270C.35, is amended by adding a subdivision to read:

Subd. 11. Dismissal of administrative appeal. If a taxpayer files an administrative appeal for an order of the commissioner and also files an appeal to the Tax Court for that same order of the commissioner, the administrative appeal is dismissed and the commissioner is no longer required to make a determination of appeal under subdivision 6.

EFFECTIVE DATE. This section is effective for all administrative appeals filed after June 30, 2017.

Sec. 10. Minnesota Statutes 2016, section 270C.38, subdivision 1, is amended to read:

Subdivision 1. Sufficient notice. (a) If no method of notification of a written determination or action of the commissioner is otherwise specifically provided for by law, notice of the determination or action sent postage prepaid by United States mail to the taxpayer or other person affected by the determination or action at the taxpayer's or person's last known address, is sufficient. If the taxpayer or person being notified is deceased or is under a legal disability, or, in the case of a corporation being notified that has terminated its existence, notice to the last known address of the taxpayer, person, or corporation is sufficient, unless the department has been provided with a new address by a party authorized to receive notices from the commissioner.

(b) If a taxpayer or other person agrees to accept notification by electronic means, notice of a determination or action of the commissioner sent by electronic mail to the taxpayer's or person's last known electronic mailing address as provided for in section 325L.08 is sufficient.

(c) Notice of a determination or action of the commissioner is sufficient if it is sent on or before the notice date designated by the commissioner on the notice.

EFFECTIVE DATE. This section is effective for notices dated after December 31, 2017.

Sec. 11. Minnesota Statutes 2016, section 270C.445, is amended by adding a subdivision to read:

Subd. 9. Enforcement; limitations. (a) Notwithstanding any other law, the imposition of a penalty or any other action against a tax preparer authorized by subdivision 6 with respect to a return may be taken by the commissioner within the period provided by section 289A.38 to assess tax on that return.
(b) Imposition of a penalty or other action against a tax preparer authorized by subdivision
6 other than with respect to a return must be taken by the commissioner within five years
of the violation of statute.

**EFFECTIVE DATE.** This section is effective for tax preparation services provided
after the day following final enactment.

Sec. 12. Minnesota Statutes 2016, section 270C.446, subdivision 5, is amended to read:

Subd. 5. **Removal from list.** The commissioner shall remove the name of a tax preparer
from the list of tax preparers published under this section:

1) when the commissioner determines that the name was included on the list in error;
2) within 90 days three years after the preparer has demonstrated to the commissioner
that the preparer fully paid all fines or penalties imposed, served any suspension, satisfied
any sentence imposed, successfully completed any probationary period imposed, and
successfully completed any remedial actions required by the commissioner, the State Board
of Accountancy, or the Lawyers Board of Professional Responsibility; or
3) when the commissioner has been notified that the tax preparer is deceased.

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

Sec. 13. Minnesota Statutes 2016, section 270C.72, subdivision 4, is amended to read:

Subd. 4. **Licensing authority; duties.** All licensing authorities must require the applicant
to provide the applicant's Social Security number or individual taxpayer identification
number and Minnesota business identification number, as applicable, on all license
applications. Upon request of the commissioner, the licensing authority must provide the
commissioner with a list of all applicants, including the name, address, business name and
address, and Social Security number, or individual taxpayer identification number and
business identification number, as applicable, of each applicant. The commissioner may
request from a licensing authority a list of the applicants no more than once each calendar
year.

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

Sec. 14. Minnesota Statutes 2016, section 271.06, subdivision 2, is amended to read:

Subd. 2. **Time; notice; intervention.** Except as otherwise provided by law, within 60
days after the notice of the making and filing date of an order of the commissioner of revenue,
the appellant, or the appellant's attorney, shall serve a notice of appeal upon the commissioner
and file the original, with proof of such service, with the Tax Court administrator or with
the court administrator of district court acting as court administrator of the Tax Court;
provided, that the Tax Court, for cause shown, may by written order extend the time for
appealing for an additional period not exceeding 30 days. For purposes of this section,
"notice date" means the notice date designated by the commissioner on the order. The notice
of appeal shall be in the form prescribed by the Tax Court. Within five days after receipt,
the commissioner shall transmit a copy of the notice of appeal to the attorney general. The
attorney general shall represent the commissioner, if requested, upon all such appeals except
in cases where the attorney general has appealed in behalf of the state, or in other cases
where the attorney general deems it against the interests of the state to represent the
commissioner, in which event the attorney general may intervene or be substituted as an
appellant in behalf of the state at any stage of the proceedings.

Upon a final determination of any other matter over which the court is granted jurisdiction
under section 271.01, subdivision 5, the taxpayer or the taxpayer's attorney shall file a
petition or notice of appeal as provided by law with the court administrator of district court,
acting in the capacity of court administrator of the Tax Court, with proof of service of the
petition or notice of appeal as required by law and within the time required by law. As used
in this subdivision, "final determination" includes a notice of assessment and equalization
for the year in question received from the local assessor, an order of the local board of
equalization, or an order of a county board of equalization.

The Tax Court shall prescribe a filing system so that the notice of appeal or petition filed
with the district court administrator acting as court administrator of the Tax Court is
forwarded to the Tax Court administrator. In the case of an appeal or a petition concerning
property valuation for which the assessor, a local board of equalization, a county board of
equalization or the commissioner of revenue has issued an order, the officer issuing the
order shall be notified of the filing of the appeal. The notice of appeal or petition shall be
in the form prescribed by the Tax Court.

EFFECTIVE DATE. This section is effective for orders dated after December 31, 2017.

Sec. 15. Minnesota Statutes 2016, section 271.06, subdivision 7, is amended to read:
Subd. 7. Rules. Except as provided in section 278.05, subdivision 6, the Rules of
Evidence and Civil Procedure for the district court of Minnesota shall govern the procedures
in the Tax Court, where practicable. The Rules of Civil Procedure do not apply to alter the
60-day period of time to file a notice of appeal provided in subdivision 2. The Tax Court may adopt rules under chapter 14.

EFFECTIVE DATE. This section is effective for orders dated after December 31, 2017.

Sec. 16. Minnesota Statutes 2016, section 272.02, subdivision 10, is amended to read:

Subd. 10. Personal property used for pollution control. Personal property used primarily for the abatement and control of air, water, or land pollution is exempt to the extent that it is so used, and real property is exempt if it is used primarily for abatement and control of air, water, or land pollution as part of an agricultural operation, as a part of a centralized treatment and recovery facility operating under a permit issued by the Minnesota Pollution Control Agency pursuant to chapters 115 and 116 and Minnesota Rules, parts 7001.0500 to 7001.0730, and 7045.0020 to 7045.1030, as a wastewater treatment facility and for the treatment, recovery, and stabilization of metals, oils, chemicals, water, sludges, or inorganic materials from hazardous industrial wastes, or as part of an electric generation system. For purposes of this subdivision, personal property includes ponderous machinery and equipment used in a business or production activity that at common law is considered real property.

Any taxpayer requesting exemption of all or a portion of any real property or any equipment or device, or part thereof, operated primarily for the control or abatement of air, water, or land pollution shall file an application with the commissioner of revenue. The commissioner shall develop an electronic means to notify interested parties when electric power generation facilities have filed an application. The commissioner shall prescribe the content, format, and manner of the application pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws, and if an application is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws. The Minnesota Pollution Control Agency shall upon request of the commissioner furnish information and advice to the commissioner.

The information and advice furnished by the Minnesota Pollution Control Agency must include statements as to whether the equipment, device, or real property meets a standard, rule, criteria, guideline, policy, or order of the Minnesota Pollution Control Agency, and whether the equipment, device, or real property is installed or operated in accordance with it. On determining that property qualifies for exemption, the commissioner shall issue an order exempting the property from taxation. The commissioner shall develop an electronic
means to notify interested parties when the commissioner has issued an order exempting property from taxation under this subdivision. The equipment, device, or real property shall continue to be exempt from taxation as long as the order issued by the commissioner remains in effect.

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

Sec. 17. Minnesota Statutes 2016, section 272.0211, subdivision 1, is amended to read:

Subdivision 1. **Efficiency determination and certification.** An owner or operator of a new or existing electric power generation facility, excluding wind energy conversion systems, may apply to the commissioner of revenue for a market value exclusion on the property as provided for in this section. This exclusion shall apply only to the market value of the equipment of the facility, and shall not apply to the structures and the land upon which the facility is located. The commissioner of revenue shall prescribe the forms, content, format, manner, and procedures for this application pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws. If an application is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws. Upon receiving the application, the commissioner of revenue shall: (1) request the commissioner of commerce to make a determination of the efficiency of the applicant's electric power generation facility; and (2) shall develop an electronic means to notify interested parties when electric power generation facilities have filed an application. The commissioner of commerce shall calculate efficiency as the ratio of useful energy outputs to energy inputs, expressed as a percentage, based on the performance of the facility's equipment during normal full load operation. The commissioner must include in this formula the energy used in any on-site preparation of materials necessary to convert the materials into the fuel used to generate electricity, such as a process to gasify petroleum coke. The commissioner shall use the Higher Heating Value (HHV) for all substances in the commissioner's efficiency calculations, except for wood for fuel in a biomass-eligible project under section 216B.2424; for these instances, the commissioner shall adjust the heating value to allow for energy consumed for evaporation of the moisture in the wood. The applicant shall provide the commissioner of commerce with whatever information the commissioner deems necessary to make the determination. Within 30 days of the receipt of the necessary information, the commissioner of commerce shall certify the findings of the efficiency determination to the commissioner of revenue and to the applicant. The commissioner of commerce shall determine the efficiency of the facility and certify the findings of that determination to the commissioner of revenue every two years thereafter from the date of the original certification.
EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 18. Minnesota Statutes 2016, section 272.025, subdivision 1, is amended to read:

Subdivision 1. Statement of exemption. (a) Except in the case of property owned by the state of Minnesota or any political subdivision thereof, and property exempt from taxation under section 272.02, subdivisions 9, 10, 13, 15, 18, 20, and 22 to 25, and at the times provided in subdivision 3, a taxpayer claiming an exemption from taxation on property described in section 272.02, subdivisions 2 to 33, must file a statement of exemption with the assessor of the assessment district in which the property is located.

(b) A taxpayer claiming an exemption from taxation on property described in section 272.02, subdivision 10, must file a statement of exemption with the commissioner of revenue, on or before February 15 of each year for which the taxpayer claims an exemption.

(c) In case of sickness, absence or other disability or for good cause, the assessor or the commissioner may extend the time for filing the statement of exemption for a period not to exceed 60 days.

(d) The commissioner of revenue shall prescribe the form and content, format, and manner of the statement of exemption pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws.

(e) If a statement is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws.

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

Sec. 19. Minnesota Statutes 2016, section 272.029, subdivision 4, is amended to read:

Subd. 4. Reports. (a) An owner of a wind energy conversion system subject to tax under subdivision 3 shall file a report with the commissioner of revenue annually on or before February 15 detailing the amount of electricity in kilowatt-hours that was produced by the wind energy conversion system for the previous calendar year. The commissioner shall prescribe the form content, format, and manner of the report pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws. The report must contain the information required by the commissioner to determine the tax due to each county under this section for the current year. If an owner of a wind energy conversion system subject to taxation under this section fails to file the report by...
the due date, the commissioner of revenue shall determine the tax based upon the nameplate
capacity of the system multiplied by a capacity factor of 60 percent.

(b) If a report is made by electronic means, the taxpayer's signature is defined pursuant
to section 270C.304, except that a "law administered by the commissioner" includes the
property tax laws.

(c) On or before February 28, the commissioner of revenue shall notify the owner
of the wind energy conversion systems of the tax due to each county for the current year
and shall certify to the county auditor of each county in which the systems are located the
tax due from each owner for the current year.

**EFFECTIVE DATE.** This section is effective the day following final enactment, except
that the amendment in paragraph (a) moving the date to file the report is effective for reports
filed in 2018 and thereafter.

Sec. 20. Minnesota Statutes 2016, section 272.0295, subdivision 4, is amended to read:

Subd. 4. Reports. An owner of a solar energy generating system subject to tax under
this section shall file a report with the commissioner of revenue annually on or before
January 15 detailing the amount of electricity in megawatt-hours that was produced by the
system in the previous calendar year. The commissioner shall prescribe the form, content,
format, and manner of the report pursuant to section 270C.30. The report must contain the
information required by the commissioner to determine the tax due to each county under
this section for the current year. If an owner of a solar energy generating system subject to
taxation under this section fails to file the report by the due date, the commissioner of
revenue shall determine the tax based upon the nameplate capacity of the system multiplied
by a capacity factor of 30 percent.

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

Sec. 21. Minnesota Statutes 2016, section 272.115, subdivision 2, is amended to read:

Subd. 2. Form; information required. The certificate of value shall require such facts
and information as may be determined by the commissioner to be reasonably necessary in
the administration of the state education aid formulas. The form, content, format, and manner of the certificate of value
shall be prescribed by the Department of Revenue which shall provide an adequate supply of forms to each county
auditor pursuant to section 270C.30, except that a "law administered by the commissioner"
includes the property tax laws.
**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 22. Minnesota Statutes 2016, section 273.124, subdivision 13, is amended to read:

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

(b) The format and contents of a uniform homestead application shall be prescribed by the commissioner of revenue. The commissioner shall prescribe the content, format, and manner of the homestead application required to be filed under this chapter pursuant to section 270C.30. The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property or by the qualifying relative and returned to the county assessor in order for the property to receive homestead treatment.

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

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

Owners or spouses occupying residences owned by their spouses and previously occupied with the other spouse, either of whom fail to include the other spouse's name and Social Security number on the homestead application or provide the affidavits or other proof requested, will be deemed to have elected to receive only partial homestead treatment of their residence. The remainder of the residence will be classified as nonhomestead residential.

When an owner or spouse's name and Social Security number appear on homestead applications for two separate residences and only one application is signed, the owner or spouse will be deemed to have elected to homestead the residence for which the application was signed.

(d) If residential real estate is occupied and used for purposes of a homestead by a relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for
the property to receive homestead status, a homestead application must be filed with the
assessor. The Social Security number of each relative and spouse of a relative occupying
the property shall be required on the homestead application filed under this subdivision. If
a different relative of the owner subsequently occupies the property, the owner of the property
must notify the assessor within 30 days of the change in occupancy. The Social Security
number of a relative or relative's spouse occupying the property is private data on individuals
as defined by section 13.02, subdivision 12, but may be disclosed to the commissioner of
revenue, or, for the purposes of proceeding under the Revenue Recapture Act to recover
personal property taxes owing, to the county treasurer.

(e) The homestead application shall also notify the property owners that if the property
is granted homestead status for any assessment year, that same property shall remain
classified as homestead until the property is sold or transferred to another person, or the
owners, the spouse of the owner, or the relatives no longer use the property as their
homestead. Upon the sale or transfer of the homestead property, a certificate of value must
be timely filed with the county auditor as provided under section 272.115. Failure to notify
the assessor within 30 days that the property has been sold, transferred, or that the owner,
the spouse of the owner, or the relative is no longer occupying the property as a homestead,
shall result in the penalty provided under this subdivision and the property will lose its
current homestead status.

(f) If a homestead application has not been filed with the county by December 15, the
assessor shall classify the property as nonhomestead for the current assessment year for
taxes payable in the following year, provided that the owner may be entitled to receive the
homestead classification by proper application under section 375.192.

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

Sec. 23. Minnesota Statutes 2016, section 273.371, is amended to read:

273.371 REPORTS OF UTILITY COMPANIES.

Subdivision 1. Report required. Every electric light, power, gas, water, express, stage,
and transportation company, and pipeline company doing business in Minnesota shall
annually file with the commissioner on or before March 31 a report under oath setting forth
the information prescribed by the commissioner to enable the commissioner to make
valuations, recommended valuations, and equalization required under sections 273.33,
273.35, 273.36, 273.37, and 273.3711. The commissioner shall prescribe the content, format,
and manner of the report pursuant to section 270C.30, except that a "law administered by
the commissioner" includes the property tax laws. If all the required information is not
available on March 31, the company or pipeline shall file the information that is available
on or before March 31, and the balance of the information as soon as it becomes available.
If a report is made by electronic means, the taxpayer's signature is defined pursuant to section
270C.304, except that a "law administered by the commissioner" includes the property tax
laws.

Subd. 2. Extension. The commissioner for good cause may extend the time for filing
the report required by subdivision 1. The extension may not exceed 15 days.

Subd. 3. Reports filed by the commissioner. If a company fails to file a report required
by subdivision 1, the commissioner may, from information in the commissioner's possession
or obtainable by the commissioner, make and file a report for the company or make the
valuations, recommended valuations, and equalizations required under sections 273.33,
273.35 to 273.37, and 273.3711.

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

Sec. 24. Minnesota Statutes 2016, section 287.2205, is amended to read:

287.2205 TAX-FORFEITED LAND.

Before a state deed for tax-forfeited land may be issued, the deed tax must be paid by
the purchaser of tax-forfeited land whether the purchase is the result of a public auction or
private sale or a repurchase of tax-forfeited land. State agencies and local units of government
that acquire tax-forfeited land by purchase or any other means are subject to this section.
The deed tax is $1.65 for a conveyance of tax-forfeited lands to a governmental subdivision
for an authorized public use under section 282.01, subdivision 1a, for a school forest under
section 282.01, subdivision 1a, or for redevelopment purposes under section 282.01,
subdivision 1b.

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

Sec. 25. Minnesota Statutes 2016, section 289A.08, is amended by adding a subdivision
to read:

Subd. 17. Format. The commissioner shall prescribe the content, format, and manner
of the returns and other documents pursuant to section 270C.30. This does not authorize
the commissioner to require individual income taxpayers to file individual income tax returns
electronically.

EFFECTIVE DATE. This section is effective the day following final enactment.
Sec. 26. Minnesota Statutes 2016, section 289A.09, subdivision 1, is amended to read:

Subdivision 1. Returns. (a) An employer who is required to deduct and withhold tax under section 290.92, subdivision 2a or 3, and a person required to deduct and withhold tax under section 290.923, subdivision 2, must file a return with the commissioner for each quarterly period unless otherwise prescribed by the commissioner.

(b) A person or corporation required to make deposits under section 290.9201, subdivision 8, must file an entertainer withholding tax return with the commissioner.

(c) A person required to withhold an amount under section 290.9705, subdivision 1, must file a return.

(d) A partnership required to deduct and withhold tax under section 290.92, subdivision 4b, must file a return.

(e) An S corporation required to deduct and withhold tax under section 290.92, subdivision 4c, must also file a return.

(f) Returns must be filed in the form and manner, and contain the information prescribed by the commissioner. The commissioner shall prescribe the content, format, and manner of the returns pursuant to section 270C.30. Every return for taxes withheld must be signed by the employer, entertainment entity, contract payor, partnership, or S corporation, or a designee.

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

Sec. 27. Minnesota Statutes 2016, section 289A.11, subdivision 1, is amended to read:

Subdivision 1. Return required. (a) Except as provided in section 289A.18, subdivision 4, for the month in which taxes imposed by chapter 297A are payable, or for which a return is due, a return for the preceding reporting period must be filed with the commissioner in the form and manner the commissioner prescribes. The commissioner shall prescribe the content, format, and manner of the returns pursuant to section 270C.30. A person making sales at retail at two or more places of business may file a consolidated return subject to rules prescribed by the commissioner. In computing the dollar amount of items on the return, the amounts are rounded off to the nearest whole dollar, disregarding amounts less than 50 cents and increasing amounts of 50 cents to 99 cents to the next highest dollar.

(b) Notwithstanding this subdivision, a person who is not required to hold a sales tax permit under chapter 297A and who makes annual purchases, for use in a trade or business, of less than $18,500, or a person who is not required to hold a sales tax permit and who...
makes purchases for personal use, that are subject to the use tax imposed by section 297A.63, 
may file an annual use tax return on a form prescribed by the commissioner. The 
commissioner shall prescribe the content, format, and manner of the return pursuant to 
section 270C.30. If a person who qualifies for an annual use tax reporting period is required 
to obtain a sales tax permit or makes use tax purchases, for use in a trade or business, in 
extcess of $18,500 during the calendar year, the reporting period must be considered ended 
at the end of the month in which the permit is applied for or the purchase in excess of 
$18,500 is made and a return must be filed for the preceding reporting period.

(c) Notwithstanding paragraphs (a) and (b), a person prohibited by the person's 
religious beliefs from using electronics shall be allowed to file by mail, without any additional 
fees. The filer must notify the commissioner of revenue of the intent to file by mail on a 
form prescribed by the commissioner. A return filed under this paragraph must be postmarked 
no later than the day the return is due in order to be considered filed on a timely basis.

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

Sec. 28. Minnesota Statutes 2016, section 289A.18, subdivision 1, is amended to read:

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

(1) returns made on the basis of the calendar year must be filed on April 15 following 
the close of the calendar year, except that returns of corporations and partnerships must be 
filed on the due date for filing the federal income tax return;

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

(3) returns for a fractional part of a year must be filed on the due date for filing the 
federal income tax return;

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

(5) in the case of the return of a cooperative association, returns must be filed on or 
before the 15th day of the ninth month following the close of the taxable year;
(6) if a corporation has been divested from a unitary group and files a return for a fractional part of a year in which it was a member of a unitary business that files a combined report under section 290.17, subdivision 4, the divested corporation's return must be filed on the 15th day of the third month following the close of the common accounting period that includes the fractional year;

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

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

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

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

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

Sec. 29. Minnesota Statutes 2016, section 289A.37, subdivision 2, is amended to read:

Subd. 2. **Erroneous refunds.** An erroneous refund is considered an underpayment of tax on the date made. An assessment of a deficiency arising out of an erroneous refund may be made at any time within two years from the making of the refund. If part of the refund was induced by fraud or misrepresentation of a material fact, the assessment may be made at any time. (a) Except as provided in paragraph (b), an erroneous refund occurs when the commissioner issues a payment to a person that exceeds the amount the person is entitled to receive under law. An erroneous refund is considered an underpayment of tax on the date issued.

(b) To the extent that the amount paid does not exceed the amount claimed by the taxpayer, an erroneous refund does not include the following:

(1) any amount of a refund or credit paid pursuant to a claim for refund filed by a taxpayer, including but not limited to refunds of claims made under section 290.06, subdivision 23; 290.067; 290.0671; 290.0672; 290.0674; 290.0675; 290.0677; 290.068; 290.0681; or 290.0692; or chapter 290A; or

(2) any amount paid pursuant to a claim for refund of an overpayment of tax filed by a taxpayer.
(c) The commissioner may make an assessment to recover an erroneous refund at any
time within two years from the issuance of the erroneous refund. If all or part of the erroneous
refund was induced by fraud or misrepresentation of a material fact, the assessment may
be made at any time.

(d) Assessments of amounts that are not erroneous refunds under paragraph (b) must be
conducted under section 289A.38.

**EFFECTIVE DATE.** This section is effective the day following final enactment and
applies to all refunds issued after that date. Notwithstanding any law to the contrary, the
changes in this section do not invalidate any assessments made by the commissioner prior
to this effective date.

Sec. 30. Minnesota Statutes 2016, section 289A.50, subdivision 7, is amended to read:

Subd. 7. Remedies. (a) If the taxpayer is notified by the commissioner that the refund
claim is denied in whole or in part, the taxpayer may:

1. file an administrative appeal as provided in section 270C.35, or an appeal with the
   Tax Court, within 60 days after issuance of the commissioner's notice of
denial; or

2. file an action in the district court to recover the refund.

(b) An action in the district court on a denied claim for refund must be brought within
18 months of the notice date of the denial of the claim by the commissioner. For the purposes
of this section, "notice date" has the meaning given in section 270C.35, subdivision 3.

(c) No action in the district court or the Tax Court shall be brought within six months
of the filing of the refund claim unless the commissioner denies the claim within that period.

(d) If a taxpayer files a claim for refund and the commissioner has not issued a denial
of the claim, the taxpayer may bring an action in the district court or the Tax Court at any
time after the expiration of six months from the time the claim was filed.

(e) The commissioner and the taxpayer may agree to extend the period for bringing an
action in the district court.

(f) An action for refund of tax by the taxpayer must be brought in the district court of
the district in which lies the county of the taxpayer's residence or principal place of business.
In the case of an estate or trust, the action must be brought at the principal place of its
administration. Any action may be brought in the district court for Ramsey County.
367.1 **EFFECTIVE DATE.** This section is effective for claims for refund denied after December 31, 2017.

367.3 Sec. 31. [290B.11] FORMS.

The commissioner shall prescribe the content, format, and manner of all forms and other documents required to be filed under this chapter pursuant to section 270C.30.

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

367.7 Sec. 32. [293.15] FORMS.

The commissioner shall prescribe the content, format, and manner of all forms and other documents required to be filed under this chapter pursuant to section 270C.30.

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

Sec. 33. Minnesota Statutes 2016, section 295.55, subdivision 6, is amended to read:

367.12 Subd. 6. **Form of returns.** The estimated payments and annual return must contain the information and be in the form prescribed by the commissioner. The commissioner shall prescribe the content, format, and manner of the estimated payment forms and annual return pursuant to section 270C.30.

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

Sec. 34. Minnesota Statutes 2016, section 296A.02, is amended by adding a subdivision to read:

367.19 Subd. 5. **Forms.** The commissioner shall prescribe the content, format, and manner of all forms and other documents required to be filed under this chapter pursuant to section 270C.30.

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

Sec. 35. Minnesota Statutes 2016, section 296A.22, subdivision 9, is amended to read:

367.24 Subd. 9. **Abatement of penalty.** (a) The commissioner may by written order abate any penalty imposed under this section, if in the commissioner's opinion there is reasonable cause to do so.

(b) A request for abatement of penalty must be filed with the commissioner within 60 days of the notice date of the notice stating that a penalty has been imposed.
the taxpayer’s last known address. For purposes of this section, "notice date" means the notice date designated by the commissioner on the order or other notice that a penalty has been imposed.

(c) If the commissioner issues an order denying a request for abatement of penalty, the taxpayer may file an administrative appeal as provided in section 270C.35 or appeal to Tax Court as provided in section 271.06. If the commissioner does not issue an order on the abatement request within 60 days from the date the request is received, the taxpayer may appeal to Tax Court as provided in section 271.06.

EFFECTIVE DATE. This section is effective for orders and notices dated after December 31, 2017.

Sec. 36. Minnesota Statutes 2016, section 296A.26, is amended to read:

296A.26 JUDICIAL REVIEW; APPEAL TO TAX COURT.

In lieu of an administrative appeal under section 270C.35, any person aggrieved by an order of the commissioner fixing a tax, penalty, or interest under this chapter may, within 60 days from the notice date of the notice of the order, appeal to the Tax Court in the manner provided under section 271.06. For purposes of this section, "notice date" means the notice date designated by the commissioner on the order fixing a tax, penalty, or interest.

EFFECTIVE DATE. This section is effective for orders dated after December 31, 2017.

Sec. 37. Minnesota Statutes 2016, section 297D.02, is amended to read:

297D.02 ADMINISTRATION.

The commissioner of revenue shall administer this chapter. The commissioner shall prescribe the content, format, and manner of all forms and other documents required to be filed under this chapter pursuant to section 270C.30. Payments required by this chapter must be made to the commissioner on the form provided by the commissioner. Tax obligors are not required to give their name, address, Social Security number, or other identifying information on the form. The commissioner shall collect all taxes under this chapter.

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

Sec. 38. Minnesota Statutes 2016, section 297E.02, subdivision 3, is amended to read:

Subd. 3. Collection; disposition. (a) Taxes imposed by this section are due and payable to the commissioner when the gambling tax return is required to be filed. Distributors must

Article 19 Sec. 38.
file their monthly sales figures with the commissioner on a form prescribed by the
commissioner. Returns covering the taxes imposed under this section must be filed with
the commissioner on or before the 20th day of the month following the close of the previous
calendar month. The commissioner may require that the returns be filed via magnetic media
or electronic data transfer. The commissioner shall prescribe the content, format, and manner
of returns or other documents pursuant to section 270C.30. The proceeds, along with the
revenue received from all license fees and other fees under sections 349.11 to 349.191,
349.211, and 349.213, must be paid to the commissioner of management and budget for
deposit in the general fund.

(b) The sales tax imposed by chapter 297A on the sale of pull-tabs and tipboards by the
distributor is imposed on the retail sales price. The retail sale of pull-tabs or tipboards by
the organization is exempt from taxes imposed by chapter 297A and is exempt from all
local taxes and license fees except a fee authorized under section 349.16, subdivision 8.

(c) One-half of one percent of the revenue deposited in the general fund under paragraph
(a), is appropriated to the commissioner of human services for the compulsive gambling
treatment program established under section 245.98. One-half of one percent of the revenue
deposited in the general fund under paragraph (a), is appropriated to the commissioner of
human services for a grant to the state affiliate recognized by the National Council on
Problem Gambling to increase public awareness of problem gambling, education and training
for individuals and organizations providing effective treatment services to problem gamblers
and their families, and research relating to problem gambling. Money appropriated by this
paragraph must supplement and must not replace existing state funding for these programs.

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

Sec. 39. Minnesota Statutes 2016, section 297E.04, subdivision 1, is amended to read:

Subdivision 1. Reports of sales. A manufacturer who sells gambling product for use or
resale in this state, or for receipt by a person or entity in this state, shall file with the
commissioner, on a form prescribed by the commissioner, a report of gambling product
sold to any person in the state, including the established governing body of an Indian tribe
recognized by the United States Department of the Interior. The report must be filed monthly
on or before the 20th day of the month succeeding the month in which the sale was made.
The commissioner may require that the report be submitted via magnetic media or electronic
data transfer. The commissioner shall prescribe the content, format, and manner of returns
or other documents pursuant to section 270C.30. The commissioner may inspect the premises,
books, records, and inventory of a manufacturer without notice during the normal business
time of the manufacturer. A person violating this section is guilty of a misdemeanor.

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

Sec. 40. Minnesota Statutes 2016, section 297E.05, subdivision 4, is amended to read:

Subd. 4. **Reports.** A distributor shall report monthly to the commissioner, on a form the
commissioner prescribes, its sales of each type of gambling product. This report must be
filed monthly on or before the 20th day of the month succeeding the month in which the
sale was made. The commissioner may require that a distributor submit the monthly report
and invoices required in this subdivision via magnetic media or electronic data transfer.
The commissioner shall prescribe the content, format, and manner of returns or other
documents pursuant to section 270C.30.

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

Sec. 41. Minnesota Statutes 2016, section 297E.06, subdivision 1, is amended to read:

Subdivision 1. **Reports.** An organization must file with the commissioner, on a form
prescribed by the commissioner, a report showing all gambling activity conducted by that
organization for each month. Gambling activity includes all gross receipts, prizes, all
gambling taxes owed or paid to the commissioner, all gambling expenses, and all lawful
purpose and board-approved expenditures. The report must be filed with the commissioner
on or before the 20th day of the month following the month in which the gambling activity
takes place. The commissioner may require that the reports be filed via magnetic media or
electronic data transfer. The commissioner shall prescribe the content, format, and manner
of returns or other documents pursuant to section 270C.30.

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

Sec. 42. Minnesota Statutes 2016, section 297F.09, subdivision 1, is amended to read:

Subdivision 1. **Monthly return; cigarette distributor.** On or before the 18th day of
each calendar month, a distributor with a place of business in this state shall file a return
with the commissioner showing the quantity of cigarettes manufactured or brought in from
outside the state or purchased during the preceding calendar month and the quantity of
cigarettes sold or otherwise disposed of in this state and outside this state during that month.
A licensed distributor outside this state shall in like manner file a return showing the quantity
of cigarettes shipped or transported into this state during the preceding calendar month.

Returns must be made in the form and manner prescribed by. The commissioner shall
prescribe the content, format, and manner of returns pursuant to section 270C.30, and the returns must contain any other information required by the commissioner. The return must be accompanied by a remittance for the full unpaid tax liability shown by it. For distributors subject to the accelerated tax payment requirements in subdivision 10, the return for the May liability is due two business days before June 30th of the year and the return for the June liability is due on or before August 18th of the year.

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

Sec. 43. Minnesota Statutes 2016, section 297F.23, is amended to read:

297F.23 JUDICIAL REVIEW.

In lieu of an administrative appeal under section 270C.35, a person aggrieved by an order of the commissioner fixing a tax, penalty, or interest under this chapter may, within 60 days from the notice date of the notice of the order, appeal to the Tax Court in the manner provided under section 271.06. For purposes of this section, "notice date" means the notice date designated by the commissioner on the order fixing a tax, penalty, or interest.

**EFFECTIVE DATE.** This section is effective for orders dated after December 31, 2017.

Sec. 44. Minnesota Statutes 2016, section 297G.09, subdivision 1, is amended to read:

Subdivision 1. Monthly returns; manufacturers, wholesalers, brewers, or importers.

On or before the 18th day of each calendar month following the month in which a licensed manufacturer or wholesaler first sells wine and distilled spirits within the state, or a brewer or importer first sells or imports fermented malt beverages, or a wholesaler knowingly acquires title to or possession of untaxed fermented malt beverages, the licensed manufacturer, wholesaler, brewer, or importer liable for the excise tax must file a return with the commissioner, and in addition must keep records and render reports as required by the commissioner. **Returns must be made in a form and manner prescribed by the commissioner, and The commissioner shall prescribe the content, format, and manner of returns pursuant to section 270C.30. The returns must contain any other information required by the commissioner.** Returns must be accompanied by a remittance for the full unpaid tax liability. Returns must be filed regardless of whether a tax is due.

**EFFECTIVE DATE.** This section is effective the day following final enactment.
Sec. 45. Minnesota Statutes 2016, section 297G.22, is amended to read:

**297G.22 JUDICIAL REVIEW.**

In lieu of an administrative appeal under this chapter, a person aggrieved by an order of the commissioner fixing a tax, penalty, or interest under this chapter may, within 60 days from the date of the notice date of the order, appeal to the Tax Court in the manner provided under section 271.06. For purposes of this section, "notice date" means the notice date designated by the commissioner on the order fixing a tax, penalty, or interest.

**EFFECTIVE DATE.** This section is effective for orders dated after December 31, 2017.

Sec. 46. Minnesota Statutes 2016, section 297I.30, is amended by adding a subdivision to read:

**Subd. 11. Format.** The commissioner shall prescribe the content, format, and manner of returns or other documents pursuant to section 270C.30.

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

Sec. 47. Minnesota Statutes 2016, section 297I.60, subdivision 2, is amended to read:

**Subd. 2. Remedies.** (a) If the taxpayer is notified that the refund claim is denied in whole or in part, the taxpayer may contest the denial by:

(1) filing an administrative appeal with the commissioner under section 270C.35;

(2) filing an appeal in Tax Court within 60 days of the notice date of the notice of denial; or

(3) filing an action in the district court to recover the refund.

(b) An action in the district court must be brought within 18 months following the notice date of the notice of denial. For purposes of this section, "notice date" has the meaning given in section 270C.35, subdivision 3. An action for refund of tax or surcharge must be brought in the district court of the district in which lies the taxpayer's principal place of business or in the District Court for Ramsey County. If a taxpayer files a claim for refund and the commissioner has not issued a denial of the claim, the taxpayer may bring an action in the district court or the Tax Court at any time after the expiration of six months from the time the claim was filed.

**EFFECTIVE DATE.** This section is effective for claims for refund denied after December 31, 2017.
Sec. 48. Minnesota Statutes 2016, section 469.319, subdivision 5, is amended to read:

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

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

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

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

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

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

(c) Requests for waiver must be made no later than 60 days after the earlier of the notice date of an order issued under subdivision 4, paragraph (d), or the date of a tax statement issued under subdivision 4, paragraph (c). For purposes of this section, "notice date" means the notice date designated by the commissioner on the order.

EFFECTIVE DATE. This section is effective for orders of the commissioner of revenue dated after December 31, 2017.

Sec. 49. Laws 2016, chapter 187, section 5, the effective date, is amended to read:

EFFECTIVE DATE. This section is effective for orders and notices dated after September 30, 2015 December 31, 2017.
**EFFECTIVE DATE.** This section is effective retroactively from September 30, 2015.

**ARTICLE 20**

**DEPARTMENT OF REVENUE 2015-2016 SUSTAINABLE FOREST INCENTIVE ACT PROVISIONS**

Section 1. Minnesota Statutes 2016, section 290C.03, is amended to read:

**290C.03 ELIGIBILITY REQUIREMENTS.**

(a) Land may be enrolled in the sustainable forest incentive program under this chapter if all of the following conditions are met:

(1) the land consists of at least 20 contiguous acres and at least 50 percent of the land must meet the definition of forest land in section 88.01, subdivision 7, during the enrollment;

(2) a forest management plan for the land must be prepared by an approved plan writer and implemented during the period in which the land is enrolled, and registered with the Department of Natural Resources;

(3) timber harvesting and forest management guidelines must be used in conjunction with any timber harvesting or forest management activities conducted on the land during the period in which the land is enrolled;

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

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

(6) claimants enrolling more than 1,920 acres in the sustainable forest incentive program must allow year-round, nonmotorized access to fish and wildlife resources and motorized access on established and maintained roads and trails, unless the road or trail is temporarily closed for safety, natural resource, or road damage reasons on enrolled land except within one-fourth mile of a permanent dwelling or during periods of high fire hazard as determined by the commissioner of natural resources; and

(7) the land is not classified as 2c managed forest land.

(b) Claimants required to allow access under paragraph (a), clause (6), do not by that action:

(1) extend any assurance that the land is safe for any purpose;

(2) confer upon the person the legal status of an invitee or licensee to whom a duty of care is owed; or
375.1 (3) assume responsibility for or incur liability for any injury to the person or property
caused by an act or omission of the person.
375.2 (c) A minimum of three acres must be excluded from enrolled land when the land is
improved with a structure that is not a minor, ancillary, or nonresidential structure. If land
does not meet the definition of forest land in section 290C.02, subdivision 6, because the
land is (1) enrolled in the reinvest in Minnesota program, (2) enrolled in a state or federal
conservation reserve or easement program under sections 103F.501 to 103F.531, (3) subject
to the Minnesota agricultural property tax under section 273.111, or (4) subject to agricultural
land preservation controls or restrictions as defined in section 40A.02 or the Metropolitan
Agricultural Preserves Act under chapter 473H, the entire parcel that contains the land is
not eligible to be enrolled in the program.
375.12 EFFECTIVE DATE. The amendment to paragraph (a), clause (2), is effective for
certifications filed after July 1, 2018. The amendment adding paragraph (a), clause (7), is
effective for certifications and applications due in 2017 and thereafter. The amendment
adding paragraph (c) is effective the day following final enactment.
375.16 Sec. 2. [290C.051] VERIFICATION OF FOREST MANAGEMENT PLAN.
375.17 On request of the commissioner, the commissioner of natural resources must annually
provide verification that the claimant has a current forest management plan on file with the
Department of Natural Resources.
375.19 EFFECTIVE DATE. This section is effective for certifications filed after July 1, 2018.
375.21 Sec. 3. REPEALER.
375.22 Minnesota Statutes 2016, sections 290C.02, subdivisions 5 and 9; and 290C.06, are
repealed.
375.24 EFFECTIVE DATE. This section is effective the day following final enactment.
375.25 ARTICLE 21
375.26 DEPARTMENT OF REVENUE INDIVIDUAL INCOME, CORPORATE
FRANCHISE, AND ESTATE TAX TECHNICAL PROVISIONS
375.28 Section 1. Minnesota Statutes 2016, section 290.0132, subdivision 21, is amended to read:
375.29 Subd. 21. Military service pension; retirement pay. To the extent included in federal
taxable income, compensation received from a pension or other retirement pay from the
federal government for service in the military, as computed under United States Code, title
10, sections 1401 to 1414, 1447 to 1455, and 12733, is a subtraction. The subtraction must not include any amount used to claim the credit allowed under section 290.0677 is limited to individuals who do not claim the credit under section 290.0677.

**EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning after December 31, 2015.

Sec. 2. Minnesota Statutes 2016, section 290A.03, subdivision 3, is amended to read:

Subd. 3. **Income.** (a) "Income" means the sum of the following:

(1) federal adjusted gross income as defined in the Internal Revenue Code; and

(2) the sum of the following amounts to the extent not included in clause (1):

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

(v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, Supplemental Security Income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

(vii) workers’ compensation;

(viii) nontaxable strike benefits;

(ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

(x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1995;
(xi) contributions made by the claimant to an individual retirement account, including
a qualified voluntary employee contribution; simplified employee pension plan;
self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of
the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal
Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for
the claimant and spouse;
(xii) to the extent not included in federal adjusted gross income, distributions received
by the claimant or spouse from a traditional or Roth style retirement account or plan;
(xiii) nontaxable scholarship or fellowship grants;
(xiv) the amount of deduction allowed under section 199 of the Internal Revenue Code;
(xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue
Code;
(xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue
Code; and
(xvii) the amount deducted for certain expenses of elementary and secondary school
teachers under section 62(a)(2)(D) of the Internal Revenue Code.

In the case of an individual who files an income tax return on a fiscal year basis, the
term "federal adjusted gross income" shall mean federal adjusted gross income reflected in
the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced
by the amount of a net operating loss carryback or carryforward or a capital loss carryback
or carryforward allowed for the year.

(b) "Income" does not include:

(1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;
(2) amounts of any pension or annuity which was exclusively funded by the claimant
or spouse and which funding payments were not excluded from federal adjusted gross
income in the years when the payments were made;
(3) to the extent included in federal adjusted gross income, amounts contributed by the
claimant or spouse to a traditional or Roth style retirement account or plan, but not to exceed
the retirement base amount reduced by the amount of contributions excluded from federal
adjusted gross income, but not less than zero;
(4) surplus food or other relief in kind supplied by a governmental agency;
(5) relief granted under this chapter;
(6) child support payments received under a temporary or final decree of dissolution or legal separation; or

(7) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16.

The sum of the following amounts may be subtracted from income:

1. for the claimant's first dependent, the exemption amount multiplied by 1.4;
2. for the claimant's second dependent, the exemption amount multiplied by 1.3;
3. for the claimant's third dependent, the exemption amount multiplied by 1.2;
4. for the claimant's fourth dependent, the exemption amount multiplied by 1.1;
5. for the claimant's fifth dependent, the exemption amount; and
6. if the claimant or claimant's spouse was disabled or attained the age of 65 on or before December 31 of the year for which the taxes were levied or rent paid, the exemption amount.

For purposes of this subdivision, the "exemption amount" means the exemption amount under section 151(d) of the Internal Revenue Code for the taxable year for which the income is reported; "retirement base amount" means the deductible amount for the taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for inflation as provided in section 219(b)(5)(D)(C) of the Internal Revenue Code, without regard to whether the claimant or spouse claimed a deduction; and "traditional or Roth style retirement account or plan" means retirement plans under sections 401, 403, 408, 408A, and 457 of the Internal Revenue Code.

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

Sec. 3. Minnesota Statutes 2016, section 290A.10, is amended to read:

290A.10 PROOF OF TAXES PAID.

Every claimant who files a claim for relief for property taxes payable shall include with the claim a property tax statement or a reproduction thereof in a form deemed satisfactory by the commissioner of revenue indicating that there are no delinquent property taxes on the homestead. Indication on the property tax statement from the county treasurer that there are no delinquent taxes on the homestead shall be sufficient proof. Taxes included in a confession of judgment under
section 277.23 or 279.37 shall not constitute delinquent taxes as long as the claimant is
current on the payments required to be made under section 277.23 or 279.37.

**EFFECTIVE DATE.** This section is effective for refunds based on rent paid after
December 31, 2015, and property taxes payable after December 31, 2016.

Sec. 4. Minnesota Statutes 2016, section 291.075, is amended to read:

**291.075 SPECIAL USE VALUATION OF QUALIFIED PROPERTY.**

If, after the final determination of the tax imposed by this chapter, the property valued
pursuant to section 2032A of the Internal Revenue Code is disposed of or fails to qualify
and an additional tax is imposed pursuant to section 2032A(c), any increase in the credit
for state death taxes federal gross or taxable estate shall be reported to the commissioner
within 90 days after final determination of the increased credit of the federal adjustment.
Upon notification the commissioner may assess an additional tax in accordance with section
291.03, subdivision 1.

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

Sec. 5. **REPEALER.**

Minnesota Statutes 2016, sections 290.9743; and 290.9744, are repealed.

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

**ARTICLE 22**

**DEPARTMENT OF REVENUE PROPERTY TAX AND LOCAL GOVERNMENT
AID TECHNICAL PROVISIONS**

Section 1. Minnesota Statutes 2016, section 270.078, subdivision 1, is amended to read:

Subdivision 1. **Conformance to federal law.** If any provision of sections 270.071 to
270.079 is contrary to any provision of any law of the United States of America, hereinafter
enacted, providing for or relating to the ad valorem taxation by a state of aircraft or flying
equipment of an airline company, such provision shall be of no effect and the commissioner
is authorized and directed to prescribe by rule such provisions as may be necessary to make
sections 270.071 to 270.079 conform to the federal act and to effectuate the purposes of
sections 270.071 to 270.079, provided such rules do not prescribe a rate of taxation higher
than that provided in section 270.075 or a net tax capacity based on a percentage higher
than that provided in section 270.074, subdivision 2.

**EFFECTIVE DATE.** This section is effective the day following final enactment.
Sec. 2. Minnesota Statutes 2016, section 273.0755, is amended to read:

273.0755 TRAINING AND EDUCATION OF PROPERTY TAX PERSONNEL.

(a) Beginning with the four-year period starting on July 1, 2000, every person licensed by the state Board of Assessors at the Accredited Minnesota Assessor level or higher, shall successfully complete a weeklong Minnesota laws course sponsored by the Department of Revenue at least once in every four-year period. An assessor need not attend the course if they successfully pass the test for the course.

(b) The commissioner of revenue may require that each county, and each city for which the city assessor performs the duties of county assessor, have (i) a person on the assessor's staff who is certified by the Department of Revenue in sales ratio calculations, (ii) an officer or employee who is certified by the Department of Revenue in tax calculations, and (iii) an officer or employee who is certified by the Department of Revenue in the proper preparation of abstracts of assessment. The commissioner of revenue may require that each county have an officer or employee who is certified by the Department of Revenue in the proper preparation of abstracts of tax lists. Certifications under this paragraph expire after four years.

(c) Beginning with the four-year educational licensing period starting on July 1, 2004, every Minnesota assessor licensed by the State Board of Assessors must attend and participate in a seminar that focuses on ethics, professional conduct and the need for standardized assessment practices developed and presented by the commissioner of revenue. This requirement must be met at least once in every subsequent four-year period. This requirement applies to all assessors licensed for one year or more in the four-year period.

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

Sec. 3. Minnesota Statutes 2016, section 273.135, subdivision 1, is amended to read:

Subdivision 1. Reduction in tax; tax relief area. The property tax to be paid in respect to property taxable within a tax relief area as defined in section 273.134, paragraph (b), on homestead property, as otherwise determined by law and regardless of the market value of the property, and on nonhomestead portions of property classified as both homestead and nonhomestead property as provided in section 273.124, subdivision 11, for all purposes shall be reduced in the amount prescribed by subdivision 2, subject to the limitations contained therein.

EFFECTIVE DATE. This section is effective the day following final enactment.
Sec. 4. Minnesota Statutes 2016, section 414.09, subdivision 2, is amended to read:

Subd. 2. Transmittal of order. The chief administrative law judge shall see that copies of the order are mailed to all parties entitled to mailed notice of hearing under subdivision 1, the secretary of state, the Department of Revenue, the state demographer, individual property owners if initiated in that manner, affected county auditor, and any other party of record. The affected county auditor shall record the order against the affected property.

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

Sec. 5. Minnesota Statutes 2016, section 477A.0124, subdivision 2, is amended to read:

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

(b) "County program aid" means the sum of "county need aid," "county tax base equalization aid," and "county transition aid."

(c) "Age-adjusted population" means a county's population multiplied by the county age index.

(d) "County age index" means the percentage of the population over age 65 and over within the county divided by the percentage of the population over age 65 and over within the state, except that the age index for any county may not be greater than 1.8 nor less than 0.8.

(e) "Population over age 65 and over" means the population over age 65 and over established as of July 15 in an aid calculation year by the most recent federal census, by a special census conducted under contract with the United States Bureau of the Census, by a population estimate made by the Metropolitan Council, or by a population estimate of the state demographer made pursuant to section 4A.02, whichever is the most recent as to the stated date of the count or estimate for the preceding calendar year and which has been certified to the commissioner of revenue on or before July 15 of the aid calculation year. A revision to an estimate or count is effective for these purposes only if certified to the commissioner on or before July 15 of the aid calculation year. Clericals errors in the certification or use of estimates and counts established as of July 15 in the aid calculation year are subject to correction within the time periods allowed under section 477A.014.

(f) "Part I crimes" means the three-year average annual number of Part I crimes reported for each county by the Department of Public Safety for the most recent years available. By July 1 of each year, the commissioner of public safety shall certify to the commissioner of
revenue the number of Part I crimes reported for each county for the three most recent calendar years available.

(g) "Households receiving food stamps" means the average monthly number of households receiving food stamps for the three most recent years for which data is available. By July 1 of each year, the commissioner of human services must certify to the commissioner of revenue the average monthly number of households in the state and in each county that receive food stamps, for the three most recent calendar years available.

(h) "County net tax capacity" means the county's adjusted net tax capacity under section 273.1325.

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

Sec. 6. Minnesota Statutes 2016, section 477A.013, subdivision 1, is amended to read:

Subdivision 1. Towns. (a) In 2014 and thereafter, each town is eligible for a distribution under this subdivision equal to the product of (i) its agricultural property factor, (ii) its town area factor, (iii) its population factor, and (iv) 0.0045. As used in this subdivision, the following terms have the meanings given them:

(1) "agricultural property factor" means the ratio of the adjusted net tax capacity of agricultural property located in a town, divided by the adjusted net tax capacity of all other property located in the town. The agricultural property factor cannot exceed eight;

(2) "agricultural property" means property classified under section 273.13, as homestead and nonhomestead agricultural property, rural vacant land, and noncommercial seasonal recreational property;

(3) "town area factor" means the most recent estimate of total acreage, not to exceed 50,000 acres, located in the township available as of July 1 in the aid calculation year, estimated or established by:

(i) the United States Bureau of the Census;

(ii) the State Land Management Information Center; or

(iii) the secretary of state; and

(4) "population factor" means the square root of the towns' population.

(b) If the sum of the aids payable to all towns under this subdivision exceeds the limit under section 477A.03, subdivision 2c, the distribution to each town must be reduced
proportionately so that the total amount of aids distributed under this section does not exceed the limit in section 477A.03, subdivision 2c.

(c) Data used in calculating aids to towns under this subdivision, other than acreage, shall be the most recently available data as of January 1 in the year in which the aid is calculated.

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

ARTICLE 23

DEPARTMENT OF REVENUE SALES AND USE, AND SPECIAL TAXES

TECHNICAL PROVISIONS

Section 1. Minnesota Statutes 2016, section 270C.171, subdivision 1, is amended to read:

Subdivision 1. Definitions. (a) If a special law grants a local government unit or group of units the authority to impose a local tax other than sales tax, including but not limited to taxes such as lodging, entertainment, admissions, or food and beverage taxes, and the Department of Revenue either has agreed to or is required to administer the tax, such that the tax is reported and paid with the chapter 297A taxes, then the local government unit or group of units must adopt each definition term used in the special law as defined as follows:

(1) the definition must be identical to the definition found as defined in chapter 297A or in Minnesota Rules, chapter 8130; or

(2) if the specific term is not defined either in chapter 297A or in Minnesota Rules, chapter 8130, then the definition must be defined consistent with the position of the Department of Revenue as to the extent of the tax base.

(b) This subdivision does not apply to terms that are defined by the authorizing special law.

(c) This subdivision applies notwithstanding whether a local government unit or group of units adopts consistent definitions into local law.

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

Sec. 2. Minnesota Statutes 2016, section 298.01, subdivision 3, is amended to read:

Subd. 3. Occupation tax; other ores. Every person engaged in the business of mining, refining, or producing ores, metals, or minerals in this state, except iron ore or taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided in this subdivision. For purposes of this subdivision, mining includes the application of
hydrometallurgical processes. Hydrometallurgical processes are processes that extract the ores, metals, or minerals, by use of aqueous solutions that leach, concentrate, and recover the ore, metal, or mineral. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.17, subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax must be computed by applying to taxable income the rate of 2.45 percent. A person subject to occupation tax under this section shall apportion its net income on the basis of the percentage obtained by taking the sum of:

1. 75 percent of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period; and

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

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

The tax is in addition to all other taxes.

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

Sec. 3. Minnesota Statutes 2016, section 298.01, subdivision 4, is amended to read:

Subd. 4. Occupation tax; iron ore; taconite concentrates. A person engaged in the business of mining or producing of iron ore, taconite concentrates or direct reduced ore in this state shall pay an occupation tax to the state of Minnesota. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.17, subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax shall be computed by applying to taxable income the rate of 2.45 percent. A person subject to occupation tax under this section shall apportion its net income on the basis of the percentage obtained by taking the sum of:

1. 75 percent of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;
(2) 12.5 percent of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and

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

The tax is in addition to all other taxes.

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

Sec. 4. Minnesota Statutes 2016, section 298.24, subdivision 1, is amended to read:

Subdivision 1. **Imposed; calculation.** (a) For concentrate produced in 2013, there is imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, a tax of $2.56 per gross ton of merchantable iron ore concentrate produced therefrom. The tax is also imposed upon other iron-bearing material.

(b) For concentrates produced in 2014 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit price deflator" means the implicit price deflator for the gross domestic product prepared by the Bureau of Economic Analysis of the United States Department of Commerce.

(c) An additional tax is imposed equal to three cents per gross ton of merchantable iron ore concentrate for each one percent that the iron content of the product exceeds 72 percent, when dried at 212 degrees Fahrenheit.

(d) The tax on taconite and iron sulphides shall be imposed on the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable. The tax on other iron-bearing material shall be imposed on the current year production.
The tax under paragraph (a) is also imposed upon other iron-bearing material. The tax on other iron-bearing material shall be imposed on the current year production. The rate of the tax imposed is the current year's tax rate.

If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of $2.56 per gross ton of merchantable iron ore concentrate produced shall be imposed.

Consistent with the intent of this subdivision to impose a tax based upon the weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly determine the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite, olivine, or other basic flux additives are combined with merchantable iron ore concentrate. No subtraction from the weight of the pellets shall be allowed for binders, mineral and chemical additives other than basic flux additives, or moisture.

Notwithstanding any other provision of this subdivision, for the first two years of a plant's commercial production of direct reduced ore from ore mined in this state, no tax is imposed under this section. As used in this paragraph, "commercial production" is production of more than 50,000 tons of direct reduced ore in the current year or in any prior year, "noncommercial production" is production of 50,000 tons or less of direct reduced ore in any year, and "direct reduced ore" is ore that results in a product that has an iron content of at least 75 percent. For the third year of a plant's commercial production of direct reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate otherwise determined under this subdivision. For the fourth commercial production year, the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth commercial production year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for all subsequent commercial production years, the full rate is imposed.

Subject to clause (1), production of direct reduced ore in this state is subject to the tax imposed by this section, but if that production is not produced by a producer of taconite, iron sulfides, or other iron-bearing material, the production of taconite, iron sulfides, or other iron-bearing material, that is consumed in the production of direct reduced iron ore in this state is not subject to the tax imposed by this section on taconite, iron sulfides, or other iron-bearing material.
(3) Notwithstanding any other provision of this subdivision, no tax is imposed on direct reduced ore under this section during the facility's noncommercial production of direct reduced ore. The taconite or iron sulphides consumed in the noncommercial production of direct reduced ore is subject to the tax imposed by this section on taconite and iron sulphides. Three-year average production of direct reduced ore does not include production of direct reduced ore in any noncommercial year. Three-year average production for a direct reduced ore facility that has noncommercial production is the average of the commercial production of direct reduced ore for the current year and the previous two commercial years.

(4) This paragraph applies only to plants for which all environmental permits have been obtained and construction has begun before July 1, 2008.

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

Sec. 5. Minnesota Statutes 2016, 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)(1) Four 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:

(i) was actively mined by LTV Steel Mining Company in 1999; or

(ii) has been actively mined in at least one of the prior three years.

(2) If a city or town is located near more than one mine meeting the criteria under this paragraph, 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. The amounts distributed under this paragraph to each municipality must be used for infrastructure improvement projects.

(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 the day following final enactment.

Sec. 6. Minnesota Statutes 2016, section 298.28, subdivision 5, is amended to read:

Subd. 5. Counties. (a) 21.05 cents per taxable ton for distributions in 2015 through 2023, and 26.05 cents per taxable ton for distributions beginning in 2024, is allocated to counties to be distributed, based upon certification by the commissioner of revenue, under paragraphs (b) to (d).

(b) 10.525 cents per taxable ton shall be distributed to the county in which the taconite is mined or quarried or in which the concentrate is produced, less any amount which is to be distributed pursuant to paragraph (c). The apportionment formula prescribed in subdivision 2 is the basis for the distribution.

(c) If 1.0 cent per taxable ton of the tax distributed to the counties under paragraph (b) shall be paid to a county that received a distribution under this section in 2000 because there was located in the county an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a different county other than the county in which the mining and the concentrating processes are conducted, one cent per taxable ton of the tax distributed to the counties pursuant to paragraph (b) and imposed on and collected from such taxpayer shall be paid to the county in which the power plant is located.

(d) 10.525 cents per taxable ton for distributions in 2015 through 2023, and 15.525 cents per taxable ton for distributions beginning in 2024, shall be paid to the county from which the taconite was mined, quarried or concentrated to be deposited in the county road and bridge fund. If the mining, quarrying and concentrating, or separate steps in any of those processes are carried on in more than one county, the commissioner shall follow the apportionment formula prescribed in subdivision 2.
EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 24

DEPARTMENT OF REVENUE PROPERTY TAX AND LOCAL GOVERNMENT AID POLICY PROVISIONS

Section 1. Minnesota Statutes 2016, section 270.074, subdivision 1, is amended to read:

Subdivision 1. Valuation. The commissioner shall determine the market valuation of all flight property operated or used by every airline company in air commerce in this state. The valuation apportioned to this state of such flight property shall be the proportion of the total valuation thereof determined on the basis of the total of the following percentages:

1. 33-1/3 percent of the percentage which the total tonnage of passengers, express and freight first received by the airline company in this state during the preceding calendar year plus the total tonnage of passengers, express and freight finally discharged by it within this state during the preceding calendar year is of the total of such tonnage first received by the airline company or finally discharged by it, within and without this state during the preceding calendar year.

2. 33-1/3 percent of the percentage which, in equated plane hours, the total time of all aircraft of the airline company in flight in this state during the preceding calendar year, is of the total of such time in flight within and without this state during the preceding calendar year.

3. 33-1/3 percent of the percentage which the number of revenue ton miles of passengers, mail, express and freight flown by the airline company within this state during the preceding calendar year is of the total number of such miles flown by it within and without this state during the preceding calendar year.

4. 50 percent of the percentage that the total departures performed by the airline company within this state during the preceding calendar year is of the total departures performed within and without this state during the preceding calendar year.

EFFECTIVE DATE. This section is effective for assessment year 2018 and thereafter.

Sec. 2. Minnesota Statutes 2016, section 272.025, subdivision 1, is amended to read:

Subdivision 1. Statement of exemption. (a) Except in the case of property owned by the state of Minnesota or any political subdivision thereof, and property exempt from taxation under section 272.02, subdivisions 9, 10, 13, 15, 18, 20, and 22 to 25, and at the times provided in subdivision 3, a taxpayer claiming an exemption from taxation on property...
described in section 272.02, subdivisions 2 to 33, must file a statement of exemption with
the assessor of the assessment district in which the property is located. By February 1, 2018,
and by February 1 of each third year thereafter, the commissioner of revenue shall publish
on its Web site a list of the exemptions for which a taxpayer claiming an exemption must
file a statement of exemption. The commissioner’s requirement that a taxpayer file a statement
of exemption pursuant to this subdivision shall not be considered a rule and is not subject
to the Administrative Procedure Act, chapter 14.

(b) A taxpayer claiming an exemption from taxation on property described in section
272.02, subdivision 10, must file a statement of exemption with the commissioner of revenue,
on or before February 15 of each year for which the taxpayer claims an exemption.

(c) In case of sickness, absence or other disability or for good cause, the assessor or the
commissioner may extend the time for filing the statement of exemption for a period not to
exceed 60 days.

(d) The commissioner of revenue shall prescribe the form and contents of the statement
of exemption.

**EFFECTIVE DATE.** This section is effective for applications for exemption submitted
in 2018 and thereafter.

Sec. 3. Minnesota Statutes 2016, section 272.0295, is amended by adding a subdivision
to read:

**Subd. 8. Extension.** The commissioner may, for good cause, extend the time for filing
the report required by subdivision 4. The extension must not exceed 15 days.

**EFFECTIVE DATE.** This section is effective for reports filed in 2018 and thereafter.

Sec. 4. Minnesota Statutes 2016, section 272.115, subdivision 1, is amended to read:

**Subdivision 1. Requirement.** Except as otherwise provided in subdivision 5 or 6,
whenever any real estate is sold for a consideration in excess of $1,000, whether by
warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor,
grantee or the legal agent of either shall file a certificate of value with the county auditor
in the county in which the property is located when the deed or other document is presented
for recording. Contract for deeds are subject to recording under section 507.235, subdivision
1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration
thereof, paid or to be paid, including the amount of any lien or liens assumed. The items
and value of personal property transferred with the real property must be listed and deducted
from the sale price. The certificate of value shall include the classification to which the
property belongs for the purpose of determining the fair market value of the property, and
shall include any proposed change in use of the property known to the person filing the
certificate that could change the classification of the property. The certificate shall include
financing terms and conditions of the sale which are necessary to determine the actual,
present value of the sale price for purposes of the sales ratio study. If the property is being
acquired as part of a like-kind exchange under section 1031 of the Internal Revenue Code
of 1986, as amended through December 31, 2006, that must be indicated on the certificate.
The commissioner of revenue shall promulgate administrative rules specifying the financing
terms and conditions which must be included on the certificate. The certificate of value
must include the Social Security number or the federal employer identification number of
the grantors and grantees. However, a married person who is not an owner of record and
who is signing a conveyance instrument along with the person's spouse solely to release
and convey their marital interest, if any, in the real property being conveyed is not a grantor
for the purpose of the preceding sentence. A statement in the deed that is substantially in
the following form is sufficient to allow the county auditor to accept a certificate for filing
without the Social Security number of the named spouse: "(Name) claims no ownership
interest in the real property being conveyed and is executing this instrument solely to release
and convey a marital interest, if any, in that real property." The identification numbers of
the grantors and grantees are private data on individuals or nonpublic data as defined in
section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or
nonpublic data may be disclosed to the commissioner of revenue for purposes of tax
administration. The information required to be shown on the certificate of value is limited
to the information required as of the date of the acknowledgment on the deed or other
document to be recorded. The commissioner's determination of the amount for which a
certificate of value is required pursuant to this subdivision shall not be considered a rule
and is not subject to the Administrative Procedure Act, chapter 14.

EFFECTIVE DATE. This section is effective for certificates of value filed after
December 31, 2017.

Sec. 5. Minnesota Statutes 2016, section 272.115, subdivision 2, is amended to read:

Subd. 2. Form; information required. The certificate of value shall require such facts
and information as may be determined by the commissioner to be reasonably necessary in
the administration of the state education aid formulas. The form of the certificate of value
shall be prescribed by the Department of Revenue which shall provide an adequate supply
of forms to each county auditor.
EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 6. Minnesota Statutes 2016, section 272.115, subdivision 3, is amended to read:

Subd. 3. Copies transmitted; homestead status. The county auditor shall transmit two true copies of the certificate of value to the assessor who shall insert into the certificate of value the most recent market value and when available, the year of original construction of each parcel of property on both copies, and shall transmit one copy of the certificate of value to the Department of Revenue. Upon the request of a city council located within the county, a copy of each certificate of value for property located in that city shall be made available to the governing body of the city. The assessor shall remove the homestead classification for the following assessment year from a property which is sold or transferred, unless the grantee or the person to whom the property is transferred completes a homestead application under section 273.124, subdivision 13, and qualifies for homestead status.

EFFECTIVE DATE. This section is effective for certificates of value filed after December 31, 2017.

Sec. 7. Minnesota Statutes 2016, section 273.124, subdivision 13, is amended to read:

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

(b) The format and contents of a uniform homestead application shall be prescribed by the commissioner of revenue. The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property or by the qualifying relative and returned to the county assessor in order for the property to receive homestead treatment.

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

If a property owner occupies a homestead, the property owner's spouse may not claim another property as a homestead unless the property owner and the property owner's spouse

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file with the assessor an affidavit or other proof required by the assessor stating that the
property qualifies as a homestead under subdivision 1, paragraph (e).

Owners or spouses occupying residences owned by their spouses and previously occupied
with the other spouse, either of whom fail to include the other spouse's name and Social
Security number on the homestead application or provide the affidavits or other proof
requested, will be deemed to have elected to receive only partial homestead treatment of
their residence. The remainder of the residence will be classified as nonhomestead residential.

When an owner or spouse's name and Social Security number appear on homestead
applications for two separate residences and only one application is signed, the owner or
spouse will be deemed to have elected to homestead the residence for which the application
was signed.

(d) If residential real estate is occupied and used for purposes of a homestead by a relative
of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for
the property to receive homestead status, a homestead application must be filed with the
assessor. The Social Security number of each relative occupying the property, and the name
and Social Security number of the spouse of a relative occupying the property shall be
required on the homestead application filed under this subdivision. If a different relative of
the owner subsequently occupies the property, the owner of the property must notify the
assessor within 30 days of the change in occupancy. The Social Security number of a relative
occupying the property or relative's spouse of a relative occupying the property is private
data on individuals as defined by section 13.02, subdivision 12, but may be disclosed to the
commissioner of revenue, or, for the purposes of proceeding under the Revenue Recapture
Act to recover personal property taxes owing, to the county treasurer.

(e) The homestead application shall also notify the property owners that if the property
is granted homestead status for any assessment year, that same property shall remain
classified as homestead until the property is sold or transferred to another person, or the
owners, the spouse of the owner, or the relatives no longer use the property as their
homestead. Upon the sale or transfer of the homestead property, a certificate of value must
be timely filed with the county auditor as provided under section 272.115. Failure to notify
the assessor within 30 days that the property has been sold, transferred, or that the owner,
the spouse of the owner, or the relative is no longer occupying the property as a homestead,
shall result in the penalty provided under this subdivision and the property will lose its
current homestead status.

(f) If a homestead application has not been filed with the county by December 15, the
assessor shall classify the property as nonhomestead for the current assessment year for
taxes payable in the following year, provided that the owner may be entitled to receive the homestead classification by proper application under section 375.192.

**EFFECTIVE DATE.** This section is effective for applications for homestead filed in 2018 and thereafter.

Sec. 8. Minnesota Statutes 2016, section 273.124, subdivision 13d, is amended to read:

Subd. 13d. Homestead data. On or before April 30 each year beginning in 2007, each county must provide the commissioner with the following data for each parcel of homestead property by electronic means as defined in section 289A.02, subdivision 8:

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

(2) the name and Social Security number of each occupant of homestead property who is the property owner, property owner’s spouse, or qualifying relative of a property owner, and the spouse of the property owner who occupies homestead property or spouse of a qualifying relative of a property owner who occupies homestead property;

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

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

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

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

(7) the assessor’s estimated market value assigned to the property for taxes payable in the current year and the prior year;

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

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

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

(11) such other information as the commissioner decides is necessary.
The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

**EFFECTIVE DATE.** This section is effective for applications for homestead filed in 2018 and thereafter.

Sec. 9. Minnesota Statutes 2016, section 274.014, subdivision 3, is amended to read:

Subd. 3. Proof of compliance; transfer of duties. (a) Any city or town that conducts local boards of appeal and equalization meetings must provide proof to the county assessor by February 1 that it is in compliance with the training requirements of subdivision 2 by February 1, by having at least one member who has attended an appeals and equalization course described in subdivision 2 within the last four years. This notice must also verify that there was a quorum of voting members at each meeting of the board of appeal and equalization in the previous year. A city or town that does not comply with these requirements is deemed to have transferred its board of appeal and equalization powers to the county for a minimum of two assessment years, beginning with the current year's assessment and continuing thereafter unless the powers are reinstated under paragraph (c).

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

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

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

**EFFECTIVE DATE.** This section is effective for board of appeal and equalization meetings held in 2018 and thereafter.
Sec. 10. Minnesota Statutes 2016, section 274.135, subdivision 3, is amended to read:

Subd. 3. Proof of compliance; transfer of duties. (a) Any county that conducts county boards of appeal and equalization meetings must provide proof to the commissioner by December 1, 2009, and each year thereafter, that it is in compliance with the training requirements of subdivision 2 by February 1, by having at least one member who has attended an appeals and equalization course described in subdivision 2 within the last four years. Beginning in 2009, this notice must also verify that there was a quorum of voting members at each meeting of the board of appeal and equalization in the current year. A county that does not comply with these requirements is deemed to have transferred its board of appeal and equalization powers to the special board of equalization appointed pursuant to section 274.13, subdivision 2, for a minimum of two assessment years, beginning with the following year's assessment and continuing thereafter unless the powers are reinstated under paragraph (c). A county that does not comply with the requirements of subdivision 2 and has not appointed a special board of equalization shall appoint a special board of equalization before the following year's assessment.

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

(c) A county board whose powers are transferred to the special board of equalization under this subdivision may be reinstated by resolution of the county board and upon proof of compliance with the requirements of subdivision 2. The resolution and proofs must be provided to the commissioner by December 1 in order to be effective for the following year's assessment.

(d) If a person who was entitled to appeal to the county board of appeal and equalization or to the county special board of equalization is not able to do so in a particular year because the county board or special board did not meet the quorum and training requirements in this section and section 274.13, or because the special board was not appointed, that person may instead appeal to the commissioner of revenue, provided that the appeal is received by the commissioner prior to August 1. The appeal is not subject to either chapter 14 or section 270C.92. The commissioner must issue an appropriate order to the county assessor in response to each timely appeal, either upholding or changing the valuation or classification of the property. Prior to October 1 of each year, the commissioner must charge and bill the
county where the property is located $500 for each tax parcel covered by an order issued under this paragraph in that year. Amounts received by the commissioner under this paragraph must be deposited in the state's general fund. If payment of a billed amount is not received by the commissioner before December 1 of the year when billed, the commissioner must deduct that unpaid amount from any state aid the commissioner would otherwise pay to the county under chapter 477A in the next year. Late payments may either be returned to the county uncashed and undeposited or may be accepted. If a late payment is accepted, the state aid paid to the county under chapter 477A must be adjusted within 12 months to eliminate any reduction that occurred because the payment was late. Amounts needed to make these adjustments are included in the appropriation under section 477A.03, subdivision 2.

**EFFECTIVE DATE.** This section is effective for board of appeal and equalization meetings held in 2018 and thereafter.

Sec. 11. **REPEALER.**

Minnesota Statutes 2016, section 270.074, subdivision 2, is repealed.

**EFFECTIVE DATE.** This section is effective for assessment year 2018 and thereafter.

**ARTICLE 25**

**DEPARTMENT OF REVENUE SALES AND USE, AND SPECIAL TAXES POLICY PROVISIONS**

Section 1. Minnesota Statutes 2016, section 84.82, subdivision 10, is amended to read:

Subd. 10. **Proof of sales tax payment; collection and refund.** (a) A person applying for initial registration of a snowmobile must provide a snowmobile purchaser's certificate, showing a complete description of the snowmobile, the seller's name and address, the full purchase price of the snowmobile, and the trade-in allowance, if any. The certificate must include information showing either receipt, invoice, or other document to prove that:

(1) that the sales and use tax under chapter 297A was paid or;

(2) the purchase was exempt from tax under chapter 297A. The commissioner of public safety, in consultation with the commissioner and the commissioner of revenue, shall prescribe the form of the certificate. The certificate is not required if the applicant provides a receipt, invoice, or other document that shows; or

(3) the snowmobile was purchased from a retailer that is maintaining a place of business in this state as defined in section 297A.66, subdivision 1, and is a dealer.
(b) The commissioner or authorized deputy registrars, acting as agents of the commissioner of revenue under an agreement between the commissioner and the commissioner of revenue, as provided in section 297A.825:

(1) must collect use tax from the applicant if the applicant does not provide the proof required under paragraph (a); and

(2) are authorized to issue refunds of use tax paid to them in error.

(c) Subdivision 11 does not apply to refunds under this subdivision.

EFFECTIVE DATE. This section is effective for snowmobiles registered after June 30, 2017.

Sec. 2. Minnesota Statutes 2016, section 84.922, subdivision 11, is amended to read:

Subd. 11. Proof of sales tax payment; collection and refund. (a) A person applying for initial registration in Minnesota of an all-terrain vehicle must provide a purchaser's certificate showing a complete description of the all-terrain vehicle, the seller's name and address, the full purchase price of the all-terrain vehicle, and the trade-in allowance, if any. The certificate also must include information showing either receipt, invoice, or other document to prove that:

(1) the sales and use tax under chapter 297A was paid; or

(2) the purchase was exempt from tax under chapter 297A. The certificate is not required if the applicant provides a receipt, invoice, or other document that shows; or

(3) the all-terrain vehicle was purchased from a retailer that is maintaining a place of business in this state as defined in section 297A.66, subdivision 1, and is a dealer.

(b) The commissioner or authorized deputy registrars, acting as agents of the commissioner of revenue under an agreement between the commissioner and the commissioner of revenue, as provided in section 297A.825:

(1) must collect use tax from the applicant if the applicant does not provide the proof required under paragraph (a); and

(2) are authorized to issue refunds of use tax paid to them in error.

(c) Subdivision 12 does not apply to refunds under this subdivision.

EFFECTIVE DATE. This section is effective for all-terrain vehicles registered after June 30, 2017.
Subd. 12. **Proof of sales tax payment; collection and refund.** (a) A person applying for initial licensing of a watercraft must provide a watercraft purchaser's certificate, showing a complete description of the watercraft, the seller's name and address, the full purchase price of the watercraft, and the trade-in allowance, if any. The certificate must include information showing either receipt, invoice, or other document to prove that:

1. that the sales and use tax under chapter 297A was paid or;
2. the purchase was exempt from tax under chapter 297A.

The commissioner of public safety, in consultation with the commissioner and the commissioner of revenue, shall prescribe the form of the certificate. The certificate is not required if the applicant provides a receipt, invoice, or other document that shows;

3. the watercraft was purchased from a retailer that is maintaining a place of business in this state as defined in section 297A.66, subdivision 1, and is a dealer.

(b) The commissioner or authorized deputy registrars, acting as agents of the commissioner of revenue under an agreement between the commissioner and the commissioner of revenue, as provided in section 297A.825:

1. must collect use tax from the applicant if the applicant does not provide the proof required under paragraph (a); and
2. are authorized to issue refunds of use tax paid to them in error.
3. Section 86B.415, subdivision 11, does not apply to refunds under this subdivision.

**EFFECTIVE DATE.** This section is effective for watercraft licensed after June 30, 2017.

Sec. 4. Minnesota Statutes 2016, section 270B.14, is amended by adding a subdivision to read:

Subd. 20. **Department of Natural Resources; authorized deputy registrars of motor vehicles.** The commissioner may disclose return information related to the taxes imposed by chapter 297A to the Department of Natural Resources or an authorized deputy registrar of motor vehicles only:

1. if the commissioner has an agreement with the commissioner of natural resources under section 297A.825, subdivision 1; and
(2) to the extent necessary for the Department of Natural Resources or an authorized
deputy registrar of motor vehicles, as agents for the commissioner, to verify that the
applicable sales or use tax has been paid or that a sales tax exemption applies on the purchase
of a snowmobile, all-terrain vehicle, or watercraft, and to administer sections 84.82,
subdivision 10; 84.922, subdivision 11; 86B.401, subdivision 12; and 297A.825, regarding
either their collection of use tax or their issuance of refunds to applicants of use tax paid to
them in error.

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

Sec. 5. Minnesota Statutes 2016, section 270B.14, is amended by adding a subdivision to
read:

Subd. 21. **Department of Transportation.** The commissioner may disclose return
information related to the taxes imposed by chapter 297A to the Department of Transportation
only:

(1) if the commissioner has an agreement with the commissioner of transportation under
section 297A.82, subdivision 7; and

(2) to the extent necessary for the Department of Transportation, as agent for the
commissioner, to verify that the applicable sales or use tax has been paid or that a sales tax
exemption applies on the lease, purchase, or sale of an aircraft by an individual or business
who owns and operates the aircraft that must be registered or licensed in Minnesota under
section 360.018, and to otherwise administer section 297A.82, regarding the collection of
tax by the Department of Transportation.

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

Sec. 6. Minnesota Statutes 2016, section 289A.50, subdivision 2a, is amended to read:

Subd. 2a. **Refund of sales tax to purchasers.** (a) If a vendor has collected from a
purchaser a tax on a transaction that is not subject to the tax imposed by chapter 297A, the
purchaser may apply directly to the commissioner for a refund under this section if:

(1) the purchaser is currently registered or was registered during the period of the claim,
to collect and remit the sales tax or to remit the use tax; and

(2) either

(i) the amount of the refund to be applied for exceeds $500, or
(ii) the amount of the refund to be applied for does not exceed $500, but the purchaser also applies for a capital equipment claim at the same time, and the total of the two refunds exceeds $500.

(b) The purchaser may not file more than two applications for refund under this subdivision in a calendar year.

(c) Refunds shall not be issued for sales for resale where the vendor has a published no resale policy.

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

Sec. 7. Minnesota Statutes 2016, section 296A.01, subdivision 7, is amended to read:

Subd. 7. **Aviation gasoline.** "Aviation gasoline" means any gasoline that is capable of use for the purpose of producing or generating power for propelling internal combustion engine aircraft, that meets the specifications in ASTM specification D910-11, and that either:

(1) is Aviation gasoline includes any such gasoline invoiced and billed by a producer, manufacturer, refiner, or blender to a distributor or dealer, by a distributor to a dealer or consumer, or by a dealer to consumer, as "aviation gasoline", or that meets specifications in ASTM specification D910-16 or any other ASTM specification as gasoline appropriate for use in producing or generating power for propelling internal combustion engine aircraft.

(2) whether or not invoiced and billed as provided in clause (1), is received, sold, stored, or withdrawn from storage by any person, to be used for the purpose of producing or generating power for propelling internal combustion engine aircraft.

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

Sec. 8. [297A.825] SNOWMOBILES; ALL-TERRAIN VEHICLES; WATERCRAFT; PAYMENT OF TAXES; REFUNDS.

Subdivision 1. **Agreement with commissioners of natural resources and public safety; collection and refunds.** The commissioner may enter into an agreement with the commissioner of natural resources, in consultation with the commissioner of public safety, that provides that:

(1) the commissioner of natural resources and authorized deputy registrars of motor vehicles must collect use tax on snowmobiles, all-terrain vehicles, and watercraft from
persons applying for initial registration or license of the item unless the applicant provides
a receipt, invoice, or other document to prove that:

(i) sales tax was paid on the purchase;

(ii) the purchase was exempt under this chapter;

(iii) use tax was paid to the commissioner in a form prescribed by the commissioner; or

(iv) the item was purchased from a retailer that is maintaining a place of business in this
state as defined in section 297A.66, subdivision 1, and is a dealer as defined in section
84.81, subdivision 10; 84.92, subdivision 3; or 86B.005, subdivision 4; and

(2) the commissioner of natural resources and authorized deputy registrars of motor
vehicles are authorized to issue refunds of use tax paid to them in error, meaning that either
the sales or use tax had already been paid or that the purchase was exempt from tax under
this chapter.

Subd. 2.  **Agents.** For the purposes of collecting or refunding the tax under this section,
the commissioner of natural resources and authorized deputy registrars of motor
vehicles are the agents of the commissioner and are subject to, and must strictly comply with, all
rules consistent with this chapter prescribed by the commissioner.

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

Sec. 9.  Minnesota Statutes 2016, section 297B.07, is amended to read:

**297B.07 PRESUMPTIONS.**

Subdivision 1.  **Presumption; sale and registration.** For the purpose of the proper
administration of this chapter, and to prevent evasion of the tax, the following presumptions shall apply:

(a) Evidence that a motor vehicle was sold for delivery in this state shall be prima facie
evidence that it was sold for use in this state.

(b) When an application for registration plates for a motor vehicle is received by the
motor vehicle registrar within 30 days of the date it was purchased or acquired by the
purchaser, it shall be presumed, until the contrary is shown by the purchaser, that it was
purchased or acquired for use in this state. This presumption shall apply whether or not such
vehicle was previously titled or registered in another state.

Subd. 2.  **Presumption; ownership.** (a) When a business entity not organized under the
laws of this state owns a motor vehicle that is under the control of a Minnesota resident, it

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is presumed that the Minnesota resident is the owner of the motor vehicle if two or more
of the following are true:
(1) the business entity lacks a specific business activity or purpose other than the
avoidance of tax;
(2) the business entity maintains no physical location in the jurisdiction where it is
organized;
(3) the business entity earns de minimis or no revenue;
(4) the business entity maintains minimal or no business records;
(5) the business entity fails to employ individual persons and provide those persons with
federal income tax W-2 wage and tax statements; or
(6) the business entity fails to file federal income tax returns or fails to file a required
state tax return where it is organized.
(b) For purposes of this subdivision, a motor vehicle is under the control of a Minnesota
resident if the Minnesota resident:
(1) is a partner, member, or shareholder of the business entity;
(2) is insured to drive the vehicle; and
(3) operates or stores the vehicle in Minnesota for any period of time.

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

Sec. 10. Minnesota Statutes 2016, section 297I.30, subdivision 7, is amended to read:

Subd. 7. Surcharge. (a) By April 30 of each year, every company required to pay the
surcharge under section 297I.10, subdivision 1, shall file a return for the five-month period
ending March 31 in the form prescribed by the commissioner.

(b) (a) By June 30 of each year, every company required to pay the surcharge under
section 297I.10, subdivision 1, shall file a return for the seven-month period
ending May 31 in the form prescribed by the commissioner.

(c) (b) By November 30 of each year, every company required to pay the surcharge
under section 297I.10, subdivision 1, shall file a return for the five-month period ending
October 31 in the form prescribed by the commissioner.

EFFECTIVE DATE. This section is effective for returns due after October 31, 2017.
Sec. 11. **REPEALER.**

Minnesota Rules, part 8125.1300, subpart 3, is repealed.

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

**ARTICLE 26**

**DEPARTMENT OF REVENUE PAID PREPARER POLICY PROVISIONS**

Section 1. Minnesota Statutes 2016, section 270C.445, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) For purposes of this section and sections 270C.4451 to 270C.447, the following terms have the meanings given.

(b) "Advertise" means to solicit business through any means or medium.

(c) "Client" means a person for whom a tax preparer performs or agrees to perform tax preparation services.

(d) "Facilitate" means to individually or in conjunction or cooperation with another person:

(1) accept an application for a refund anticipation loan;

(2) pay to a client the proceeds, through direct deposit, a negotiable instrument, or any other means, of a refund anticipation loan; or

(3) offer, arrange, process, provide, or in any other manner act to allow the making of, a refund anticipation loan.

(e) "Person" means an individual, corporation, partnership, limited liability company, association, trustee, or other legal entity.

(f) "Refund anticipation check" means a negotiable instrument provided to a client by the tax preparer or another person, which is issued from the proceeds of a taxpayer's federal or state income tax refund or both and represents the net of the refund minus the tax preparation fee and any other fees. A refund anticipation check includes a refund transfer.

(g) "Refund anticipation loan" means a loan or any other extension of credit, whether provided by the tax preparer or another entity such as a financial institution, in anticipation of, and whose payment is secured by, a client's federal or state income tax refund or both.

(h) "Tax preparation services" means services provided for a fee or other consideration compensation to a client to:

(1) assist with preparing or filing state or federal individual income tax returns;
(2) assume final responsibility for completed work on an individual income tax return on which preliminary work has been done by another; or

(3) sign or include on a return the preparer tax identification number required under section 6109(a)(4) of the Internal Revenue Code; or

(4) facilitate the provision of a refund anticipation loan or a refund anticipation check.

(4) (h) "Tax preparer" or "preparer" means a person providing tax preparation services subject to this section, except:

(1) an employee who prepares their employer's return;

(2) any fiduciary, or the regular employees of a fiduciary, while acting on behalf of the fiduciary estate, testator, trustor, grantor, or beneficiaries of them;

(3) nonprofit organizations providing tax preparation services under the Internal Revenue Service Volunteer Income Tax Assistance Program or Tax Counseling for the Elderly Program;

(4) a person who merely furnishes typing, reproducing, or other mechanical assistance;

(5) a third-party bulk filer as defined in section 290.92, subdivision 30, that is currently registered with the commissioner; and

(6) a certified service provider as defined in section 297A.995, subdivision 2, paragraph (c), that provides all of the sales tax functions for a retailer not maintaining a place of business in this state as described in section 297A.66.

(i) Except as otherwise provided, "return" means:

(1) a return as defined in section 270C.01, subdivision 8;

(2) a claim for refund of an overpayment;

(3) a claim filed pursuant to chapter 290A; and

(4) a claim for a credit filed under section 290.0677, subdivision 1.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 2. Minnesota Statutes 2016, section 270C.445, subdivision 3, is amended to read:

Subd. 3. Standards of conduct. No tax preparer shall:
(1) without good cause fail to promptly, diligently, and without unreasonable delay complete a client's tax return;

(2) obtain the signature of a client to a tax return or authorizing document that contains blank spaces to be filled in after it has been signed;

(3) fail to sign a client's tax return when payment compensation for services rendered has been made;

(4) fail to provide on a client's return the preparer tax identification number when required under section 6109(a)(4) of the Internal Revenue Code or section 289A.60, subdivision 28;

(5) fail or refuse to give a client a copy of any document requiring the client's signature within a reasonable time after the client signs the document;

(6) fail to retain for at least four years a copy of individual income tax a client's returns;

(7) fail to maintain a confidential relationship with clients or former clients;

(8) fail to take commercially reasonable measures to safeguard a client's nonpublic personal information;

(9) make, authorize, publish, disseminate, circulate, or cause to make, either directly or indirectly, any false, deceptive, or misleading statement or representation relating to or in connection with the offering or provision of tax preparation services;

(10) require a client to enter into a loan arrangement in order to complete a tax client's return;

(11) claim credits or deductions on a client's tax return for which the tax preparer knows or reasonably should know the client does not qualify;

(12) report a household income on a client's claim filed under chapter 290A that the tax preparer knows or reasonably should know is not accurate;

(13) engage in any conduct that is subject to a penalty under section 289A.60, subdivision 13, 20, 20a, 26, or 28;

(14) whether or not acting as a taxpayer representative, fail to conform to the standards of conduct required by Minnesota Rules, part 8052.0300, subpart 4;

(15) whether or not acting as a taxpayer representative, engage in any conduct that is incompetent conduct under Minnesota Rules, part 8052.0300, subpart 5;
whether or not acting as a taxpayer representative, engage in any conduct that is
disreputable conduct under Minnesota Rules, part 8052.0300, subpart 6;
(17) charge, offer to accept, or accept a fee based upon a percentage of an anticipated
refund for tax preparation services;
(18) under any circumstances, withhold or fail to return to a client a document
provided by the client for use in preparing the client's tax return;
(19) establish an account in the preparer's name to receive a client's refund through
a direct deposit or any other instrument unless the client's name is also on the account,
except that a taxpayer may assign the portion of a refund representing the Minnesota
education credit available under section 290.0674 to a bank account without the client's
name, as provided under section 290.0679;
(20) fail to act in the best interests of the client;
(21) fail to safeguard and account for any money handled for the client;
(22) fail to disclose all material facts of which the preparer has knowledge which
might reasonably affect the client's rights and interests;
(23) violate any provision of section 332.37;
(24) include any of the following in any document provided or signed in connection
with the provision of tax preparation services:
(i) a hold harmless clause;
(ii) a confession of judgment or a power of attorney to confess judgment against the
client or appear as the client in any judicial proceeding;
(iii) a waiver of the right to a jury trial, if applicable, in any action brought by or against
a debtor;
(iv) an assignment of or an order for payment of wages or other compensation for
services;
(v) a provision in which the client agrees not to assert any claim or defense otherwise
available;
(vi) a waiver of any provision of this section or a release of any obligation required to
be performed on the part of the tax preparer; or
(vii) a waiver of the right to injunctive, declaratory, or other equitable relief or relief on
a class basis; or
408.1 (19) (25) if making, providing, or facilitating a refund anticipation loan, fail to provide
408.2 all disclosures required by the federal Truth in Lending Act, United States Code, title 15,
408.3 in a form that may be retained by the client.

**EFFECTIVE DATE.** This section is effective for claims and returns filed after December
408.4 31, 2017.

408.5 Sec. 3. Minnesota Statutes 2016, section 270C.445, subdivision 5a, is amended to read:

408.6 Subd. 5a. Nongame wildlife checkoff. A tax preparer must give written notice of the
408.7 option to contribute to the nongame wildlife management account in section 290.431 to
408.8 corporate clients that file an income tax return and to individual clients who file an income
408.9 tax return or property tax refund claim form under chapter 290A. This notification must be
408.10 included with information sent to the client at the same time as the preliminary worksheets
408.11 or other documents used in preparing the client's return and must include a line for displaying
408.12 contributions.

**EFFECTIVE DATE.** This section is effective for claims and returns filed after December

408.14 Sec. 4. Minnesota Statutes 2016, section 270C.445, subdivision 6, is amended to read:

408.15 Subd. 6. Enforcement; administrative order; penalties; cease and desist. (a) The
408.16 commissioner may impose an administrative penalty of not more than $1,000 per violation
408.17 of subdivision 3, 3a, 4, 5, or 5b or 5, or section 270C.4451, provided that a penalty may not
408.18 be imposed for any conduct that is also subject to the for which a tax return preparer penalties
408.19 in penalty is imposed under section 289A.60, subdivision 13. The commissioner may
408.20 terminate a tax preparer's authority to transmit returns electronically to the state, if the
408.21 commissioner determines the tax preparer engaged in a pattern and practice of violating
408.22 this section. Imposition of a penalty under this subdivision paragraph is subject to the
408.23 contested case procedure under chapter 14. The commissioner shall collect the penalty in
408.24 the same manner as the income tax. There is no right to make a claim for refund under
408.25 section 289A.50 of the penalty imposed under this paragraph. Penalties imposed under this
408.26 subdivision paragraph are public data.

408.27 (b) In addition to the penalty under paragraph (a), if the commissioner determines that
408.28 a tax preparer has violated subdivision 3 or 5, or section 270C.4451, the commissioner may
408.29 issue an administrative order to the tax preparer requiring the tax preparer to cease and
408.30 desist from committing the violation. The administrative order may include an administrative
408.31 penalty provided in paragraph (a).
(c) If the commissioner issues an administrative order under paragraph (b), the commissioner must send the order to the tax preparer addressed to the last known address of the tax preparer.

(d) A cease and desist order under paragraph (b) must:

1. describe the act, conduct, or practice committed and include a reference to the law that the act, conduct, or practice violates; and
2. provide notice that the tax preparer may request a hearing as provided in this subdivision.

(e) Within 30 days after the commissioner issues an administrative order under paragraph (b), the tax preparer may request a hearing to review the commissioner's action. The request for hearing must be made in writing and must be served on the commissioner at the address specified in the order. The hearing request must specifically state the reasons for seeking review of the order. The date on which a request for hearing is served by mail is the postmark date on the envelope in which the request for hearing is mailed.

(f) If a tax preparer does not timely request a hearing regarding an administrative order issued under paragraph (b), the order becomes a final order of the commissioner and is not subject to review by any court or agency.

(g) If a tax preparer timely requests a hearing regarding an administrative order issued under paragraph (b), the hearing must be commenced within ten days after the commissioner receives the request for a hearing.

(h) A hearing timely requested under paragraph (e) is subject to the contested case procedure under chapter 14, as modified by this subdivision. The administrative law judge must issue a report containing findings of fact, conclusions of law, and a recommended order within ten days after the completion of the hearing, the receipt of late-filed exhibits, or the submission of written arguments, whichever is later.

(i) Within five days of the date of the administrative law judge's report issued under paragraph (h), any party aggrieved by the administrative law judge's report may submit written exceptions and arguments to the commissioner. Within 15 days after receiving the administrative law judge's report, the commissioner must issue an order vacating, modifying, or making final the administrative order.

(j) The commissioner and the tax preparer requesting a hearing may by agreement lengthen any time periods prescribed in paragraphs (g) to (i).
(k) An administrative order issued under paragraph (b) is in effect until it is modified or vacated by the commissioner or an appellate court. The administrative hearing provided by paragraphs (e) to (i) and any appellate judicial review as provided in chapter 14 constitute the exclusive remedy for a tax preparer aggrieved by the order.

(l) The commissioner may impose an administrative penalty, in addition to the penalty under paragraph (a), up to $5,000 per violation of a cease and desist order issued under paragraph (b). Imposition of a penalty under this paragraph is subject to the contested case procedure under chapter 14. Within 30 days after the commissioner imposes a penalty under this paragraph, the tax preparer assessed the penalty may request a hearing to review the penalty order. The request for hearing must be made in writing and must be served on the commissioner at the address specified in the order. The hearing request must specifically state the reasons for seeking review of the order. The cease and desist order issued under paragraph (b) is not subject to review in a proceeding to challenge the penalty order under this paragraph. The date on which a request for hearing is served by mail is the postmark date on the envelope in which the request for hearing is mailed. If the tax preparer does not timely request a hearing, the penalty order becomes a final order of the commissioner and is not subject to review by any court or agency. A penalty imposed by the commissioner under this paragraph may be collected and enforced by the commissioner as an income tax liability. There is no right to make a claim for refund under section 289A.50 of the penalty imposed under this paragraph. A penalty imposed under this paragraph is public data.

(m) If a tax preparer violates a cease and desist order issued under paragraph (b), the commissioner may terminate the tax preparer's authority to transmit returns electronically to the state. Termination under this paragraph is public data.

(n) A cease and desist order issued under paragraph (b) is public data when it is a final order.

(o) Notwithstanding any other law, the commissioner may impose a penalty or take other action under this subdivision against a tax preparer, with respect to a return, within the period to assess tax on that return as provided by section 289A.38.

(p) Notwithstanding any other law, the imposition of a penalty or any other action against a tax preparer under this subdivision, other than with respect to a return, must be taken by the commissioner within five years of the violation of statute.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.
Sec. 5. Minnesota Statutes 2016, section 270C.445, subdivision 6a, is amended to read:

Subd. 6a. Exchange of data; State Board of Accountancy. The State Board of Accountancy shall refer to the commissioner complaints it receives about tax preparers who are not subject to the jurisdiction of the State Board of Accountancy and who are alleged to have violated the provisions of subdivisions 3, 3a, 4, 4a, 4b, 5, and 5b this section, except subdivision 5a, or section 270C.4451.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 6. Minnesota Statutes 2016, section 270C.445, subdivision 6b, is amended to read:

Subd. 6b. Exchange of data; Lawyers Board of Professional Responsibility. The Lawyers Board of Professional Responsibility may refer to the commissioner complaints it receives about tax preparers who are not subject to its jurisdiction and who are alleged to have violated the provisions of subdivisions 3, 3a, 4, 4a, 4b, 5, and 5b this section, except subdivision 5a, or section 270C.4451.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 7. Minnesota Statutes 2016, section 270C.445, subdivision 6c, is amended to read:

Subd. 6c. Exchange of data; commissioner. The commissioner shall refer information and complaints about tax preparers who are alleged to have violated the provisions of subdivisions 3, 3a, 4, 4a, 4b, 5, and 5b this section, except subdivision 5a, or section 270C.4451, to:

(1) the State Board of Accountancy, if the tax preparer is under its jurisdiction; and
(2) the Lawyers Board of Professional Responsibility, if the tax preparer is under its jurisdiction.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 8. Minnesota Statutes 2016, section 270C.445, subdivision 7, is amended to read:

Subd. 7. Enforcement; civil actions. (a) Any violation of this section or section 270C.4451 is an unfair, deceptive, and unlawful trade practice within the meaning of section 8.31. An action taken under this section is in the public interest.
(b) A client may bring a civil action seeking redress for a violation of this section in the conciliation or the district court of the county in which unlawful action is alleged to have been committed or where the respondent resides or has a principal place of business.

(c) A court finding for the plaintiff must award:

1. actual damages;
2. incidental and consequential damages;
3. statutory damages of twice the sum of: (i) the tax preparation fees; and (ii) if the plaintiff violated subdivision 3a, 4, or 5b section 270C.4451, subdivision 1, 2, or 5, all interest and fees for a refund anticipation loan;
4. reasonable attorney fees;
5. court costs; and
6. any other equitable relief as the court considers appropriate.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 9. Minnesota Statutes 2016, section 270C.445, subdivision 8, is amended to read:

Subd. 8. Limited exemptions. (a) Except as provided in paragraph (b), the provisions of this section, except for subdivisions 3a, 4, and 5b, subdivisions 3; 5; 5a; 6, paragraphs (a) to (n); and 7, do not apply to:

1. an attorney admitted to practice under section 481.01;
2. a registered accounting practitioner, a registered accounting practitioner firm, a certified public accountant, or other person who is subject to the jurisdiction of the State Board of Accountancy; a certified public accountant firm, licensed in accordance with chapter 326A;
3. an enrolled agent who has passed the special enrollment examination administered by the Internal Revenue Service; or
4. anyone a person who provides, or assists in providing, tax preparation services within the scope of duties as an employee or supervisor under the direction or supervision of a person who is exempt under this subdivision; or
5. a person acting as a supervisor to a tax preparer who is exempt under this subdivision.
(b) The provisions of subdivisions 3; 6, paragraphs (a) to (n); and 7, apply to a tax
preparer who would otherwise be exempt under paragraph (a) if the tax preparer has:

(1) had a professional license suspended or revoked for cause, not including a failure to
pay a professional licensing fee, by any authority of any state, territory, or possession of
the United States, including a commonwealth, or the District of Columbia, any federal court
of record, or any federal agency, body, or board;

(2) irrespective of whether an appeal has been taken, been convicted of any crime
involving dishonesty or breach of trust;

(3) been censured, suspended, or disbarred under United States Treasury Department
Circular 230;

(4) been sanctioned by a court of competent jurisdiction, whether in a civil or criminal
proceeding, including suits for injunctive relief, relating to any taxpayer's tax liability or
the tax preparer's own tax liability, for:

(i) instituting or maintaining proceedings primarily for delay;

(ii) advancing frivolous or groundless arguments; or

(iii) failing to pursue available administrative remedies; or

(5) demonstrated a pattern of willful disreputable conduct by:

(i) failing to file a return that the tax preparer was required to file annually for two of
the three immediately preceding tax periods; or

(ii) failing to file a return that the tax preparer was required to file more frequently than
annually for three of the six immediately preceding tax periods.

EFFECTIVE DATE. This section is effective for claims and returns filed after December

Sec. 10. Minnesota Statutes 2016, section 270C.445, is amended by adding a subdivision
to read:

Subd. 9. Powers additional. The powers and authority granted in this section are in
addition to all other powers of the commissioner. The use of the powers granted in this
section does not preclude the use of any other power or authority of the commissioner.

EFFECTIVE DATE. This section is effective for claims and returns filed after December
Sec. 11. Minnesota Statutes 2016, section 270C.446, subdivision 2, is amended to read:

Subd. 2. Required and excluded tax preparers. (a) Subject to the limitations of paragraph (b), the commissioner must publish lists of tax preparers as defined in section 289A.60, subdivision 13, paragraph (f) 270C.445, subdivision 2, paragraph (h), who have been:

(1) convicted under section 289A.63 for returns or claims prepared as a tax preparer or;

(2) assessed penalties in excess of $1,000 under section 289A.60, subdivision 13, paragraph (a);

(3) convicted for identity theft under section 609.527, or a similar statute, for a return filed with the commissioner, the Internal Revenue Service, or another state;

(4) assessed a penalty under section 270C.445, subdivision 6, paragraph (a), in excess of $1,000;

(5) issued a cease and desist order under section 270C.445, subdivision 6, paragraph (b), that has become a final order; or

(6) assessed a penalty under section 270C.445, subdivision 6, paragraph (l), for violating a cease and desist order.​

(b) For the purposes of this section, tax preparers are not subject to publication if:

(1) an administrative or court action contesting or appealing a penalty described in paragraph (a), clause (2), (4), or (6), has been filed or served and is unresolved at the time when notice would be given under subdivision 3;

(2) an appeal period to contest a penalty described in paragraph (a), clause (2), (4), or (6), has not expired; or

(3) the commissioner has been notified that the tax preparer is deceased;

(4) an appeal period to contest a cease and desist order issued under section 270C.445, subdivision 6, paragraph (b), has not expired;

(5) an administrative or court action contesting or appealing a cease and desist order issued under section 270C.445, subdivision 6, paragraph (b), has been filed or served and is unresolved at the time when notice would be given under subdivision 3;

(6) a direct appeal of a conviction described in paragraph (a), clause (1) or (3), has been filed or served and is unresolved at the time when the notice would be given under subdivision 3; or
(7) an appeal period to contest a conviction described in paragraph (a), clause (1) or (3), has not expired.

**EFFECTIVE DATE.** This section is effective for claims and returns filed after December 31, 2017.

Sec. 12. Minnesota Statutes 2016, section 270C.446, subdivision 3, is amended to read:

Subd. 3. **Notice to tax preparer.** (a) At least 30 days before publishing the name of a tax preparer subject to **penalty** publication under this section, the commissioner shall mail a written notice to the tax preparer, detailing the **amount and nature of each penalty basis** for the publication and the intended publication of the information listed in subdivision 4 related to the penalty. The notice must be mailed by first class and certified mail sent to the tax preparer addressed to the last known address of the tax preparer. The notice must include information regarding the exceptions listed in subdivision 2, paragraph (b), and must state that the tax preparer's information will not be published if the tax preparer provides information establishing that subdivision 2, paragraph (b), prohibits publication of the tax preparer's name.

(b) Thirty days after the notice is mailed and if the tax preparer has not proved to the commissioner that subdivision 2, paragraph (b), prohibits publication, the commissioner may publish in a list of tax preparers subject to penalty the information about the tax preparer that is listed in subdivision 4.

**EFFECTIVE DATE.** This section is effective for claims and returns filed after December 31, 2017.

Sec. 13. Minnesota Statutes 2016, section 270C.446, subdivision 4, is amended to read:

Subd. 4. **Form of list.** The list may be published by any medium or method. The list must contain the name, associated business name or names, address or addresses, and violation or violations for which a penalty was imposed of that make each tax preparer subject to penalty publication.

**EFFECTIVE DATE.** This section is effective for claims and returns filed after December 31, 2017.

Sec. 14. Minnesota Statutes 2016, section 270C.446, subdivision 5, is amended to read:

Subd. 5. **Removal from list.** The commissioner shall remove the name of a tax preparer from the list of tax preparers published under this section:

Article 26 Sec. 14.
(1) when the commissioner determines that the name was included on the list in error;

(2) within 90 days three years after the preparer has demonstrated to the commissioner that the preparer fully paid all fines and penalties imposed, served any suspension, satisfied any sentence imposed, successfully completed any probationary period imposed, and successfully completed any remedial actions required by the commissioner, the State Board of Accountancy, or the Lawyers Board of Professional Responsibility; or

(3) when the commissioner has been notified that the tax preparer is deceased.

**EFFECTIVE DATE.** This section is effective for claims and returns filed after December 31, 2017.

Sec. 15. Minnesota Statutes 2016, section 270C.447, subdivision 1, is amended to read:

Subdivision 1. **Commencement of action.** (a) Whenever it appears to the commissioner that a tax preparer doing business in Minnesota has engaged in any conduct described in subdivision 2, a civil action in the name of the state of Minnesota may be commenced to enjoin any person who is a tax return preparer doing business in this state from further engaging in any conduct described in subdivision 2 the conduct and enforce compliance.

(b) An action under this subdivision must be brought by the attorney general in:

(1) the district court for the judicial district of the tax return preparer's residence or principal place of business, or in which the;

(2) the district court for the judicial district of the residence of any taxpayer with respect to whose tax return the action is brought resides; or

(3) Ramsey County District Court.

(c) The court may exercise its jurisdiction over the action separate and apart from any other action brought by the state of Minnesota against the tax return preparer or any taxpayer. The court must grant a permanent injunction or other appropriate relief if the commissioner shows that the person has engaged in conduct constituting a violation of a law administered by the commissioner or a cease and desist order issued by the commissioner. The commissioner shall not be required to show irreparable harm.

**EFFECTIVE DATE.** This section is effective for claims and returns filed after December 31, 2017.
Sec. 16. Minnesota Statutes 2016, section 270C.447, subdivision 2, is amended to read:

Subd. 2. Injunction prohibiting specific conduct. In an action under subdivision 1, the court may enjoin the person from further engaging in that conduct if the court finds that a tax return preparer has:

(1) engaged in any conduct subject to a civil penalty under section 289A.60 or a criminal penalty under section 289A.63, or a criminal penalty under section 609.527 or a similar statute for a return filed with the commissioner, the Internal Revenue Service, or another state;

(2) misrepresented the preparer's eligibility to practice before the Department of Revenue, or otherwise misrepresented the preparer's experience or education as a tax return preparer;

(3) guaranteed the payment of any tax refund or the allowance of any tax credit; or

(4) violated a cease and desist order issued by the commissioner; or

(5) engaged in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of a law administered by the commissioner, and injunctive relief is appropriate to prevent the recurrence of that conduct.

the court may enjoin the person from further engaging in that conduct.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 17. Minnesota Statutes 2016, section 270C.447, subdivision 3, is amended to read:

Subd. 3. Injunction prohibiting all business activities. If the court finds that a tax return preparer has continually or repeatedly engaged in conduct described in subdivision 2, and that an injunction prohibiting that conduct would not be sufficient to prevent the person's interference with the proper administration of a law administered by the commissioner, the court may enjoin the person from acting as a tax return preparer. The court may not enjoin the employer of a tax return preparer for conduct described in subdivision 2 engaged in by one or more of the employer's employees unless the employer was also actively involved in that conduct.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.
Sec. 18. Minnesota Statutes 2016, section 270C.447, is amended by adding a subdivision to read:

Subd. 3a. Enforcement of cease and desist orders. (a) Whenever the commissioner under subdivision 1 or 3 seeks to enforce compliance with a cease and desist order, the court must consider the allegations in the cease and desist order conclusively established if the order is a final order.

(b) If the court finds the tax preparer was not in compliance with a cease and desist order, the court may impose a further civil penalty against the tax preparer for contempt in an amount up to $10,000 for each violation and may grant any other relief the court determines is just and proper in the circumstances. A civil penalty imposed by a court under this section may be collected and enforced by the commissioner as an income tax liability.

(c) The court may not require the commissioner to post a bond in an action or proceeding under this section.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.

Sec. 19. Minnesota Statutes 2016, section 289A.60, subdivision 13, is amended to read:

Subd. 13. Penalties for tax return preparers. (a) If an understatement of liability with respect to a return or claim for refund is due to a reckless disregard of laws and rules or willful attempt in any manner to understate the liability for a tax by a person who is a tax return preparer with respect to the return or claim, the person shall pay to the commissioner a penalty of $500. If a part of a property tax refund claim filed under section 290.0677, subdivision 1, or chapter 290A is excessive due to a reckless disregard or willful attempt in any manner to overstate the claim for relief allowed under chapter 290A by a person who is a tax refund or return preparer, the person shall pay to the commissioner a penalty of $500 with respect to the claim. These penalties may not be assessed against the employer of a tax return preparer unless the employer was actively involved in the reckless disregard or willful attempt to understate the liability for a tax or to overstate the claim for refund. These penalties are income tax liabilities and may be assessed at any time as provided in section 289A.38, subdivision 5.

(b) A civil action in the name of the state of Minnesota may be commenced to enjoin any person who is a tax return preparer doing business in this state as provided in section 270C.447.
(c) The commissioner may terminate or suspend a tax preparer's authority to transmit returns electronically to the state, if the commissioner determines that the tax preparer has engaged in a pattern and practice of conduct in violation of paragraph (a) of this subdivision or has been convicted under section 289A.63.

(d) For purposes of this subdivision, the term "understatement of liability" means an understatement of the net amount payable with respect to a tax imposed by state tax law, or an overstatement of the net amount creditable or refundable with respect to a tax. The determination of whether or not there is an understatement of liability must be made without regard to any administrative or judicial action involving the taxpayer. For purposes of this subdivision, the amount determined for underpayment of estimated tax under either section 289A.25 or 289A.26 is not considered an understatement of liability.

(e) For purposes of this subdivision, the term "overstatement of claim" means an overstatement of the net amount refundable with respect to a claim for property tax relief provided by filing under section 290.0677, subdivision 1, or chapter 290A. The determination of whether or not there is an overstatement of a claim must be made without regard to administrative or judicial action involving the claimant.

(f) For purposes of this section, the term "tax refund or return preparer" means an individual who prepares for compensation, or who employs one or more individuals to prepare for compensation, a return of tax, or a claim for refund of tax. The preparation of a substantial part of a return or claim for refund is treated as if it were the preparation of the entire return or claim for refund. An individual is not considered a tax return preparer merely because the individual:

1. gives typing, reproducing, or other mechanical assistance;
2. prepares a return or claim for refund of the employer, or an officer or employee of the employer, by whom the individual is regularly and continuously employed;
3. prepares a return or claim for refund of any person as a fiduciary for that person; or
4. prepares a claim for refund for a taxpayer in response to a tax order issued to the taxpayer. "tax preparer" or "preparer" has the meaning given in section 270C.445, subdivision 2, paragraph (h).

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.
Sec. 20. Minnesota Statutes 2016, section 289A.60, subdivision 28, is amended to read:

Subd. 28. **Preparer identification number.** Any Minnesota individual income tax return or claim for refund prepared by a "tax refund or return preparer" as defined in subdivision 13, paragraph (f), shall bear the identification number the preparer is required to use federally under section 6109(a)(4) of the Internal Revenue Code. (a) Each of the following that is prepared by a tax preparer must include the tax preparer's tax identification number:

1. a tax return required to be filed under this chapter;
2. a claim filed under section 290.0677, subdivision 1, or chapter 290A; and
3. a claim for refund of an overpayment.

(b) A tax preparer is not required to include their preparer tax identification number on a filing if the number is not required in the forms or filing requirements provided by the commissioner.

(c) A tax refund or return preparer who prepares a Minnesota individual income tax return or claim for refund and fails to include the required preparer tax identification number on the return or claim as required by this section is subject to a penalty of $50 for each failure.

(d) A tax preparer who fails to include the preparer tax identification number as required by this section, and who is required to have a valid preparer tax identification number issued under section 6109(a)(4) of the Internal Revenue Code, but does not have one, is subject to a $500 penalty for each failure. A tax preparer subject to the penalty in this paragraph is not subject to the penalty in paragraph (c).

(e) For the purposes of this subdivision, "tax preparer" has the meaning given in section 270C.445, subdivision 2, paragraph (h), and "preparer tax identification number" means the number the tax preparer is required to use federally under section 6109(a)(4) of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for claims and returns filed after December 31, 2017.

Sec. 21. **REVISOR'S INSTRUCTION.**

(a) The revisor of statutes shall renumber the provisions of Minnesota Statutes listed in column A to the references listed in column B.

<table>
<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
</tr>
</thead>
<tbody>
<tr>
<td>270C.445, subdivision 3a</td>
<td>270C.4451, subdivision 1</td>
</tr>
</tbody>
</table>

Article 26 Sec. 21.
(b) The revisor shall make necessary cross-reference changes in Minnesota Statutes and Minnesota Rules consistent with the renumbering of Minnesota Statutes, section 270C.445, subdivisions 3a, 4, 4a, 4b, and 5b.

(c) The revisor shall publish the statutory derivations of the laws renumbered in this act in Laws of Minnesota and report the derivations in Minnesota Statutes.

(d) If Minnesota Statutes, section 270C.445, subdivisions 3a, 4, 4a, 4b, and 5b, are further amended in the 2017 legislative session, the revisor shall codify the amendments in a manner consistent with this act. The revisor may make necessary changes to sentence structure to preserve the meaning of the text.

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

Sec. 22. REPEALER.

Minnesota Statutes 2016, sections 270C.445, subdivision 1; and 270C.447, subdivision 4, are repealed.

EFFECTIVE DATE. This section is effective for claims and returns filed after December 31, 2017.
INDIVIDUAL INCOME, CORPORATE FRANCHISE, AND

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ARTICLE 2 PROPERTY TAX ............................................................. Page.Ln 59.4
ARTICLE 3 TAXPAYER EMPOWERMENT ............................................. Page.Ln 116.27
ARTICLE 4 SALES AND USE TAXES ............................................... Page.Ln 144.6
ARTICLE 5 AIDS, CREDITS, AND REFUNDS .................................. Page.Ln 171.7
ARTICLE 6 IN PERPETUITY PAYMENTS ON LAND PURCHASES .......... Page.Ln 192.26
ARTICLE 7 LOCAL OPTION SALES AND USE TAXES ......................... Page.Ln 205.17
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ARTICLE 10 TOBACCO TAXES ......................................................... Page.Ln 253.21
ARTICLE 11 TAX ADMINISTRATION ................................................. Page.Ln 255.24
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ARTICLE 13 TRANSPORTATION-RELATED TAXES ............................. Page.Ln 284.24
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DEPARTMENT OF REVENUE 2015-2016 SALES SUPPRESSION
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DEPARTMENT OF REVENUE 2015-2016 POLICY AND
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ARTICLE 16 FRANCHISE, AND ESTATE TAXES ............................... Page.Ln 296.17

DEPARTMENT OF REVENUE 2015-2016 POLICY AND
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DEPARTMENT OF REVENUE INDIVIDUAL INCOME,
CORPORATE FRANCHISE, AND ESTATE TAX TECHNICAL

ARTICLE 20 GOVERNMENT AID TECHNICAL PROVISIONS .................. Page.Ln 379.18

DEPARTMENT OF REVENUE SALES AND USE, AND SPECIAL
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DEPARTMENT OF REVENUE SALES AND USE, AND SPECIAL
TAXES POLICY PROVISIONS ....................................................... Page.Ln 397.17

DEPARTMENT OF REVENUE PAID PREPARER POLICY
ARTICLE 26 PROVISIONS ................................................................ Page.Ln 404.4

APPENDIX
Article locations in H0004-3
10A.322 SPENDING LIMIT AGREEMENTS.
Subd. 4. Refund receipt forms; penalty. (a) The board must make available to a political party on request and to any candidate for whom an agreement under this section is effective, a supply of official refund receipt forms that state in boldface type that:
   (1) a contributor who is given a receipt form is eligible to claim a refund as provided in section 290.06, subdivision 23; and
   (2) if the contribution is to a candidate, that the candidate has signed an agreement to limit campaign expenditures as provided in this section.
   The forms must provide duplicate copies of the receipt to be attached to the contributor's claim.
   (b) The willful issuance of an official refund receipt form or a facsimile of one to any of the candidate's contributors by a candidate or treasurer of a candidate who did not sign an agreement under this section is subject to a civil penalty of up to $3,000 imposed by the board.
   (c) The willful issuance of an official refund receipt form or a facsimile to an individual not eligible to claim a refund under section 290.06, subdivision 23, is subject to a civil penalty of up to $3,000 imposed by the board.
   (d) A violation of paragraph (b) or (c) is a misdemeanor.

13.4967 OTHER TAX DATA CODED ELSEWHERE.
Subd. 2. Political contribution refund. Certain political contribution refund data in the Revenue Department are classified under section 290.06, subdivision 23.

136A.129 GREATER MINNESOTA INTERNSHIP PROGRAM.
Subdivision 1. Definitions. (a) For the purposes of this section, the terms defined in this subdivision have the meanings given to them.
   (b) "Eligible employer" means a taxpayer under section 290.01 with employees located in greater Minnesota.
   (c) "Eligible institution" means a Minnesota public postsecondary institution or a Minnesota private, nonprofit, baccalaureate, or graduate degree-granting college or university.
   (d) "Eligible student" means a student enrolled in an eligible institution who has completed one-half of the credits necessary for the respective degree or certification, including a graduate degree.
   (e) "Greater Minnesota" means the area of the state outside of the counties of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright.
Subd. 2. Program established. The office shall administer a greater Minnesota internship program through eligible institutions to provide credit at the eligible institution for internships and tax credits for eligible employers who hire interns for employment in greater Minnesota.
Subd. 3. Program components. (a) An intern must be an eligible student who has been admitted to a major program that is related to the intern experience as determined by the eligible institution.
   (b) To participate in the program, an eligible institution must:
      (1) enter into written agreements with eligible employers to provide internships that are at least eight weeks long and located in greater Minnesota; and
      (2) provide academic credit for the successful completion of the internship or ensure that it fulfills requirements necessary to complete a vocational technical education program.
   (c) To participate in the program, an eligible employer must enter into a written agreement with an eligible institution specifying that the intern:
      (1) would not have been hired without the tax credit described in subdivision 4;
      (2) did not work for the employer in the same or a similar job prior to entering the agreement;
      (3) does not replace an existing employee;
      (4) has not previously participated in the program;
      (5) will be employed at a location in greater Minnesota;
      (6) will be paid at least minimum wage for a minimum of 16 hours per week for a period of at least eight weeks; and
      (7) will be supervised and evaluated by the employer.
   (d) The written agreement between the eligible institution and the eligible employer must certify a credit amount to the employer, not to exceed $2,000 per intern. The total dollar amount of credits that an eligible institution certifies to eligible employers in a calendar year may not exceed the amount of its allocation under subdivision 4.
(e) Participating eligible institutions and eligible employers must report annually to the office. The report must include at least the following:
   (1) the number of interns hired;
   (2) the number of hours and weeks worked by interns; and
   (3) the compensation paid to interns.
(f) An internship required to complete an academic program does not qualify for the greater Minnesota internship program under this section.

Subd. 4. Tax credit allowed. An employer is entitled to a tax credit as provided in section 290.06, subdivision 36. The total amount of credits allocated in a calendar year must not exceed $2,000,000. The office shall determine relevant criteria to allocate the tax credits including the geographic distribution of credits to work locations outside the metropolitan area, and shall allocate credits to eligible institutions that meet the criteria on a first-come, first-served basis. Any credits allocated to an institution but not used may be reallocated to eligible institutions. The office shall allocate a portion of the administrative fee under section 290.06, subdivision 36, to participating eligible institutions for their administrative costs.

Subd. 5. Reports to the legislature. (a) By February 1, 2016, the office and the Department of Revenue shall report to the legislature on the greater Minnesota internship program. The report must include at least the following:
   (1) the number and dollar amount of credits allowed;
   (2) the number of interns employed under the program; and
   (3) the cost of administering the program.
(b) By February 1, 2017, the office and the Department of Revenue shall report to the legislature with an analysis of the effectiveness of the program in stimulating businesses to hire interns and in assisting participating interns in finding permanent career positions. This report must include the number of students who participated in the program who were subsequently employed full-time by the employer.

205.10 MUNICIPAL SPECIAL ELECTIONS.
Subd. 3. Prohibition. No special election authorized under subdivision 1 may be held within 56 days after the state general election.

270.074 VALUATION OF FLIGHT PROPERTY; METHODS OF APPORTIONMENT; RATIO OF TAX.
Subd. 2. Other apportionment methods. The method prescribed by subdivision 1 shall be presumed to determine fairly and correctly the value of the flight property of an airline allocable to this state. Any airline aggrieved by the valuation of the flight property or the application to its case of the apportionment methods prescribed by subdivision 1, may petition the commissioner for determination of the valuation or the apportionment thereof to this state by the use of some other method. Thereupon, if the commissioner finds that the application of the methods prescribed by subdivision 1 will be unjust to the airline, the commissioner may allow the use of the methods so petitioned for by the airline, or may determine the valuation or apportionment thereof by other methods if satisfied that such other methods will fairly reflect such valuation or apportionment thereof.

270C.445 TAX PREPARATION SERVICES.
Subdivision 1. Scope. This section applies to a person who provides tax preparation services, except:
   (1) a person who provides tax preparation services for fewer than ten clients in a calendar year;
   (2) a person who provides tax preparation services only to immediate family members. For the purposes of this section, "immediate family members" means a spouse, parent, grandparent, child, or sibling;
   (3) an employee who prepares a tax return for an employer's business;
   (4) any fiduciary, or the regular employees of a fiduciary, while acting on behalf of the fiduciary estate, testator, trustor, grantor, or beneficiaries of them; and
   (5) nonprofit organizations providing tax preparation services under the Internal Revenue Service Volunteer Income Tax Assistance Program or Tax Counseling for the Elderly Program.

270C.447 LEGAL ACTION TO ENJOIN TAX RETURN PREPARER.
Subd. 4. Tax return preparer. For purposes of this section, the term "tax return preparer" means an individual who prepares for compensation, or who employs one or more individuals to prepare for compensation, a return of tax or a claim for refund of tax. The preparation of a substantial part of a return or claim for refund is treated as if it were the preparation of the entire return or claim for refund. An individual is not considered a tax return preparer merely because the individual:
(1) gives typing, reproducing, or other mechanical assistance;
(2) prepares a return or claim for refund of the employer, or an officer or employee of the employer, by whom the individual is regularly and continuously employed;
(3) prepares a return or claim for refund of any person as a fiduciary for that person; or
(4) prepares a claim for refund for a taxpayer in response to a tax order issued to the taxpayer.

270C.9901 ASSESSOR ACCREDITATION.
Every individual who appraises or physically inspects real property for the purpose of determining its valuation or classification for property tax purposes must obtain licensure as an accredited Minnesota assessor from the State Board of Assessors by July 1, 2019, or within four years of that person having become licensed as a certified Minnesota assessor, whichever is later.

281.22 COUNTY AUDITOR TO GIVE NOTICE.

281.22 COUNTY AUDITOR TO GIVE NOTICE.
In case any parcel of land bid in for the state at any tax judgment sale heretofore held has not been sold or assigned to an actual purchaser by one year before the expiration of the stated period of redemption of such parcel, it shall be the duty of the county auditor thereupon forthwith to give notice of expiration of the time for redemption of such parcel, as herein provided. Such notice shall be given and all other things done with respect to all such parcels, as provided by section 281.23, except that the notice shall state that the time for redemption will expire one year after service of notice and the filing of proof thereof, instead of 60 days. Otherwise, all the provisions of section 281.23 shall apply to and govern the corresponding matters under this section.

The time for redemption of any parcel of land as to which notice of expiration has been given, as provided in this section, shall expire one year after the giving of such notice and the filing of proof thereof in the office of the county auditor, unless such parcel shall theretofore be assigned to an actual purchaser, as herein provided.

281.22 COUNTY AUDITOR TO GIVE NOTICE.
In case any parcel of land bid in for the state at any tax judgment sale heretofore held has not been sold or assigned to an actual purchaser by one year before the expiration of the stated period of redemption of such parcel, it shall be the duty of the county auditor thereupon forthwith to give notice of expiration of the time for redemption of such parcel, as herein provided. Such notice shall be given and all other things done with respect to all such parcels, as provided by section 281.23, except that the notice shall state that the time for redemption will expire one year after service of notice and the filing of proof thereof, instead of 60 days. Otherwise, all the provisions of section 281.23 shall apply to and govern the corresponding matters under this section.

The time for redemption of any parcel of land as to which notice of expiration has been given, as provided in this section, shall expire one year after the giving of such notice and the filing of proof thereof in the office of the county auditor, unless such parcel shall theretofore be assigned to an actual purchaser, as herein provided.

289A.10 FILING REQUIREMENTS FOR ESTATE TAX RETURNS.
Subd. 1a. Recapture tax return required. If a disposition or cessation as provided by section 291.03, subdivision 11, paragraph (a), has occurred, the qualified heir, as defined under
section 291.03, subdivision 8, paragraph (c), or personal representative of the decedent's estate must submit a recapture tax return to the commissioner.

289A.12 FILING REQUIREMENTS FOR INFORMATION RETURNS AND REPORTS.
Subd. 18. Returns by qualified heirs. A qualified heir, as defined in section 291.03, subdivision 8, paragraph (c), must file two returns with the commissioner attesting that no disposition or cessation as provided by section 291.03, subdivision 11, paragraph (a), occurred. The first return must be filed no earlier than 24 months and no later than 26 months after the decedent's death. The second return must be filed no earlier than 36 months and no later than 39 months after the decedent's death.

289A.18 DUE DATES FOR FILING OF RETURNS.
Subd. 3a. Recapture tax return. A recapture tax return must be filed with the commissioner within six months after the date of the disposition or cessation as provided by section 291.03, subdivision 11, paragraph (a).

289A.20 DUE DATES FOR MAKING PAYMENTS OF TAX.
Subd. 3a. Recapture tax. The additional estate tax imposed by section 291.03, subdivision 11, paragraph (b), is due and payable on or before the expiration of the date provided by section 291.03, subdivision 11, paragraph (c).

290.06 RATES OF TAX: CREDITS.
Subd. 23. Refund of contributions to political parties and candidates. (a) A taxpayer may claim a refund equal to the amount of the taxpayer's contributions made in the calendar year to candidates and to a political party. The maximum refund for an individual must not exceed $50 and for a married couple, filing jointly, must not exceed $100. A refund of a contribution is allowed only if the taxpayer files a form required by the commissioner and attaches to the form a copy of an official refund receipt form issued by the candidate or party and signed by the candidate, the treasurer of the candidate's principal campaign committee, or the chair or treasurer of the party unit, after the contribution was received. The receipt forms must be numbered, and the data on the receipt that are not public must be made available to the campaign finance and public disclosure board upon its request. A claim must be filed with the commissioner no sooner than January 1 of the calendar year in which the contribution was made and no later than April 15 of the calendar year following the calendar year in which the contribution was made. A taxpayer may file only one claim per calendar year. Amounts paid by the commissioner after June 15 of the calendar year following the calendar year in which the contribution was made must include interest at the rate specified in section 270C.405.
(b) No refund is allowed under this subdivision for a contribution to a candidate unless the candidate:
(1) has signed an agreement to limit campaign expenditures as provided in section 10A.322;
(2) is seeking an office for which voluntary spending limits are specified in section 10A.25; and
(3) has designated a principal campaign committee.
This subdivision does not limit the campaign expenditures of a candidate who does not sign an agreement but accepts a contribution for which the contributor improperly claims a refund. (c) For purposes of this subdivision, "political party" means a major political party as defined in section 200.02, subdivision 7, or a minor political party qualifying for inclusion on the income tax or property tax refund form under section 10A.31, subdivision 3a. A "major party" or "minor party" includes the aggregate of that party's organization within each house of the legislature, the state party organization, and the party organization within congressional districts, counties, legislative districts, municipalities, and precincts.
"Candidate" means a candidate as defined in section 10A.01, subdivision 10, except a candidate for judicial office.
"Contribution" means a gift of money.
(d) The commissioner shall make copies of the form available to the public and candidates upon request.
APPENDIX
Repealed Minnesota Statutes: H0004-3

(e) The following data collected or maintained by the commissioner under this subdivision are private: the identities of individuals claiming a refund, the identities of candidates to whom those individuals have made contributions, and the amount of each contribution.

(f) The commissioner shall report to the campaign finance and public disclosure board by each August 1 a summary showing the total number and aggregate amount of political contribution refunds made on behalf of each candidate and each political party. These data are public.

(g) The amount necessary to pay claims for the refund provided in this section is appropriated from the general fund to the commissioner of revenue.

(h) For a taxpayer who files a claim for refund via the Internet or other electronic means, the commissioner may accept the number on the official receipt as documentation that a contribution was made rather than the actual receipt as required by paragraph (a).

Subd. 36. Greater Minnesota internship credit. (a) A taxpayer who is an eligible employer may take a credit against the tax due under this chapter equal to the lesser of:

1. 40 percent of the compensation paid to an intern qualifying under the program established under section 136A.129, but not to exceed $2,000 per intern; or

2. the amount certified to the taxpayer by an eligible institution out of the institution's allocation of credits for the calendar year, as provided in section 136A.129.

(b) Credits allowed to a partnership, a limited liability company taxed as a partnership, an S corporation, or multiple owners of property are passed through to the partners, members, shareholders, or owners, respectively, pro rata to each partner, member, shareholder, or owner based on their share of the entity's income for the taxable year.

(c) If the amount of credit which the taxpayer is eligible to receive under this subdivision exceeds the taxpayer's tax liability under this chapter, the commissioner of revenue shall refund the excess to the taxpayer.

(d) An amount necessary to pay claims for refund provided in this subdivision is appropriated from the general fund to the commissioner of revenue.

(e) An amount equal to one percent of the total amount of the credits authorized under section 136A.129, subdivision 4, for an administrative fee for the Office of Higher Education and participating eligible institutions is appropriated from the general fund to the commissioner of revenue, for a transfer to the Office of Higher Education.

(f) For purposes of this subdivision, the terms "eligible employer" and "eligible institution" have the meanings given in section 136A.129.

290.067 DEPENDENT CARE CREDIT.

Subd. 2. Limitations. The credit for expenses incurred for the care of each dependent shall not exceed $720 in any taxable year, and the total credit for all dependents of a claimant shall not exceed $1,440 in a taxable year. The maximum total credit shall be reduced according to the amount of the income of the claimant and a spouse, if any, as follows:

- income up to $18,040, $720 maximum for one dependent, $1,440 for all dependents;
- income over $18,040, the maximum credit for one dependent shall be reduced by $18 for every $350 of additional income, $36 for all dependents.

The commissioner shall construct and make available to taxpayers tables showing the amount of the credit at various levels of income and expenses. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transitions between expenses and income brackets.

290.9743 ELECTION BY FASIT.

An entity having a valid election as a financial asset securitization investment trust in effect for a taxable year under section 860L(a) of the Internal Revenue Code shall not be subject to the taxes imposed by this chapter, except the tax imposed under section 290.92.

290.9744 FASIT INCOME TAXABLE TO HOLDERS OF INTERESTS.

The income of a financial asset securitization investment trust is taxable to the holders of interests in the financial asset securitization investment trust as provided in sections 860H to 860L of the Internal Revenue Code. The income of the holders must be computed under the provisions of this chapter.

290C.02 DEFINITIONS.
APPENDIX
Repealed Minnesota Statutes: H0004-3

Subd. 5. Current use value. "Current use value" means the statewide average annual income per acre, multiplied by 90 percent and divided by the capitalization rate determined under subdivision 9. The statewide net annual income shall be a weighted average based on the most recent data as of July 1 of the computation year on stumpsage prices and annual tree growth rates and acreage by cover type provided by the Department of Natural Resources and the United States Department of Agriculture Forest Service North Central Research Station.

Subd. 9. Capitalization rate. By July 1 of each year, the commissioner shall determine a statewide capitalization rate for use under this chapter. The rate shall be the average annual effective interest rate for St. Paul on new loans under the Farm Credit Bank system calculated under section 2032A(e)(7)(A) of the Internal Revenue Code.

290C.06 CALCULATION OF AVERAGE ESTIMATED MARKET VALUE; MANAGED FOREST LAND.
The commissioner shall annually calculate a statewide average estimated market value per acre for class 2c managed forest land under section 273.13, subdivision 23.

291.03 RATES.
Subd. 8. Definitions. (a) For purposes of this section, the following terms have the meanings given in this subdivision.
(b) "Family member" means a family member as defined in section 2032A(e)(2) of the Internal Revenue Code, or a trust whose present beneficiaries are all family members as defined in section 2032A(e)(2) of the Internal Revenue Code.
(c) "Qualified heir" means a family member who acquired qualified property upon the death of the decedent and satisfies the requirement under subdivision 9, clause (7), or subdivision 10, clause (5), for the property.
(d) "Qualified property" means qualified small business property under subdivision 9 and qualified farm property under subdivision 10.

Subd. 9. Qualified small business property. Property satisfying all of the following requirements is qualified small business property:
1. The value of the property was included in the federal adjusted taxable estate.
2. The property consists of the assets of a trade or business or shares of stock or other ownership interests in a corporation or other entity engaged in a trade or business. Shares of stock in a corporation or an ownership interest in another type of entity do not qualify under this subdivision if the shares or ownership interests are traded on a public stock exchange at any time during the three-year period ending on the decedent's date of death. For purposes of this subdivision, an ownership interest includes the interest the decedent is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code.
3. During the taxable year that ended before the decedent's death, the trade or business must not have been a passive activity within the meaning of section 469(c) of the Internal Revenue Code, and the decedent or the decedent's spouse must have materially participated in the trade or business within the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided by United States Treasury Department regulation that substitutes material participation in prior taxable years for material participation in the taxable year that ended before the decedent's death.
4. The gross annual sales of the trade or business were $10,000,000 or less for the last taxable year that ended before the date of the death of the decedent.
5. The property does not consist of cash, cash equivalents, publicly traded securities, or assets not used in the operation of the trade or business. For property consisting of shares of stock or other ownership interests in an entity, the value of cash, cash equivalents, publicly traded securities, or assets not used in the operation of the trade or business held by the corporation or other entity must be deducted from the value of the property qualifying under this subdivision in proportion to the decedent's share of ownership of the entity on the date of death.
6. The decedent continuously owned the property, including property the decedent is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code, for the three-year period ending on the date of death of the decedent. In the case of a sole proprietor, if the property replaced similar property within the three-year period, the replacement property will be treated as having been owned for the three-year period ending on the date of death of the decedent.
7. For three years following the date of death of the decedent, the trade or business is not a passive activity within the meaning of section 469(c) of the Internal Revenue Code, and a family member materially participates in the operation of the trade or business within the meaning of
section 469(h) of the Internal Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided by United States Treasury Department regulation that substitutes material participation in prior taxable years for material participation in the three years following the date of death of the decedent.

(8) The estate and the qualified heir elect to treat the property as qualified small business property and agree, in the form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.

Subd. 10. Qualified farm property. Property satisfying all of the following requirements is qualified farm property:

1. The value of the property was included in the federal adjusted taxable estate.

2. The property consists of agricultural land and is owned by a person or entity that is either not subject to or is in compliance with section 500.24.

3. For property taxes payable in the taxable year of the decedent's death, the property is classified as class 2a property under section 273.13, subdivision 23, and is classified as agricultural homestead, agricultural relative homestead, or special agricultural homestead under section 273.124.

4. The decedent continuously owned the property, including property the decedent is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code, for the three-year period ending on the date of death of the decedent either by ownership of the agricultural land or pursuant to holding an interest in an entity that is not subject to or is in compliance with section 500.24.

5. The property is classified for property tax purposes as class 2a property under section 273.13, subdivision 23, for three years following the date of death of the decedent.

6. The estate and the qualified heir elect to treat the property as qualified farm property and agree, in a form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.

Subd. 11. Recapture tax. (a) If, within three years after the decedent's death and before the death of the qualified heir, the qualified heir disposes of any interest in the qualified property, other than by a disposition to a family member, or a family member ceases to satisfy the requirement under subdivision 9, clause (7); or 10, clause (5), an additional estate tax is imposed on the property. In the case of a sole proprietor, if the qualified heir replaces qualified small business property excluded under subdivision 9 with similar property, then the qualified heir will not be treated as having disposed of an interest in the qualified property.

(b) The amount of the additional tax equals the amount of the exclusion claimed by the estate under subdivision 8, paragraph (d), multiplied by 16 percent.

(c) The additional tax under this subdivision is due on the day which is six months after the date of the disposition or cessation in paragraph (a).

297A.992 METROPOLITAN TRANSPORTATION AREA SALES TAX.

Subd. 12. Grant awards to Metropolitan Council. Any grant award under this section made to the Metropolitan Council must supplement, and must not supplant, operating and capital assistance provided by the state.

297F.05 RATES OF TAX; PERSONAL DEBT.

Subd. 1a. Annual indexing. (a) Each year the commissioner shall adjust the tax rates under subdivision 1, including any adjustment made in prior years under this subdivision, by multiplying the mill rates for the current calendar year by an adjustment factor and rounding the result to the nearest mill. The adjustment factor equals the in-lieu sales tax rate that applies to the following calendar year divided by the in-lieu sales tax rate for the current calendar year. For purposes of this subdivision, "in-lieu sales tax rate" means the tax rate established under section 297F.25, subdivision 1. For purposes of the calculations under this subdivision to be made in any year in which an increase in the federal or state excise tax on cigarettes is implemented, the commissioner shall exclude from the calculated average price for the current year an amount equal to any increase in the state or federal excise tax rate.

(b) The commissioner shall publish the resulting rate by November 1 and the rate applies to sales made on or after January 1 of the following year.

(c) The determination of the commissioner under this subdivision is not a rule and is not subject to the Administrative Procedure Act in chapter 14.

477A.085 DEBT SERVICE AID; CITY OF MINNEAPOLIS.
On or before November 1, 2016, and the first day of each November thereafter, the commissioner shall pay to the city of Minneapolis an amount equal to 40 percent of the city's otherwise required levy to pay its general obligation library referendum bonds for the following calendar year. The levy excludes any amount to pay bonds, other than refunding bonds, issued after May 1, 2013. An amount sufficient to pay the aid under this section is appropriated from the general fund to the commissioner of revenue.

477A.20 DEBT SERVICE AID; LEWIS AND CLARK JOINT POWERS BOARD.

(a) The Lewis and Clark Joint Powers Board is eligible to receive an aid distribution under this section equal to (1) the principal and interest payable in the succeeding calendar year for bonds issued under section 469.194 minus the sum of (2) the combined adjusted net tax capacity of Rock County and Nobles County for the assessment year prior to the aid payable year multiplied by 1.5 percent and (3) 50 percent of any federal aid received to fund the project in the calendar year. The board shall certify to the commissioner of revenue any federal aid allocated to the project for the calendar year and the principal and interest due in the succeeding calendar year by June 1 of the aid payable year. The commissioner of revenue shall calculate the aid payable under this section and certify the amount payable before July 1 of the aid distribution year. The commissioner shall pay the aid under this section to the board at the times specified for payments of local government aid in section 477A.015. An amount sufficient to pay the state aid authorized under this section is annually appropriated to the commissioner from the general fund.

(b) The board must allocate the aid to the municipalities issuing bonds under section 469.194 in proportion to their principal and interest payments.

(c) If the deduction under paragraph (a), clause (3), eliminates the aid payment under this section in a calendar year, then the excess of the deduction must be carried over and used to reduce the principal and interest in the succeeding year or years used to calculate aid under paragraph (a).

(d) If federal grants and aid received for the project, not deducted under paragraph (a), clause (3), exceed the total debt service payments for bonds issued under section 469.194, other than payments made with state aid under this section, the joint powers board must repay any excess to the commissioner of revenue for deposit in the general fund. The repayment may not exceed the sum of state aid payments under this section and any other grants made by the state for the project.

(e) This section expires at the earlier of January 1, 2039, or when the bonds authorized under section 469.194 have been paid or defeased.
4503.1400 PUBLIC SUBSIDY AGREEMENTS.

Subp. 4. Effect on right to participate in political contribution refund program. The right to issue receipts under the political contribution refund program established in Minnesota Statutes, section 290.06, subdivision 23, arises only when the public subsidy agreement is actually signed.

8092.1400 ANNUAL RETURNS.

Subpart 1. General rule. If an employer deducts and withholds an amount required by Minnesota Statutes, chapter 290, for a base year and the amount required is $500 or less, the employer, for the qualifying year, may elect to file an annual return and make an annual payment of the amount required to be deducted and withheld in that calendar year and is thereafter relieved from filing quarterly returns and making quarterly payments. The annual return and payment are due on or before February 28 of the calendar year following the calendar year the amounts were deducted and withheld. The annual return will serve as the reconciliation required in Minnesota Statutes, section 289A.09, subdivision 2, paragraph (d), for those employers who have elected to file an annual return. The Department of Revenue, applying the criteria of this part, will annually determine which employers are eligible to file an annual return and notify those employers who qualify. Employers who have not filed all withholding tax returns required for the base year are not eligible to file an annual return. Only those employers so notified by the Department of Revenue are eligible to elect to file an annual return. At the time of notification, eligible employers may still elect to file returns and make deposits quarterly. Employers who make such election are required to make all returns and deposits required by Minnesota Statutes, chapter 289A, and will be subject to all applicable penalties.

Subp. 2. Base year. "Base year" means the most recent period of four consecutive quarters for which the Department of Revenue has compiled data on all employers withholding tax for that period. The first base year is the four-consecutive quarter period beginning January 1990 and ending December 1990.

Subp. 3. Qualifying year. "Qualifying year" means the calendar year for which the Department of Revenue notifies the employer that it is eligible to file an annual return. The first qualifying year is the 1992 calendar year.

Subp. 4. Accelerated deposits. If, at the end of any calendar month other than the last month of the calendar year, the aggregate amount of undeposited withholding tax withheld by an employer who has elected to file an annual return exceeds $500, the employer must deposit the aggregate amount with the Department of Revenue within 30 days after the close of the calendar month.

Notwithstanding any other provision of this part, employers are subject to the eighth-monthly period deposit requirements of Minnesota Statutes, section 289A.20.

In the event an employer who has elected to file an annual return pursuant to this part permanently ceases to pay wages for which withholding of tax is required, the employer must file a final return and deposit any undeposited tax on or before the last day of the month following the month in which the discontinuance of such activity occurred.

Subp. 5. Maximum withholding amount. The commissioner of revenue shall annually recalculate the maximum withholding amount for annual filing, using the percentage calculated pursuant to Minnesota Statutes, section 290.06, subdivision 2d, paragraph (b). If the maximum withholding amount so calculated is more than $100 above the maximum withholding amount for annual filing then in effect, the maximum withholding amount for annual filing must be increased by $100. If the maximum withholding amount so calculated is less than $100 above the maximum withholding amount then in effect, there shall be no change in the maximum withholding amount then in effect. When the maximum withholding amount is adjusted by the commissioner under this subpart, the maximum withholding amounts referred to in subparts 1 and 4 must be adjusted by the same amount by the commissioner.

8092.2000 CONTRACTS WITH STATE; WITHHOLDING; CERTIFICATION.

Minnesota Statutes, section 270C.66 provides that no department of the state of Minnesota nor any political or governmental subdivision thereof shall make final settlement with any contractor, under a contract requiring the employment of employees for wages by said contractor, until satisfactory showing is furnished to said department or governmental subdivision that the contractor in question has complied with the withholding provisions of Minnesota Statutes,
section 290.92. The statute further provides that a certificate issued by the commissioner of revenue shall satisfy this requirement.

The provisions of the statute are prospective in their effect and apply only to contracts executed after April 7, 1961. To facilitate the obtaining of the certification provided for by Minnesota Statutes, section 270C.66 the commissioner has made available form IC134. This form is in two parts, the first section thereof is in the form of an affidavit to be executed by a prime contractor or subcontractor and the second portion thereof is the commissioner's certification. The affidavit portion of the form in any event requires that certain identifying information be set forth by the affiant such as the name of the contractor, the address, withholding identification number, the number of the contract or contracts involved and the name of the department of the state or governmental subdivision with whom the contractor has contracted. The affidavit itself is divided into two parts A and B and it is intended that part A will be executed by both a prime contractor or subcontractor with respect to the employees of such prime contractor or subcontractor.

Part B of said affidavit is to be executed only by a prime contractor who has utilized subcontractors in completing a contract with the state or governmental subdivision thereof. In such a case it is contemplated that each subcontractor will execute part A of the affidavit on form IC134 and obtain from the commissioner certification with respect to such subcontractor's own employees. This copy of form IC134 certified to with respect to the subcontractor's employees will be given to the prime contractor who should keep such affidavit and certification in the prime contractor's own files. When the prime contractor has received such an affidavit and certification from all of the subcontractors on the contract, the prime contractor will then be in a position to execute part B of the affidavit as well as part A and obtain a certification from the commissioner as to the prime contractor's own employees. This form IC134, when both parts A and B have been executed by the prime contractor and certified to by the commissioner, should then be delivered to the department or governmental subdivision in satisfaction of the requirements of Minnesota Statutes, section 270C.66.

The withholding section of the Department of Revenue will process these affidavits and any requests for form IC134 or inquiries relative to their use and application should be directed to this part.

8100.0700 EQUALIZATION.

Subpart 1. In general. After the apportionment of value referred to in part 8100.0600 has been made, the values of structures valued by the commissioner must be equalized to coincide with the assessment levels of commercial and industrial property within each respective county receiving a share of the apportioned utilities value. This equalization will be accomplished through the use of an assessment/sales ratio.

Subp. 2. Assessment/sales ratio computation. A comprehensive assessment/sales ratio study compiled annually by the sales ratio section of the Local Government Services Division of the Department of Revenue will be used in this computation. The portions of this study which will be used for purposes of this part are known as the "County Commercial and Industrial Sales Ratio."

This commercial and industrial (C & I) sales ratio is computed through an analysis of the certificates of real estate value filed by the buyers or sellers of commercial or industrial property within each county. The information contained on these certificates of real estate value is compiled pursuant to requests, standards, and methods set forth by the Minnesota Department of Revenue acting upon recommendations of the Minnesota Legislature. The most recent C & I study available will be used for purposes of this part.

The median C & I sales ratio from this County Commercial and Industrial Sales Ratio study will be used as a basis to estimate the current year C & I median ratio for each county.

The process used to estimate this current year median ratio will be as follows:

The State Board of Equalization abstract of market value will be examined. The current estimated market value of commercial and industrial property within each county will be taken from this abstract. The amount of the value of new commercial and industrial construction ("new" meaning since the last assessment period), as well as the value of commercial and industrial property which has changed classification (for example, commercial to tax exempt property) will also be taken from the abstract. The value of new construction will then be deducted from the estimated market value, resulting in a net estimated current year market value for commercial and industrial property within the county. The value of commercial and industrial property which has changed classification will be deducted from the previous years estimated market value to arrive at a net estimated previous year market value for commercial and industrial property within the county. The net current year value will be compared to the net previous year's estimated market
value for commercial and industrial property within the county and the difference between the two values noted. This difference will be divided by the previous year's net estimated market value for commercial and industrial property to find the percentage of increase, or decrease, in assessment level for each year. This percent of change will be applied to the most recent C & I median ratio to estimate the current year's C & I median ratio. An example of this calculation for a typical county is shown below.

1990 E.M.V. for Commercial and

<table>
<thead>
<tr>
<th>Industrial Property</th>
<th>$12,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less: New Construction</td>
<td>1,500,000</td>
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</tbody>
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1990 Net E.M.V. for C & I property $ 10,500,000

<table>
<thead>
<tr>
<th>1989 E.M.V. for C &amp; I property</th>
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<tbody>
<tr>
<td>Less: Classification changes</td>
<td>250,000</td>
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</tbody>
</table>

1989 Net E.M.V. for C & I property 10,000,000

Difference 1989 vs 1990 E.M.V. 500,000

Percent of change (500,000/10,000,000) 5%

1989 Median C & I ratio 88%

1990 Estimated Median C & I ratio (88% x 105%) 92.4%

This same calculation is performed for each Minnesota county. If there are five or fewer valid sales of commercial and industrial property within a county during the study period, these few sales are insufficient to form the basis for a meaningful C & I ratio. Therefore, the median assessment/sales ratio to be used for purposes of the example computation in this subpart will not be the median C & I ratio but will be the weighted median ratio of all property classes within the county for which a sales ratio is available. This weighted median ratio is computed in the same manner using the same procedures and standards as the C & I ratio. In addition, the example computation in this subpart will not be performed using the commercial and industrial estimated market value but will use the estimated market value for all property within the county. All other aspects of the calculations are identical except for this substitution.

<table>
<thead>
<tr>
<th>Class of Property</th>
<th>Amount of Value</th>
<th>Percent of Value</th>
<th>Median Ratio</th>
<th>Weighted Median Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>$ 20,000,000</td>
<td>20%</td>
<td>86%</td>
<td>17.00%</td>
</tr>
<tr>
<td>Agricultural</td>
<td>55,000,000</td>
<td>55%</td>
<td>95%</td>
<td>52.25%</td>
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<tr>
<td>Seasonal - Recreational</td>
<td>5,000,000</td>
<td>5%</td>
<td>90%</td>
<td>4.50%</td>
</tr>
<tr>
<td>Commercial Industrial</td>
<td>20,000,000</td>
<td>20%</td>
<td>85%</td>
<td>17.00%</td>
</tr>
<tr>
<td>Total</td>
<td>$100,000,000</td>
<td>100%</td>
<td></td>
<td>90.75%</td>
</tr>
</tbody>
</table>

Subp. 3. Application of the estimated current year median assessment/sales ratio. After the estimated current year median ratio has been calculated under subpart 2, it is used to adjust the apportioned estimated market value of utility structures valued by the commissioner. The value of these structures is reduced by the difference between 95 percent and the median ratio as adjusted in subpart 2. This is done by subtracting the current year median ratio, as adjusted, from the 95 percent provided for in Minnesota Statutes, section 278.05, subdivision 4, to arrive at an equalization factor. The estimated market value of utility structures is multiplied by the equalization factor to arrive at the reduction amount. The reduction amount is subtracted from the estimated market value of the utility structures to arrive at the equalized market value of structures. In no instance will any adjustment be made if, after comparing the current year median sales ratio as adjusted to the assessment level of utility structures, the difference between the two is ten percent or less. An example of this adjustment is as follows:
### Estimated Level of Assessment for Utility Property*

<table>
<thead>
<tr>
<th></th>
<th>County A</th>
<th>County B</th>
</tr>
</thead>
<tbody>
<tr>
<td>95 percent provided for in Minnesota Statutes, section 278.05, subdivision 4</td>
<td>95.00%</td>
<td>95.00%</td>
</tr>
</tbody>
</table>

### Estimated Market Value of Structures

<table>
<thead>
<tr>
<th></th>
<th>County A</th>
<th>County B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,000,000</td>
<td>1,000,000</td>
<td></td>
</tr>
</tbody>
</table>

### Reduction in Value

<table>
<thead>
<tr>
<th></th>
<th>County A</th>
<th>County B</th>
</tr>
</thead>
<tbody>
<tr>
<td>80,000</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

### Equalized Market Value of Structures

<table>
<thead>
<tr>
<th></th>
<th>County A</th>
<th>County B</th>
</tr>
</thead>
<tbody>
<tr>
<td>920,000</td>
<td>1,000,000</td>
<td></td>
</tr>
</tbody>
</table>

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*For purposes of this example, assume that utility property is assessed at 100 percent of market value.

**No adjustment is made because the Estimated Current Year Median Sales Ratio is within ten percent of the assessment level of utility property.

All utilities operating within a particular county will be equalized at the same percentage. No adjustment for equalization will be made to machinery or personal property.

These equalized estimated market values of utility structures valued by the commissioner will be forwarded to the county assessor denoting specific utility companies and taxing districts together with personal property and machinery values pursuant to Minnesota Statutes.

### 8125.1300 REFUNDS AND CREDITS.

Subp. 3. **Gasoline used in aircraft.** Refunds for gasoline, other than aviation gasoline, purchased and used to produce or generate power for propelling aircraft shall be issued only to those claimants who have received approval to use such gasoline from the Federal Aviation Administration as evidenced by a supplemental type certificate.