

**HOUSE OF REPRESENTATIVES**

EIGHTY-EIGHTH SESSION

**H. F. No. 677**

02/18/2013 Authored by Lenczewski  
The bill was read for the first time and referred to the Committee on Rules and Legislative Administration

02/20/2013 Adoption of Report: Pass and re-referred to the Committee on Taxes

04/18/2013 Adoption of Report: Pass as Amended and re-referred to the Committee on Ways and Means

04/20/2013 Adoption of Report: Pass as Amended and Read Second Time

04/24/2013 Calendar for the Day, Amended  
Read Third Time as Amended  
Passed by the House as Amended and transmitted to the Senate to include Floor Amendments

1.1 A bill for an act

1.2 relating to financing of state and local government; making changes to individual

1.3 income, corporate franchise, property, sales and use, estate, mineral, liquor,

1.4 tobacco, aggregate materials, local, and other taxes and tax-related provisions;

1.5 restoring the school district current year aid payment shift percentage to 90;

1.6 conforming to federal section 179 expensing allowances; imposing an income

1.7 surcharge; allowing an up-front exemption for capital equipment; modifying

1.8 the definition of income for the property tax refund; decreasing the threshold

1.9 percentage for the homestead credit refund for homeowners and the property

1.10 tax refund for renters; increasing the maximum refunds for renters; changing

1.11 property tax aids and credits; imposing an insurance surcharge; modifying

1.12 pension aids; providing pension funding; changing provisions of the Sustainable

1.13 Forest Incentive Act; modifying definitions for property taxes; providing

1.14 exemptions; creating joint entertainment facilities coordination; imposing a

1.15 sports memorabilia gross receipts tax; changing tax rates on tobacco and liquor;

1.16 providing reimbursement for certain property tax abatement; modifying the small

1.17 business investment tax credit; expanding the definition of domestic corporation

1.18 to include foreign corporations incorporated in or doing business in tax havens;

1.19 making changes to additions and subtractions from federal taxable income;

1.20 changing rates for individuals, estates, and trusts; providing for charitable

1.21 contributions and veterans jobs tax credits; modifying estate tax exclusions for

1.22 qualifying small business and farm property; imposing a gift tax; expanding

1.23 the sales tax to include suite and box seat rentals; modifying the definition

1.24 of sales and purchase; changing the tax rate and modifying provisions for the

1.25 rental motor vehicle tax; modifying nexus provisions; providing for multiple

1.26 points of use certificates; modifying exemptions; authorizing local sales taxes;

1.27 authorizing economic development powers; providing authority, organization,

1.28 powers, and duties for development of a Destination Medical Center; authorizing

1.29 state infrastructure aid; imposing a tax on extraction and processing of fracturing

1.30 sand; providing a taconite production tax grant for water supply improvements;

1.31 authorizing taconite production tax bonds for grants to school districts; modifying

1.32 and providing provisions for public finance; modifying the definition of market

1.33 value for tax, debt, and other purposes; requiring labor peace agreements on

1.34 certain qualifying projects; making conforming, policy, and technical changes to

1.35 tax provisions; requiring studies and reports; appropriating money; amending

1.36 Minnesota Statutes 2012, sections 16A.152, subdivision 2; 16A.46; 38.18;

1.37 40A.15, subdivision 2; 69.011, subdivision 1; 69.021, subdivisions 7, 8, by

1.38 adding a subdivision; 88.51, subdivision 3; 103B.102, subdivision 3; 103B.245,

1.39 subdivision 3; 103B.251, subdivision 8; 103B.335; 103B.3369, subdivision 5;

2.1 103B.635, subdivision 2; 103B.691, subdivision 2; 103C.501, subdivision 4;  
 2.2 103D.905, subdivisions 2, 3, 8; 103F.405, subdivision 1; 116J.8737, subdivisions  
 2.3 1, 2, 8; 117.025, subdivision 7; 118A.04, subdivision 3; 118A.05, subdivision  
 2.4 5; 123A.455, subdivision 1; 123B.75, subdivision 5; 126C.48, subdivision 8;  
 2.5 127A.45, subdivision 2; 127A.48, subdivision 1; 138.053; 144F.01, subdivision  
 2.6 4; 162.07, subdivisions 3, 4; 163.04, subdivision 3; 163.051; 163.06, subdivision  
 2.7 6; 165.10, subdivision 1; 168.012, subdivision 9, by adding a subdivision;  
 2.8 216C.436, subdivision 7; 237.52, subdivision 3, by adding a subdivision;  
 2.9 270.077; 270.41, subdivision 5; 270B.01, subdivision 8; 270B.12, subdivision  
 2.10 4; 270C.34, subdivision 1; 270C.38, subdivision 1; 270C.42, subdivision 2;  
 2.11 270C.56, subdivision 1; 271.06, by adding a subdivision; 272.01, subdivision 2;  
 2.12 272.02, subdivisions 39, 97, by adding subdivisions; 272.03, subdivision 9, by  
 2.13 adding subdivisions; 273.032; 273.11, subdivision 1, by adding a subdivision;  
 2.14 273.114, subdivision 6; 273.124, subdivisions 3a, 13; 273.13, subdivisions  
 2.15 21b, 23, 25; 273.1398, subdivisions 3, 4; 273.19, subdivision 1; 273.372,  
 2.16 subdivision 4; 273.39; 275.011, subdivision 1; 275.077, subdivision 2; 275.71,  
 2.17 subdivision 4; 276.04, subdivision 2; 276A.01, subdivisions 10, 12, 13, 15;  
 2.18 276A.06, subdivision 10; 279.01, subdivision 1, by adding a subdivision; 279.02;  
 2.19 279.06, subdivision 1; 287.05, by adding a subdivision; 287.08; 287.20, by  
 2.20 adding a subdivision; 287.23, subdivision 1; 287.385, subdivision 7; 289A.02,  
 2.21 subdivision 7; 289A.08, subdivisions 1, 3, 7; 289A.10, subdivision 1, by adding  
 2.22 a subdivision; 289A.12, subdivision 14, by adding a subdivision; 289A.18, by  
 2.23 adding a subdivision; 289A.20, subdivisions 3, 4, by adding a subdivision;  
 2.24 289A.26, subdivisions 3, 4, 7, 9; 289A.55, subdivision 9; 289A.60, subdivision  
 2.25 4; 290.01, subdivisions 5, 19, as amended, 19a, 19b, 19c, 19d, 31, as amended,  
 2.26 by adding subdivisions; 290.06, subdivisions 2c, 2d, by adding subdivisions;  
 2.27 290.067, subdivisions 1, 2a; 290.0671, subdivision 1; 290.0675, subdivision 1;  
 2.28 290.0677, subdivision 2; 290.068, subdivisions 3, 6a; 290.0681, subdivisions 1,  
 2.29 3, 4, 5; 290.091, subdivision 2; 290.0921, subdivision 3; 290.0922, subdivision 1;  
 2.30 290.17, subdivision 4; 290.21, subdivision 4; 290.9705, subdivision 1; 290A.03,  
 2.31 subdivisions 3, 15, as amended; 290A.04, subdivisions 2, 2a, 4; 290B.04,  
 2.32 subdivision 2; 290C.02, subdivision 6; 290C.05; 290C.07; 291.005, subdivision  
 2.33 1; 291.03, subdivisions 1, 8, 9, 10, 11, by adding a subdivision; 296A.01,  
 2.34 subdivision 19, by adding a subdivision; 296A.22, subdivisions 1, 3; 297A.61,  
 2.35 subdivisions 3, 4, by adding a subdivision; 297A.64, subdivisions 1, 2; 297A.66,  
 2.36 by adding a subdivision; 297A.665; 297A.668, by adding a subdivision;  
 2.37 297A.67, subdivision 7; 297A.68, subdivision 5; 297A.70, subdivisions 4, 8, by  
 2.38 adding subdivisions; 297A.71, by adding subdivisions; 297A.75, subdivisions 1,  
 2.39 2, 3; 297A.815, subdivision 3; 297A.993, subdivisions 1, 2; 297B.11; 297E.021,  
 2.40 subdivision 2; 297E.14, subdivision 7; 297F.01, subdivisions 3, 19, 23, by  
 2.41 adding a subdivision; 297F.05, subdivisions 1, 3, 4, by adding a subdivision;  
 2.42 297F.09, subdivision 9; 297F.18, subdivision 7; 297F.24, subdivision 1; 297F.25,  
 2.43 subdivision 1; 297G.03, subdivision 1, by adding a subdivision; 297G.04;  
 2.44 297G.09, subdivision 8; 297G.17, subdivision 7; 297I.05, subdivisions 7, 11, 12;  
 2.45 297I.30, subdivisions 1, 2; 297I.80, subdivision 1; 298.01, subdivisions 3, 3b,  
 2.46 4; 298.018; 298.227, as amended; 298.24, subdivision 1; 298.28, subdivisions  
 2.47 4, 6, 10; 298.75, subdivision 2; 325D.32, subdivision 2; 353G.08, subdivision  
 2.48 2; 365.025, subdivision 4; 366.095, subdivision 1; 366.27; 368.01, subdivision  
 2.49 23; 368.47; 370.01; 373.01, subdivisions 1, 3; 373.40, subdivisions 1, 2, 4;  
 2.50 375.167, subdivision 1; 375.18, subdivision 3; 375.555; 383B.152; 383B.245;  
 2.51 383B.73, subdivision 1; 383D.41, by adding a subdivision; 383E.20; 383E.23;  
 2.52 385.31; 394.36, subdivision 1; 398A.04, subdivision 8; 401.05, subdivision 3;  
 2.53 403.02, subdivision 21, by adding subdivisions; 403.06, subdivision 1a; 403.11,  
 2.54 subdivision 1, by adding a subdivision; 410.32; 412.221, subdivision 2; 412.301;  
 2.55 428A.02, subdivision 1; 430.102, subdivision 2; 447.10; 450.19; 450.25;  
 2.56 458A.10; 458A.31, subdivision 1; 465.04; 469.033, subdivision 6; 469.034,  
 2.57 subdivision 2; 469.053, subdivisions 4, 4a, 6; 469.071, subdivision 5; 469.107,  
 2.58 subdivision 1; 469.169, by adding a subdivision; 469.176, subdivisions 4c, 4g,

3.1 6; 469.177, by adding a subdivision; 469.180, subdivision 2; 469.187; 469.190,  
 3.2 subdivision 7, by adding a subdivision; 469.206; 469.319, subdivision 4; 469.340,  
 3.3 subdivision 4; 471.24; 471.571, subdivisions 1, 2; 471.73; 473.325, subdivision  
 3.4 2; 473.39, by adding a subdivision; 473.629; 473.661, subdivision 3; 473.667,  
 3.5 subdivision 9; 473.671; 473.711, subdivision 2a; 473F.02, subdivisions 12, 14,  
 3.6 15, 23; 473F.08, subdivision 10, by adding a subdivision; 474A.04, subdivision  
 3.7 1a; 474A.062; 474A.091, subdivision 3a; 475.521, subdivisions 1, 2, 4; 475.53,  
 3.8 subdivisions 1, 3, 4; 475.58, subdivisions 2, 3b; 475.73, subdivision 1; 477A.011,  
 3.9 subdivisions 20, 30, 32, 34, 42, by adding subdivisions; 477A.0124, subdivision  
 3.10 2; 477A.013, subdivisions 8, 9, by adding a subdivision; 477A.015; 477A.03,  
 3.11 subdivisions 2a, 2b, by adding a subdivision; 641.23; 641.24; 645.44, by adding  
 3.12 a subdivision; Laws 1971, chapter 773, section 1, subdivision 2, as amended;  
 3.13 Laws 1988, chapter 645, section 3, as amended; Laws 1993, chapter 375, article  
 3.14 9, section 46, subdivisions 2, as amended, 5, as amended; Laws 1998, chapter  
 3.15 389, article 8, section 43, subdivisions 1, 3, as amended, 5, as amended; Laws  
 3.16 1999, chapter 243, article 6, section 11; Laws 2002, chapter 377, article 3, section  
 3.17 25, as amended; Laws 2005, First Special Session chapter 3, article 5, section  
 3.18 37, subdivisions 2, 4; Laws 2008, chapter 366, article 5, sections 26; 33; 34, as  
 3.19 amended; article 7, section 19, subdivision 3, as amended; Laws 2010, chapter  
 3.20 216, section 55; Laws 2010, chapter 389, article 1, section 12; article 5, section 6,  
 3.21 subdivisions 4, 6; Laws 2010, First Special Session chapter 1, article 13, section 4,  
 3.22 subdivision 1, as amended; proposing coding for new law in Minnesota Statutes,  
 3.23 chapters 116C; 287; 290; 290A; 292; 295; 297I; 403; 435; 469; proposing coding  
 3.24 for new law as Minnesota Statutes, chapter 297J; repealing Minnesota Statutes  
 3.25 2012, sections 16A.725; 256.9658; 272.69; 273.11, subdivisions 1a, 22; 276A.01,  
 3.26 subdivision 11; 289A.60, subdivision 31; 290.01, subdivision 6b; 290.06,  
 3.27 subdivision 22a; 290.0672; 290.0921, subdivision 7; 383A.80, subdivision 4;  
 3.28 383B.80, subdivision 4; 428A.101; 428A.21; 473F.02, subdivision 13; 477A.011,  
 3.29 subdivisions 2a, 19, 21, 29, 31, 32, 33, 36, 39, 40, 41, 42; 477A.013, subdivisions  
 3.30 11, 12; 477A.0133; 477A.0134; Laws 2006, chapter 259, article 11, section 3, as  
 3.31 amended; Laws 2009, chapter 88, article 4, section 23, as amended.

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

## 3.33 ARTICLE 1

### 3.34 ONE-TIME PROVISIONS

3.35 Section 1. Minnesota Statutes 2012, section 16A.152, subdivision 2, is amended to read:

3.36 Subd. 2. **Additional revenues; priority.** (a) If on the basis of a forecast of general  
 3.37 fund revenues and expenditures, the commissioner of management and budget determines  
 3.38 that there will be a positive unrestricted budgetary general fund balance at the close of  
 3.39 the biennium, the commissioner of management and budget must allocate money to the  
 3.40 following accounts and purposes in priority order:

3.41 (1) the cash flow account established in subdivision 1 until that account reaches  
 3.42 \$350,000,000;

3.43 (2) the budget reserve account established in subdivision 1a until that account  
 3.44 reaches \$653,000,000;

3.45 (3) the amount necessary to increase the aid payment schedule for school district  
 3.46 aids and credits payments in section 127A.45 to not more than 90 percent rounded to the

4.1 nearest tenth of a percent without exceeding the amount available and with any remaining  
4.2 funds deposited in the budget reserve;

4.3 (4) the amount necessary to restore all or a portion of the net aid reductions under  
4.4 section 127A.441 and to reduce the property tax revenue recognition shift under section  
4.5 123B.75, subdivision 5, by the same amount;

4.6 (5) to reduce the rate of the surcharge in section 290.06, subdivision 2g, for taxable  
4.7 years beginning after December 31, 2013, and before January 1, 2015, to not less than  
4.8 zero with the rate rounded to the nearest tenth of a percent, without exceeding the amount  
4.9 available, and with any remaining funds deposited in the budget reserve; and

4.10 ~~(5)~~ (6) to the state airports fund, the amount necessary to restore the amount  
4.11 transferred from the state airports fund under Laws 2008, chapter 363, article 11, section  
4.12 3, subdivision 5.

4.13 (b) The amounts necessary to meet the requirements of this section are appropriated  
4.14 from the general fund within two weeks after the forecast is released or, in the case of  
4.15 transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations  
4.16 schedules otherwise established in statute.

4.17 (c) The commissioner of management and budget shall certify the total dollar  
4.18 amount of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of  
4.19 education. The commissioner of education shall increase the aid payment percentage and  
4.20 reduce the property tax shift percentage by these amounts and apply those reductions to  
4.21 the current fiscal year and thereafter.

4.22 (d) The commissioner of management and budget shall certify the total dollar  
4.23 amount available under paragraph (a), clause (5), to the commissioner of revenue. The  
4.24 commissioner of revenue shall determine the percentage reduction in the surcharge rate  
4.25 for taxable years beginning after December 31, 2013, and before January 1, 2015, and  
4.26 shall reduce the surcharge rate.

4.27 Sec. 2. Minnesota Statutes 2012, section 123B.75, subdivision 5, is amended to read:

4.28 Subd. 5. **Levy recognition.** ~~(a) For fiscal years 2009 and 2010, in June of each~~  
4.29 ~~year, the school district must recognize as revenue, in the fund for which the levy was~~  
4.30 ~~made, the lesser of:~~

4.31 ~~(1) the sum of May, June, and July school district tax settlement revenue received in~~  
4.32 ~~that calendar year, plus general education aid according to section 126C.13, subdivision~~  
4.33 ~~4, received in July and August of that calendar year; or~~

4.34 ~~(2) the sum of:~~

5.1 (i) ~~31 percent of the referendum levy certified according to section 126C.17, in~~  
5.2 ~~calendar year 2000; and~~

5.3 (ii) ~~the entire amount of the levy certified in the prior calendar year according to~~  
5.4 ~~section 124D.86, subdivision 4, for school districts receiving revenue under sections~~  
5.5 ~~124D.86, subdivision 3, clauses (1), (2), and (3); 126C.41, subdivisions 1, 2, paragraph (a),~~  
5.6 ~~and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; and 126C.48, subdivision 6; plus~~

5.7 (iii) ~~zero percent of the amount of the levy certified in the prior calendar year for the~~  
5.8 ~~school district's general and community service funds, plus or minus auditor's adjustments,~~  
5.9 ~~not including the levy portions that are assumed by the state, that remains after subtracting~~  
5.10 ~~the referendum levy certified according to section 126C.17 and the amount recognized~~  
5.11 ~~according to item (ii).~~

5.12 (b) (a) For fiscal year 2011 and later years 2011, 2012, and 2013, in June of each  
5.13 year, the school district must recognize as revenue, in the fund for which the levy was  
5.14 made, the lesser of:

5.15 (1) the sum of May, June, and July school district tax settlement revenue received in  
5.16 that calendar year, plus general education aid according to section 126C.13, subdivision  
5.17 4, received in July and August of that calendar year; or

5.18 (2) the sum of:

5.19 (i) the greater of 48.6 percent of the referendum levy certified according to section  
5.20 126C.17 in the prior calendar year, or 31 percent of the referendum levy certified  
5.21 according to section 126C.17 in calendar year 2000; plus

5.22 (ii) the entire amount of the levy certified in the prior calendar year according to  
5.23 section 124D.4531, 124D.86, subdivision 4, for school districts receiving revenue under  
5.24 sections 124D.86, subdivision 3, clauses (1), (2), and (3); 126C.41, subdivisions 1, 2,  
5.25 paragraph (a), and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; and 126C.48,  
5.26 subdivision 6; plus

5.27 (iii) 48.6 percent of the amount of the levy certified in the prior calendar year for the  
5.28 school district's general and community service funds, plus or minus auditor's adjustments,  
5.29 that remains after subtracting the referendum levy certified according to section 126C.17  
5.30 and the amount recognized according to item (ii).

5.31 (b) For fiscal year 2014 and later years, in June of each year, the school district must  
5.32 recognize as revenue, in the fund for which the levy was made, the lesser of:

5.33 (1) the sum of May, June, and July school district tax settlement revenue received in  
5.34 that calendar year, plus general education aid according to section 126C.13, subdivision  
5.35 4, received in July and August of that calendar year; or

5.36 (2) the sum of:

6.1 (i) 31 percent of the referendum levy certified according to section 126C.17 in  
6.2 calendar year 2000;

6.3 (ii) the entire amount of the levy certified in the prior calendar year according to  
6.4 section 124D.4531; 124D.86, subdivision 4, for school districts receiving revenue under  
6.5 sections 124D.86, subdivision 3, clauses (1) to (3); 126C.41, subdivisions 1, 2, paragraph  
6.6 (a), and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; and 126C.48, subdivision  
6.7 6; and

6.8 (iii) zero percent of the amount of the levy certified in the prior calendar year for the  
6.9 school district's general and community service funds, plus or minus auditor's adjustments,  
6.10 that remains after subtracting the referendum levy certified according to section 126C.17  
6.11 and the amount recognized according to item (ii).

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

6.13 Sec. 3. Minnesota Statutes 2012, section 127A.45, subdivision 2, is amended to read:

6.14 Subd. 2. **Definitions.** (a) "Other district receipts" means payments by county  
6.15 treasurers pursuant to section 276.10, apportionments from the school endowment fund  
6.16 pursuant to section 127A.33, apportionments by the county auditor pursuant to section  
6.17 127A.34, subdivision 2, and payments to school districts by the commissioner of revenue  
6.18 pursuant to chapter 298.

6.19 (b) "Cumulative amount guaranteed" means the product of

6.20 (1) the cumulative disbursement percentage shown in subdivision 3; times

6.21 (2) the sum of

6.22 (i) the current year aid payment percentage of the estimated aid and credit  
6.23 entitlements paid according to subdivision 13; plus

6.24 (ii) 100 percent of the entitlements paid according to subdivisions 11 and 12; plus

6.25 (iii) the other district receipts.

6.26 (c) "Payment date" means the date on which state payments to districts are made  
6.27 by the electronic funds transfer method. If a payment date falls on a Saturday, a Sunday,  
6.28 or a weekday which is a legal holiday, the payment shall be made on the immediately  
6.29 preceding business day. The commissioner may make payments on dates other than  
6.30 those listed in subdivision 3, but only for portions of payments from any preceding  
6.31 payment dates which could not be processed by the electronic funds transfer method due  
6.32 to documented extenuating circumstances.

6.33 (d) The current year aid payment percentage equals ~~73 in fiscal year 2010 and 70 in~~  
6.34 ~~fiscal year 2011, and 60~~ 90 in fiscal years ~~2012~~ 2014 and later.

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

7.2 Sec. 4. Minnesota Statutes 2012, section 290.01, subdivision 19a, is amended to read:

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

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

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

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

7.13 (B) the portion of the exempt-interest dividends derived from interest income  
7.14 on obligations of the state of Minnesota or its political or governmental subdivisions,  
7.15 municipalities, governmental agencies or instrumentalities, but only if the portion of the  
7.16 exempt-interest dividends from such Minnesota sources paid to all shareholders represents  
7.17 95 percent or more of the exempt-interest dividends, including any dividends exempt  
7.18 under subitem (A), that are paid by the regulated investment company as defined in section  
7.19 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as  
7.20 defined in section 851(g) of the Internal Revenue Code, making the payment; and

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

7.24 (2) the amount of income, sales and use, motor vehicle sales, or excise taxes paid or  
7.25 accrued within the taxable year under this chapter and the amount of taxes based on net  
7.26 income paid, sales and use, motor vehicle sales, or excise taxes paid to any other state  
7.27 or to any province or territory of Canada, to the extent allowed as a deduction under  
7.28 section 63(d) of the Internal Revenue Code, but the addition may not be more than the  
7.29 amount by which the itemized deductions as allowed under section 63(d) of the Internal  
7.30 Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of  
7.31 the Internal Revenue Code, disregarding the amounts allowed under sections 63(c)(1)(C)  
7.32 and 63(c)(1)(E) of the Internal Revenue Code, minus any addition that would have been  
7.33 required under clause (21) if the taxpayer had claimed the standard deduction. For the  
7.34 purpose of this paragraph, the disallowance of itemized deductions under section 68 of

8.1 the Internal Revenue Code of 1986, income, sales and use, motor vehicle sales, or excise  
8.2 taxes are the last itemized deductions disallowed;

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

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

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

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

8.16 (7) 80 percent of the depreciation deduction allowed under section 168(k) of the  
8.17 Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that  
8.18 in the taxable year generates a deduction for depreciation under section 168(k) and the  
8.19 activity generates a loss for the taxable year that the taxpayer is not allowed to claim for  
8.20 the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is  
8.21 limited to excess of the depreciation claimed by the activity under section 168(k) over the  
8.22 amount of the loss from the activity that is not allowed in the taxable year. In succeeding  
8.23 taxable years when the losses not allowed in the taxable year are allowed, the depreciation  
8.24 under section 168(k) is allowed;

8.25 (8) for taxable years beginning before January 1, 2013, 80 percent of the amount by  
8.26 which the deduction allowed by section 179 of the Internal Revenue Code exceeds the  
8.27 deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended  
8.28 through December 31, 2003;

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

8.31 (10) for taxable years beginning before January 1, 2013, the exclusion allowed under  
8.32 section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans;

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

8.34 (12) for taxable years beginning before January 1, 2010, the amount deducted for  
8.35 qualified tuition and related expenses under section 222 of the Internal Revenue Code, to  
8.36 the extent deducted from gross income;



9.1 (13) for taxable years beginning before January 1, 2010, the amount deducted for  
9.2 certain expenses of elementary and secondary school teachers under section 62(a)(2)(D)  
9.3 of the Internal Revenue Code, to the extent deducted from gross income;

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

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

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

9.10 (17) the amount of unemployment compensation exempt from tax under section  
9.11 85(c) of the Internal Revenue Code;

9.12 (18) changes to federal taxable income attributable to a net operating loss that the  
9.13 taxpayer elected to carry back for more than two years for federal purposes but for which  
9.14 the losses can be carried back for only two years under section 290.095, subdivision  
9.15 11, paragraph (c);

9.16 (19) to the extent included in the computation of federal taxable income in taxable  
9.17 years beginning after December 31, 2010, the amount of disallowed itemized deductions,  
9.18 but the amount of disallowed itemized deductions plus the addition required under clause  
9.19 (2) may not be more than the amount by which the itemized deductions as allowed under  
9.20 section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction  
9.21 as defined in section 63(c) of the Internal Revenue Code, disregarding the amounts  
9.22 allowed under sections 63(c)(1)(C) and 63(c)(1)(E) of the Internal Revenue Code, and  
9.23 reduced by any addition that would have been required under clause (21) if the taxpayer  
9.24 had claimed the standard deduction:

9.25 (i) the amount of disallowed itemized deductions is equal to the lesser of:

9.26 (A) three percent of the excess of the taxpayer's federal adjusted gross income  
9.27 over the applicable amount; or

9.28 (B) 80 percent of the amount of the itemized deductions otherwise allowable to the  
9.29 taxpayer under the Internal Revenue Code for the taxable year;

9.30 (ii) the term "applicable amount" means \$100,000, or \$50,000 in the case of a  
9.31 married individual filing a separate return. Each dollar amount shall be increased by  
9.32 an amount equal to:

9.33 (A) such dollar amount, multiplied by

9.34 (B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal  
9.35 Revenue Code for the calendar year in which the taxable year begins, by substituting  
9.36 "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof;

10.1 (iii) the term "itemized deductions" does not include:

10.2 (A) the deduction for medical expenses under section 213 of the Internal Revenue  
10.3 Code;

10.4 (B) any deduction for investment interest as defined in section 163(d) of the Internal  
10.5 Revenue Code; and

10.6 (C) the deduction under section 165(a) of the Internal Revenue Code for casualty or  
10.7 theft losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue  
10.8 Code or for losses described in section 165(d) of the Internal Revenue Code;

10.9 (20) to the extent included in federal taxable income in taxable years beginning after  
10.10 December 31, 2010, the amount of disallowed personal exemptions for taxpayers with  
10.11 federal adjusted gross income over the threshold amount:

10.12 (i) the disallowed personal exemption amount is equal to the dollar amount of the  
10.13 personal exemptions claimed by the taxpayer in the computation of federal taxable income  
10.14 multiplied by the applicable percentage;

10.15 (ii) "applicable percentage" means two percentage points for each \$2,500 (or  
10.16 fraction thereof) by which the taxpayer's federal adjusted gross income for the taxable  
10.17 year exceeds the threshold amount. In the case of a married individual filing a separate  
10.18 return, the preceding sentence shall be applied by substituting "\$1,250" for "\$2,500." In  
10.19 no event shall the applicable percentage exceed 100 percent;

10.20 (iii) the term "threshold amount" means:

10.21 (A) \$150,000 in the case of a joint return or a surviving spouse;

10.22 (B) \$125,000 in the case of a head of a household;

10.23 (C) \$100,000 in the case of an individual who is not married and who is not a  
10.24 surviving spouse or head of a household; and

10.25 (D) \$75,000 in the case of a married individual filing a separate return; and

10.26 (iv) the thresholds shall be increased by an amount equal to:

10.27 (A) such dollar amount, multiplied by

10.28 (B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal  
10.29 Revenue Code for the calendar year in which the taxable year begins, by substituting  
10.30 "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof; and

10.31 (21) to the extent deducted in the computation of federal taxable income, for taxable  
10.32 years beginning after December 31, 2010, and before January 1, 2013, the difference  
10.33 between the standard deduction allowed under section 63(c) of the Internal Revenue Code  
10.34 and the standard deduction allowed for 2011 and 2012 under the Internal Revenue Code  
10.35 as amended through December 1, 2010.

11.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
11.2 December 31, 2012.

11.3 Sec. 5. Minnesota Statutes 2012, section 290.01, subdivision 19c, is amended to read:

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

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

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

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

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

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

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

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

11.27 (8) the exempt foreign trade income of a foreign sales corporation under sections  
11.28 921(a) and 291 of the Internal Revenue Code;

11.29 (9) the amount of percentage depletion deducted under sections 611 through 614 and  
11.30 291 of the Internal Revenue Code;

11.31 (10) for certified pollution control facilities placed in service in a taxable year  
11.32 beginning before December 31, 1986, and for which amortization deductions were elected  
11.33 under section 169 of the Internal Revenue Code of 1954, as amended through December  
11.34 31, 1985, the amount of the amortization deduction allowed in computing federal taxable  
11.35 income for those facilities;

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

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

12.8 (13) the amount of net income excluded under section 114 of the Internal Revenue  
12.9 Code;

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

12.13 (15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A)  
12.14 and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer  
12.15 has an activity that in the taxable year generates a deduction for depreciation under  
12.16 section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year  
12.17 that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed  
12.18 under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the  
12.19 depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the  
12.20 amount of the loss from the activity that is not allowed in the taxable year. In succeeding  
12.21 taxable years when the losses not allowed in the taxable year are allowed, the depreciation  
12.22 under section 168(k)(1)(A) and (k)(4)(A) is allowed;

12.23 (16) for taxable years beginning before January 1, 2013, 80 percent of the amount by  
12.24 which the deduction allowed by section 179 of the Internal Revenue Code exceeds the  
12.25 deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended  
12.26 through December 31, 2003;

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

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

12.31 (19) the amount of expenses disallowed under section 290.10, subdivision 2;

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

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

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

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

13.7 (iv) licensing fees; and

13.8 (v) other similar expenses and costs.

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

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

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

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

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

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

13.25 (iv) licensing fees; and

13.26 (v) other similar income.

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

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

13.34 (22) the dividends attributable to the income of a foreign operating corporation that  
13.35 is a member of the taxpayer's unitary group in an amount that is equal to the dividends

14.1 paid deduction of a real estate investment trust under section 561(a) of the Internal  
14.2 Revenue Code for amounts paid or accrued by the real estate investment trust to the  
14.3 foreign operating corporation;

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

14.7 (24) for taxable years beginning before January 1, 2010, the additional amount  
14.8 allowed as a deduction for donation of computer technology and equipment under section  
14.9 170(e)(6) of the Internal Revenue Code, to the extent deducted from taxable income; and

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

14.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
14.13 December 31, 2012.

14.14 Sec. 6. Minnesota Statutes 2012, section 290.06, is amended by adding a subdivision  
14.15 to read:

14.16 Subd. 2g. **Income surcharge.** (a) In addition to the tax computed under subdivision  
14.17 2c and section 290.091, for taxable years beginning after December 31, 2012, and  
14.18 before January 1, 2015, there is a surcharge imposed on individuals, estates, and trusts.  
14.19 The surcharge equals four percent of taxable net income over a threshold. For married  
14.20 individuals filing separately, estates, and trusts, the threshold is \$250,000. For all other  
14.21 filers, the threshold is \$500,000.

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

14.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
14.25 December 31, 2012.

14.26 Sec. 7. Minnesota Statutes 2012, section 297A.68, subdivision 5, is amended to read:

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

14.30 "Capital equipment" means machinery and equipment purchased or leased, and used  
14.31 in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining,  
14.32 or refining tangible personal property to be sold ultimately at retail if the machinery and  
14.33 equipment are essential to the integrated production process of manufacturing, fabricating,

15.1 mining, or refining. Capital equipment also includes machinery and equipment  
15.2 used primarily to electronically transmit results retrieved by a customer of an online  
15.3 computerized data retrieval system.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15.32 (5) farm machinery and aquaculture production equipment as defined by section  
15.33 297A.61, subdivisions 12 and 13;

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

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

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

16.5 (9) machinery or equipment used in the transportation, transmission, or distribution  
16.6 of petroleum, liquefied gas, natural gas, water, or steam, in, by, or through pipes, lines,  
16.7 tanks, mains, or other means of transporting those products. This clause does not apply to  
16.8 machinery or equipment used to blend petroleum or biodiesel fuel as defined in section  
16.9 239.77; or

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

16.12 (d) For purposes of this subdivision:

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

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

16.20 (3) "Integrated production process" means a process or series of operations through  
16.21 which tangible personal property is manufactured, fabricated, mined, or refined. For  
16.22 purposes of this clause, (i) manufacturing begins with the removal of raw materials  
16.23 from inventory and ends when the last process prior to loading for shipment has been  
16.24 completed; (ii) fabricating begins with the removal from storage or inventory of the  
16.25 property to be assembled, processed, altered, or modified and ends with the creation  
16.26 or production of the new or changed product; (iii) mining begins with the removal of  
16.27 overburden from the site of the ores, minerals, stone, peat deposit, or surface materials and  
16.28 ends when the last process before stockpiling is completed; and (iv) refining begins with  
16.29 the removal from inventory or storage of a natural resource and ends with the conversion  
16.30 of the item to its completed form.

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



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

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

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

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

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

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

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

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

17.21 Sec. 8. Minnesota Statutes 2012, section 297A.75, subdivision 1, is amended to read:

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

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

17.26 ~~(2) (1) building materials for an agricultural processing facility exempt under section~~  
17.27 ~~297A.71, subdivision 13;~~

17.28 ~~(3) (2) building materials for mineral production facilities exempt under section~~  
17.29 ~~297A.71, subdivision 14;~~

17.30 ~~(4) (3) building materials for correctional facilities under section 297A.71,~~  
17.31 ~~subdivision 3;~~

17.32 ~~(5) (4) building materials used in a residence for disabled veterans exempt under~~  
17.33 ~~section 297A.71, subdivision 11;~~

17.34 ~~(6) (5) elevators and building materials exempt under section 297A.71, subdivision~~  
17.35 ~~12;~~

18.1 ~~(7)~~ (6) building materials for the Long Lake Conservation Center exempt under  
 18.2 section 297A.71, subdivision 17;

18.3 ~~(8)~~ (7) materials and supplies for qualified low-income housing under section  
 18.4 297A.71, subdivision 23;

18.5 ~~(9)~~ (8) materials, supplies, and equipment for municipal electric utility facilities  
 18.6 under section 297A.71, subdivision 35;

18.7 ~~(10)~~ (9) equipment and materials used for the generation, transmission, and  
 18.8 distribution of electrical energy and an aerial camera package exempt under section  
 18.9 297A.68, subdivision 37;

18.10 ~~(11)~~ (10) commuter rail vehicle and repair parts under section 297A.70, subdivision  
 18.11 3, paragraph (a), clause (10);

18.12 ~~(12)~~ (11) materials, supplies, and equipment for construction or improvement of  
 18.13 projects and facilities under section 297A.71, subdivision 40;

18.14 ~~(13)~~ (12) materials, supplies, and equipment for construction or improvement of a  
 18.15 meat processing facility exempt under section 297A.71, subdivision 41;

18.16 ~~(14)~~ (13) materials, supplies, and equipment for construction, improvement, or  
 18.17 expansion of an aerospace defense manufacturing facility exempt under section 297A.71,  
 18.18 subdivision 42;

18.19 ~~(15)~~ (14) enterprise information technology equipment and computer software for  
 18.20 use in a qualified data center exempt under section 297A.68, subdivision 42; and

18.21 ~~(16)~~ (15) materials, supplies, and equipment for qualifying capital projects under  
 18.22 section 297A.71, subdivision 44.

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

18.25 Sec. 9. Minnesota Statutes 2012, section 297A.75, subdivision 2, is amended to read:

18.26 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the  
 18.27 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items  
 18.28 must be paid to the applicant. Only the following persons may apply for the refund:

18.29 (1) for subdivision 1, clauses (1) ~~to~~ ~~(3)~~ and (2), the applicant must be the purchaser;

18.30 (2) for subdivision 1, clauses ~~(4)~~ (3) and ~~(7)~~ (6), the applicant must be the  
 18.31 governmental subdivision;

18.32 (3) for subdivision 1, clause ~~(5)~~ (4), the applicant must be the recipient of the  
 18.33 benefits provided in United States Code, title 38, chapter 21;

18.34 (4) for subdivision 1, clause ~~(6)~~ (5), the applicant must be the owner of the  
 18.35 homestead property;

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

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

19.5 (7) for subdivision 1, clauses ~~(10)~~ (9), (12), (13), and (14), ~~and (15)~~, the owner  
19.6 of the qualifying business; and

19.7 (8) for subdivision 1, clauses (10), (11), ~~(12)~~, and ~~(16)~~ (15), the applicant must be  
19.8 the governmental entity that owns or contracts for the project or facility.

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

19.11 Sec. 10. Minnesota Statutes 2012, section 297A.75, subdivision 3, is amended to read:

19.12 Subd. 3. **Application.** (a) The application must include sufficient information  
19.13 to permit the commissioner to verify the tax paid. If the tax was paid by a contractor,  
19.14 subcontractor, or builder, under subdivision 1, clause (3), (4), (5), (6), (7), (8), (9), (10),  
19.15 (11), (12), (13), (14), or (15), ~~or (16)~~, the contractor, subcontractor, or builder must  
19.16 furnish to the refund applicant a statement including the cost of the exempt items and the  
19.17 taxes paid on the items unless otherwise specifically provided by this subdivision. The  
19.18 provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

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

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

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

19.27 Sec. 11. **ESTIMATED TAXES; EXCEPTIONS.**

19.28 No addition to tax, penalties, or interest may be made under Minnesota Statutes,  
19.29 section 289A.25, for any period before July 1, 2013, with respect to an underpayment  
19.30 of estimated tax, to the extent that the underpayment was created or increased by the  
19.31 surcharge imposed under this article.

19.32 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
19.33 December 31, 2012.



- 21.1 (vii) workers' compensation;
- 21.2 (viii) nontaxable strike benefits;
- 21.3 (ix) the gross amounts of payments received in the nature of disability income or  
21.4 sick pay as a result of accident, sickness, or other disability, whether funded through  
21.5 insurance or otherwise;
- 21.6 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of  
21.7 1986, as amended through December 31, 1995;
- 21.8 (xi) contributions made by the claimant to an individual retirement account,  
21.9 including a qualified voluntary employee contribution; simplified employee pension plan;  
21.10 self-employed retirement plan; cash or deferred arrangement plan under section 401(k)  
21.11 of the Internal Revenue Code; or deferred compensation plan under section 457 of the  
21.12 Internal Revenue Code, to the extent the sum of amounts exceeds the retirement base  
21.13 amount for the claimant and spouse;
- 21.14 (xii) to the extent not included in federal adjusted gross income, distributions received  
21.15 by the claimant or spouse from a traditional or Roth style retirement account or plan;
- 21.16 (xiii) nontaxable scholarship or fellowship grants;
- 21.17 ~~(xiii)~~ (xiv) the amount of deduction allowed under section 199 of the Internal  
21.18 Revenue Code;
- 21.19 ~~(xiv)~~ (xv) the amount of deduction allowed under section 220 or 223 of the Internal  
21.20 Revenue Code;
- 21.21 ~~(xv)~~ (xvi) the amount of deducted for tuition expenses required to be added to  
21.22 income under section 290.01, subdivision 19a, clause (12); under section 222 of the  
21.23 Internal Revenue Code; and
- 21.24 ~~(xvi)~~ (xvii) the amount deducted for certain expenses of elementary and secondary  
21.25 school teachers under section 62(a)(2)(D) of the Internal Revenue Code; ~~and.~~
- 21.26 ~~(xvii) unemployment compensation.~~

21.27 In the case of an individual who files an income tax return on a fiscal year basis, the  
21.28 term "federal adjusted gross income" shall mean federal adjusted gross income reflected  
21.29 in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be  
21.30 reduced by the amount of a net operating loss carryback or carryforward or a capital loss  
21.31 carryback or carryforward allowed for the year.

21.32 (2) "Income" does not include:

- 21.33 (a) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;
- 21.34 (b) amounts of any pension or annuity which was exclusively funded by the claimant  
21.35 or spouse and which funding payments were not excluded from federal adjusted gross  
21.36 income in the years when the payments were made;

22.1 (c) to the extent included in federal adjusted gross income, amounts contributed by  
 22.2 the claimant or spouse to a traditional or Roth style retirement account or plan, but not  
 22.3 to exceed the retirement base amount reduced by the amount of contributions excluded  
 22.4 from federal adjusted gross income, but not less than zero;

22.5 (d) surplus food or other relief in kind supplied by a governmental agency;

22.6 ~~(d)~~ (e) relief granted under this chapter;

22.7 ~~(e)~~ (f) child support payments received under a temporary or final decree of  
 22.8 dissolution or legal separation; or

22.9 ~~(f)~~ (g) restitution payments received by eligible individuals and excludable interest  
 22.10 as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of  
 22.11 2001, Public Law 107-16.

22.12 (3) The sum of the following amounts may be subtracted from income:

22.13 (a) for the claimant's first dependent, the exemption amount multiplied by 1.4;

22.14 (b) for the claimant's second dependent, the exemption amount multiplied by 1.3;

22.15 (c) for the claimant's third dependent, the exemption amount multiplied by 1.2;

22.16 (d) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

22.17 (e) for the claimant's fifth dependent, the exemption amount; and

22.18 (f) if the claimant or claimant's spouse was disabled or attained the age of 65  
 22.19 on or before December 31 of the year for which the taxes were levied or rent paid, the  
 22.20 exemption amount.

22.21 For purposes of this subdivision, the "exemption amount" means the exemption  
 22.22 amount under section 151(d) of the Internal Revenue Code for the taxable year for which  
 22.23 the income is reported; and "retirement base amount" means the deductible amount for  
 22.24 the taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal  
 22.25 Revenue Code, adjusted for inflation as provided in section 219(b)(5)(D) of the Internal  
 22.26 Revenue Code, without regard to whether the claimant or spouse claimed a deduction.

22.27 **EFFECTIVE DATE.** This section is effective beginning with refunds based on  
 22.28 property taxes payable in 2014 and rent paid in 2013.

22.29 Sec. 2. Minnesota Statutes 2012, section 290A.04, subdivision 2, is amended to read:

22.30 Subd. 2. **Homeowners; homestead credit refund.** A claimant whose property  
 22.31 taxes payable are in excess of the percentage of the household income stated below shall  
 22.32 pay an amount equal to the percent of income shown for the appropriate household  
 22.33 income level along with the percent to be paid by the claimant of the remaining amount  
 22.34 of property taxes payable. The state refund equals the amount of property taxes payable  
 22.35 that remain, up to the state refund amount shown below.

			Percent Paid by	Maximum
	Household Income	Percent of Income	Claimant	State
				Refund
23.1				
23.2				
23.3				
23.4	<del>\$0 to 1,549</del>	<del>1.0 percent</del>	<del>15 percent</del>	<del>\$ 2,460</del>
23.5	<del>1,550 to 3,089</del>	<del>1.1 percent</del>	<del>15 percent</del>	<del>\$ 2,460</del>
23.6	<del>3,090 to 4,669</del>	<del>1.2 percent</del>	<del>15 percent</del>	<del>\$ 2,460</del>
23.7	<del>4,670 to 6,229</del>	<del>1.3 percent</del>	<del>20 percent</del>	<del>\$ 2,460</del>
23.8	<del>6,230 to 7,769</del>	<del>1.4 percent</del>	<del>20 percent</del>	<del>\$ 2,460</del>
23.9	<del>7,770 to 10,879</del>	<del>1.5 percent</del>	<del>20 percent</del>	<del>\$ 2,460</del>
23.10	<del>10,880 to 12,429</del>	<del>1.6 percent</del>	<del>20 percent</del>	<del>\$ 2,460</del>
23.11	<del>12,430 to 13,989</del>	<del>1.7 percent</del>	<del>20 percent</del>	<del>\$ 2,460</del>
23.12	<del>13,990 to 15,539</del>	<del>1.8 percent</del>	<del>20 percent</del>	<del>\$ 2,460</del>
23.13	<del>15,540 to 17,079</del>	<del>1.9 percent</del>	<del>25 percent</del>	<del>\$ 2,460</del>
23.14	<del>17,080 to 18,659</del>	<del>2.0 percent</del>	<del>25 percent</del>	<del>\$ 2,460</del>
23.15	<del>18,660 to 21,759</del>	<del>2.1 percent</del>	<del>25 percent</del>	<del>\$ 2,460</del>
23.16	<del>21,760 to 23,309</del>	<del>2.2 percent</del>	<del>30 percent</del>	<del>\$ 2,460</del>
23.17	<del>23,310 to 24,859</del>	<del>2.3 percent</del>	<del>30 percent</del>	<del>\$ 2,460</del>
23.18	<del>24,860 to 26,419</del>	<del>2.4 percent</del>	<del>30 percent</del>	<del>\$ 2,460</del>
23.19	<del>26,420 to 32,629</del>	<del>2.5 percent</del>	<del>35 percent</del>	<del>\$ 2,460</del>
23.20	<del>32,630 to 37,279</del>	<del>2.6 percent</del>	<del>35 percent</del>	<del>\$ 2,460</del>
23.21	<del>37,280 to 46,609</del>	<del>2.7 percent</del>	<del>35 percent</del>	<del>\$ 2,000</del>
23.22	<del>46,610 to 54,369</del>	<del>2.8 percent</del>	<del>35 percent</del>	<del>\$ 2,000</del>
23.23	<del>54,370 to 62,139</del>	<del>2.8 percent</del>	<del>40 percent</del>	<del>\$ 1,750</del>
23.24	<del>62,140 to 69,909</del>	<del>3.0 percent</del>	<del>40 percent</del>	<del>\$ 1,440</del>
23.25	<del>69,910 to 77,679</del>	<del>3.0 percent</del>	<del>40 percent</del>	<del>\$ 1,290</del>
23.26	<del>77,680 to 85,449</del>	<del>3.0 percent</del>	<del>40 percent</del>	<del>\$ 1,130</del>
23.27	<del>85,450 to 90,119</del>	<del>3.5 percent</del>	<del>45 percent</del>	<del>\$ 960</del>
23.28	<del>90,120 to 93,239</del>	<del>3.5 percent</del>	<del>45 percent</del>	<del>\$ 790</del>
23.29	<del>93,240 to 97,009</del>	<del>3.5 percent</del>	<del>50 percent</del>	<del>\$ 650</del>
23.30	<del>97,010 to 100,779</del>	<del>3.5 percent</del>	<del>50 percent</del>	<del>\$ 480</del>

			Percent Paid by	Maximum
	<u>Household Income</u>	<u>Percent of Income</u>	<u>Claimant</u>	<u>State</u>
				<u>Refund</u>
23.31				
23.32				
23.33				
23.34	<u>\$0 to 1,619</u>	<u>1.0 percent</u>	<u>15 percent</u>	<u>\$ 2,580</u>
23.35	<u>1,620 to 3,229</u>	<u>1.1 percent</u>	<u>15 percent</u>	<u>\$ 2,580</u>
23.36	<u>3,230 to 4,889</u>	<u>1.2 percent</u>	<u>15 percent</u>	<u>\$ 2,580</u>
23.37	<u>4,890 to 6,519</u>	<u>1.3 percent</u>	<u>20 percent</u>	<u>\$ 2,580</u>
23.38	<u>6,520 to 8,129</u>	<u>1.4 percent</u>	<u>20 percent</u>	<u>\$ 2,580</u>
23.39	<u>8,130 to 11,389</u>	<u>1.5 percent</u>	<u>20 percent</u>	<u>\$ 2,580</u>
23.40	<u>11,390 to 13,009</u>	<u>1.6 percent</u>	<u>20 percent</u>	<u>\$ 2,580</u>
23.41	<u>13,010 to 14,649</u>	<u>1.7 percent</u>	<u>20 percent</u>	<u>\$ 2,580</u>
23.42	<u>14,650 to 16,269</u>	<u>1.8 percent</u>	<u>20 percent</u>	<u>\$ 2,580</u>
23.43	<u>16,270 to 17,879</u>	<u>1.9 percent</u>	<u>25 percent</u>	<u>\$ 2,580</u>
23.44	<u>17,880 to 22,779</u>	<u>2.0 percent</u>	<u>25 percent</u>	<u>\$ 2,580</u>

24.1	<u>22,780 to 24,399</u>	<u>2.0 percent</u>	<u>30 percent</u>	<u>\$ 2,580</u>
24.2	<u>24,400 to 27,659</u>	<u>2.0 percent</u>	<u>30 percent</u>	<u>\$ 2,580</u>
24.3	<u>27,660 to 39,029</u>	<u>2.0 percent</u>	<u>35 percent</u>	<u>\$ 2,580</u>
24.4	<u>39,030 to 56,919</u>	<u>2.0 percent</u>	<u>35 percent</u>	<u>\$ 2,090</u>
24.5	<u>56,920 to 65,049</u>	<u>2.0 percent</u>	<u>40 percent</u>	<u>\$ 1,830</u>
24.6	<u>65,050 to 73,189</u>	<u>2.1 percent</u>	<u>40 percent</u>	<u>\$ 1,510</u>
24.7	<u>73,190 to 81,319</u>	<u>2.2 percent</u>	<u>40 percent</u>	<u>\$ 1,350</u>
24.8	<u>81,320 to 89,449</u>	<u>2.3 percent</u>	<u>40 percent</u>	<u>\$ 1,180</u>
24.9	<u>89,450 to 94,339</u>	<u>2.4 percent</u>	<u>45 percent</u>	<u>\$ 1,000</u>
24.10	<u>94,340 to 97,609</u>	<u>2.5 percent</u>	<u>45 percent</u>	<u>\$ 830</u>
24.11	<u>97,610 to 101,559</u>	<u>2.5 percent</u>	<u>50 percent</u>	<u>\$ 680</u>
24.12	<u>101,560 to 105,499</u>	<u>2.5 percent</u>	<u>50 percent</u>	<u>\$ 500</u>

24.13 The payment made to a claimant shall be the amount of the state refund calculated  
 24.14 under this subdivision. No payment is allowed if the claimant's household income is  
 24.15 ~~\$100,780~~ \$105,500 or more.

24.16 **EFFECTIVE DATE.** This section is effective for refund claims based on taxes  
 24.17 payable in 2014 and thereafter.

24.18 Sec. 3. Minnesota Statutes 2012, section 290A.04, subdivision 2a, is amended to read:

24.19 Subd. 2a. **Renters.** A claimant whose rent constituting property taxes exceeds the  
 24.20 percentage of the household income stated below must pay an amount equal to the percent  
 24.21 of income shown for the appropriate household income level along with the percent to  
 24.22 be paid by the claimant of the remaining amount of rent constituting property taxes. The  
 24.23 state refund equals the amount of rent constituting property taxes that remain, up to the  
 24.24 maximum state refund amount shown below.

24.25				Maximum
24.26			Percent Paid by	State
24.27	Household Income	Percent of Income	Claimant	Refund
24.28	<del>\$0 to 3,589</del>	<del>1.0 percent</del>	<del>5 percent</del>	<del>\$ 1,190</del>
24.29	<del>3,590 to 4,779</del>	<del>1.0 percent</del>	<del>10 percent</del>	<del>\$ 1,190</del>
24.30	<del>4,780 to 5,969</del>	<del>1.1 percent</del>	<del>10 percent</del>	<del>\$ 1,190</del>
24.31	<del>5,970 to 8,369</del>	<del>1.2 percent</del>	<del>10 percent</del>	<del>\$ 1,190</del>
24.32	<del>8,370 to 10,759</del>	<del>1.3 percent</del>	<del>15 percent</del>	<del>\$ 1,190</del>
24.33	<del>10,760 to 11,949</del>	<del>1.4 percent</del>	<del>15 percent</del>	<del>\$ 1,190</del>
24.34	<del>11,950 to 13,139</del>	<del>1.4 percent</del>	<del>20 percent</del>	<del>\$ 1,190</del>
24.35	<del>13,140 to 15,539</del>	<del>1.5 percent</del>	<del>20 percent</del>	<del>\$ 1,190</del>
24.36	<del>15,540 to 16,729</del>	<del>1.6 percent</del>	<del>20 percent</del>	<del>\$ 1,190</del>
24.37	<del>16,730 to 17,919</del>	<del>1.7 percent</del>	<del>25 percent</del>	<del>\$ 1,190</del>
24.38	<del>17,920 to 20,319</del>	<del>1.8 percent</del>	<del>25 percent</del>	<del>\$ 1,190</del>



25.1	<del>20,320 to 21,509</del>	<del>1.9 percent</del>	<del>30 percent</del>	<del>\$ 1,190</del>
25.2	<del>21,510 to 22,699</del>	<del>2.0 percent</del>	<del>30 percent</del>	<del>\$ 1,190</del>
25.3	<del>22,700 to 23,899</del>	<del>2.2 percent</del>	<del>30 percent</del>	<del>\$ 1,190</del>
25.4	<del>23,900 to 25,089</del>	<del>2.4 percent</del>	<del>30 percent</del>	<del>\$ 1,190</del>
25.5	<del>25,090 to 26,289</del>	<del>2.6 percent</del>	<del>35 percent</del>	<del>\$ 1,190</del>
25.6	<del>26,290 to 27,489</del>	<del>2.7 percent</del>	<del>35 percent</del>	<del>\$ 1,190</del>
25.7	<del>27,490 to 28,679</del>	<del>2.8 percent</del>	<del>35 percent</del>	<del>\$ 1,190</del>
25.8	<del>28,680 to 29,869</del>	<del>2.9 percent</del>	<del>40 percent</del>	<del>\$ 1,190</del>
25.9	<del>29,870 to 31,079</del>	<del>3.0 percent</del>	<del>40 percent</del>	<del>\$ 1,190</del>
25.10	<del>31,080 to 32,269</del>	<del>3.1 percent</del>	<del>40 percent</del>	<del>\$ 1,190</del>
25.11	<del>32,270 to 33,459</del>	<del>3.2 percent</del>	<del>40 percent</del>	<del>\$ 1,190</del>
25.12	<del>33,460 to 34,649</del>	<del>3.3 percent</del>	<del>45 percent</del>	<del>\$ 1,080</del>
25.13	<del>34,650 to 35,849</del>	<del>3.4 percent</del>	<del>45 percent</del>	<del>\$ 960</del>
25.14	<del>35,850 to 37,049</del>	<del>3.5 percent</del>	<del>45 percent</del>	<del>\$ 830</del>
25.15	<del>37,050 to 38,239</del>	<del>3.5 percent</del>	<del>50 percent</del>	<del>\$ 720</del>
25.16	<del>38,240 to 39,439</del>	<del>3.5 percent</del>	<del>50 percent</del>	<del>\$ 600</del>
25.17	<del>38,440 to 40,629</del>	<del>3.5 percent</del>	<del>50 percent</del>	<del>\$ 360</del>
25.18	<del>40,630 to 41,819</del>	<del>3.5 percent</del>	<del>50 percent</del>	<del>\$ 120</del>
25.19	<u>\$0 to 4,909</u>	<u>1.0 percent</u>	<u>5 percent</u>	<u>\$ 2,000</u>
25.20	<u>4,910 to 6,529</u>	<u>1.0 percent</u>	<u>10 percent</u>	<u>\$ 2,000</u>
25.21	<u>6,530 to 8,159</u>	<u>1.1 percent</u>	<u>10 percent</u>	<u>\$ 1,950</u>
25.22	<u>8,160 to 11,439</u>	<u>1.2 percent</u>	<u>10 percent</u>	<u>\$ 1,900</u>
25.23	<u>11,440 to 14,709</u>	<u>1.3 percent</u>	<u>15 percent</u>	<u>\$ 1,850</u>
25.24	<u>14,710 to 16,339</u>	<u>1.4 percent</u>	<u>15 percent</u>	<u>\$ 1,800</u>
25.25	<u>16,340 to 17,959</u>	<u>1.4 percent</u>	<u>20 percent</u>	<u>\$ 1,750</u>
25.26	<u>17,960 to 21,239</u>	<u>1.5 percent</u>	<u>20 percent</u>	<u>\$ 1,700</u>
25.27	<u>21,240 to 22,869</u>	<u>1.6 percent</u>	<u>20 percent</u>	<u>\$ 1,650</u>
25.28	<u>22,870 to 24,499</u>	<u>1.7 percent</u>	<u>25 percent</u>	<u>\$ 1,650</u>
25.29	<u>24,500 to 27,779</u>	<u>1.8 percent</u>	<u>25 percent</u>	<u>\$ 1,650</u>
25.30	<u>27,780 to 29,399</u>	<u>1.9 percent</u>	<u>30 percent</u>	<u>\$ 1,650</u>
25.31	<u>29,400 to 34,299</u>	<u>2.0 percent</u>	<u>30 percent</u>	<u>\$ 1,650</u>
25.32	<u>34,300 to 39,199</u>	<u>2.0 percent</u>	<u>35 percent</u>	<u>\$ 1,650</u>
25.33	<u>39,200 to 45,739</u>	<u>2.0 percent</u>	<u>40 percent</u>	<u>\$ 1,650</u>
25.34	<u>45,740 to 47,369</u>	<u>2.0 percent</u>	<u>45 percent</u>	<u>\$ 1,500</u>
25.35	<u>47,370 to 49,009</u>	<u>2.0 percent</u>	<u>45 percent</u>	<u>\$ 1,350</u>
25.36	<u>49,010 to 50,649</u>	<u>2.0 percent</u>	<u>45 percent</u>	<u>\$ 1,150</u>
25.37	<u>50,650 to 52,269</u>	<u>2.0 percent</u>	<u>50 percent</u>	<u>\$ 1,000</u>
25.38	<u>52,270 to 53,909</u>	<u>2.0 percent</u>	<u>50 percent</u>	<u>\$ 900</u>
25.39	<u>53,910 to 55,539</u>	<u>2.0 percent</u>	<u>50 percent</u>	<u>\$ 500</u>
25.40	<u>55,540 to 57,169</u>	<u>2.0 percent</u>	<u>50 percent</u>	<u>\$ 200</u>

26.1 The payment made to a claimant is the amount of the state refund calculated under  
26.2 this subdivision. No payment is allowed if the claimant's household income is ~~\$41,820~~  
26.3 \$57,170 or more.

26.4 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in  
26.5 2013 and following years.

26.6 Sec. 4. Minnesota Statutes 2012, section 290A.04, subdivision 4, is amended to read:

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

26.13 (b) In adjusting the dollar amounts of the income thresholds and the maximum  
26.14 refunds under subdivision 2 for inflation, the percentage increase shall be determined  
26.15 from the year ending on June 30, ~~2011~~ 2013, to the year ending on June 30 of the year  
26.16 preceding that in which the refund is payable.

26.17 (c) In adjusting the dollar amounts of the income thresholds and the maximum  
26.18 refunds under subdivision 2a for inflation, the percentage increase shall be determined  
26.19 from the year ending on June 30, ~~2000~~ 2013, to the year ending on June 30 of the year  
26.20 preceding that in which the refund is payable.

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

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

26.30 **EFFECTIVE DATE.** This section is effective for refund claims based on taxes  
26.31 payable in 2014 and rent paid in 2013 and following years.

26.32 Sec. 5. **[290A.28] NOTIFICATION OF POTENTIAL ELIGIBILITY.**

27.1 Subdivision 1. Notification of eligibility. (a) By August 1, 2014, the commissioner  
27.2 shall notify, in writing or electronically, individual homeowners whom the commissioner  
27.3 determines likely will be eligible for a homestead credit refund under this chapter for  
27.4 that property taxes payable year. In determining whether to notify a homeowner, the  
27.5 commissioner shall consider the property tax information available to the commissioner  
27.6 under paragraph (b) and the most recent income information available to the commissioner  
27.7 from filing under this chapter for the prior year or under chapter 290 for the current or  
27.8 prior year. The notification must include information on how to file for the homestead  
27.9 credit refund and the range of potential homestead credit refunds that the homeowner  
27.10 could qualify to receive. The notification requirement under this section does not apply  
27.11 to a homeowner who has already filed for the homestead credit refund for the current  
27.12 or prior year.

27.13 (b) By May 15, 2014, each county auditor shall transmit to the commissioner  
27.14 of revenue the following information for each property classified as a residential or  
27.15 agricultural homestead under section 273.13, subdivision 22 or 23:

27.16 (1) the property taxes payable;

27.17 (2) the name and address of the owner;

27.18 (3) the Social Security number or numbers of the owners; and

27.19 (4) any other information the commissioner deems necessary or useful to carry  
27.20 out the provisions of this section.

27.21 The information must be provided in the form and manner prescribed by the commissioner.

27.22 Subd. 2. Report. By March 15, 2015, the commissioner must provide written  
27.23 reports to the chairs and ranking minority members of the legislative committees with  
27.24 jurisdiction over taxes, in compliance with Minnesota Statutes, sections 3.195 and 3.197.

27.25 The report must provide information on the number and dollar amount of homeowner  
27.26 property tax refund claims based on taxes payable in 2014, including:

27.27 (i) the number and dollar amount of claims projected for homestead credit refunds  
27.28 based on taxes payable in 2014 prior to enactment of the notification requirement in  
27.29 this section;

27.30 (ii) the number of notifications issued as provided in this section, including the  
27.31 number issued by county;

27.32 (iii) the number and dollar amount of claims for homestead credit refunds based on  
27.33 taxes payable in 2014 processed through December 31, 2014; and

27.34 (iv) a description of any outreach efforts undertaken by the commissioner for  
27.35 homestead credit refunds based on taxes payable in 2014, in addition to the notification  
27.36 required in this section.

28.1 **EFFECTIVE DATE.** This section is effective for refund claims based on property  
28.2 taxes payable in 2014.

### 28.3 **ARTICLE 3**

#### 28.4 **PROPERTY TAX AIDS AND CREDITS**

28.5 Section 1. Minnesota Statutes 2012, section 69.021, is amended by adding a  
28.6 subdivision to read:

28.7 Subd. 12. **Surcharge aid accounts.** (a) A surcharge fire pension aid account is  
28.8 established in the special revenue fund to receive amounts as provided under section  
28.9 297I.07, subdivision 3, clause (1). The commissioner shall administer the account and  
28.10 allocate money in the account as follows:

28.11 (1) 17.342 percent as supplemental state pension funding paid to the executive  
28.12 director of the Public Employees Retirement Association for deposit in the public  
28.13 employees police and fire retirement fund established by section 353.65, subdivision 1;

28.14 (2) 8.658 percent to municipalities employing firefighters with retirement coverage  
28.15 by the public employees police and fire retirement plan, allocated in proportion to the  
28.16 relationship that the preceding December 31 number of firefighters employed by each  
28.17 municipality who have public employees police and fire retirement plan coverage bears to  
28.18 the total preceding December 31 number of municipal firefighters covered by the public  
28.19 employees police and fire retirement plan; and

28.20 (3) 74 percent for municipalities other than the municipalities receiving a  
28.21 disbursement under clause (2) which qualified to receive fire state aid in that calendar year,  
28.22 allocated in proportion to the most recent amount of fire state aid paid under subdivision 7  
28.23 for the municipality bears to the most recent total fire state aid for all municipalities other  
28.24 than the municipalities receiving a disbursement under clause (2) paid under subdivision  
28.25 7, with the allocated amount for fire departments participating in the voluntary statewide  
28.26 lump-sum volunteer firefighter retirement plan paid to the executive director of the Public  
28.27 Employees Retirement Association for deposit in the fund established by section 353G.02,  
28.28 subdivision 3, and credited to the respective account and with the balance paid to the  
28.29 treasurer of each municipality for transmittal within 30 days of receipt to the treasurer of  
28.30 the applicable volunteer firefighter relief association for deposit in its special fund.

28.31 (b) A surcharge police pension aid account is established in the special revenue  
28.32 fund to receive amounts as provided by section 297I.07, subdivision 3, clause (2). The  
28.33 commissioner shall administer the account and allocate money in the account as follows:

28.34 (1) one-third to be distributed as police state aid as provided under subdivision 7a; and

29.1 (2) two-thirds to be apportioned, on the basis of the number of active police officers  
29.2 certified for police state aid receipt under section 69.011, subdivisions 2 and 2b, between:

29.3 (i) the executive director of the Public Employees Retirement Association for  
29.4 deposit as a supplemental state pension funding aid in the public employees police and fire  
29.5 retirement fund established by section 353.65, subdivision 1; and

29.6 (ii) the executive director of the Minnesota State Retirement System for deposit as a  
29.7 supplemental state pension funding aid in the state patrol retirement fund.

29.8 (c) On or before September 1, annually, the executive director of the Public  
29.9 Employees Retirement Association shall report to the commissioner the following:

29.10 (1) the municipalities which employ firefighters with retirement coverage by the  
29.11 public employees police and fire retirement plan;

29.12 (2) the number of firefighters with public employees police and fire retirement plan  
29.13 employed by each municipality;

29.14 (3) the fire departments covered by the voluntary statewide lump-sum volunteer  
29.15 firefighter retirement plan; and

29.16 (4) any other information requested by the commissioner to administer the surcharge  
29.17 fire pension aid account.

29.18 (d) For this subdivision, (i) the number of firefighters employed by a municipality  
29.19 who have public employees police and fire retirement plan coverage means the number  
29.20 of firefighters with public employees police and fire retirement plan coverage that were  
29.21 employed by the municipality for not less than 30 hours per week for a minimum of six  
29.22 months prior to December 31 preceding the date of the payment under this section and, if  
29.23 the person was employed for less than the full year, prorated to the number of full months  
29.24 employed; and, (ii) the number of active police officers certified for police state aid receipt  
29.25 under section 69.011, subdivisions 2 and 2b means, for each municipality, the number of  
29.26 police officers meeting the definition of peace officer in section 69.011, subdivision 1,  
29.27 counted as provided and limited by section 69.011, subdivisions 2 and 2b.

29.28 (e) The payments under this section shall be made on October 1 each year, based  
29.29 on the amount in the surcharge fire pension aid account and the amount in the surcharge  
29.30 police pension aid account on the preceding June 30, with interest at 1 percent for each  
29.31 month, or portion of a month, that the amount remains unpaid after October 1. The  
29.32 amounts necessary to make the payments under this subdivision are annually appropriated  
29.33 to the commissioner from the surcharge fire and police pension aid accounts. Any  
29.34 necessary adjustments shall be made to subsequent payments.

29.35 (f) The provisions of this chapter that prevent municipalities and relief associations  
29.36 from being eligible for, or receiving state aid under this chapter until the applicable

30.1 financial reporting requirements have been complied with, apply to the amounts payable  
30.2 to municipalities and relief associations under this subdivision.

30.3 (g) The amounts necessary to make the payments under this subdivision are  
30.4 appropriated to the commissioner from the respective accounts in the special revenue fund.

30.5 **EFFECTIVE DATE.** This section is effective beginning in the fiscal year beginning  
30.6 July 1, 2013.

30.7 Sec. 2. Minnesota Statutes 2012, section 273.1398, subdivision 4, is amended to read:

30.8 Subd. 4. **Disparity reduction credit.** (a) Beginning with taxes payable in 1989,  
30.9 class 4a and class 3a property qualifies for a disparity reduction credit if: (1) the property  
30.10 is located in a border city that has an enterprise zone, as defined in section 469.166; (2)  
30.11 the property is located in a city with a population greater than 2,500 and less than 35,000  
30.12 according to the 1980 decennial census; (3) the city is adjacent to a city in another state or  
30.13 immediately adjacent to a city adjacent to a city in another state; and (4) the adjacent city  
30.14 in the other state has a population of greater than 5,000 and less than 75,000 according to  
30.15 the 1980 decennial census.

30.16 (b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a  
30.17 property to ~~2.3~~ 2 percent of the property's market value and (ii) the tax on class 3a property  
30.18 to ~~2.3~~ 2 percent of market value.

30.19 (c) The county auditor shall annually certify the costs of the credits to the  
30.20 Department of Revenue. The department shall reimburse local governments for the  
30.21 property taxes forgone as the result of the credits in proportion to their total levies.

30.22 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2014.

30.23 Sec. 3. Minnesota Statutes 2012, section 290C.02, subdivision 6, is amended to read:

30.24 Subd. 6. **Forest land.** "Forest land" means land containing a minimum of 20  
30.25 contiguous acres for which the owner has implemented a forest management plan that was  
30.26 prepared or updated within the past ten years by an approved plan writer. For purposes of  
30.27 this subdivision, acres are considered to be contiguous even if they are separated by a road,  
30.28 waterway, railroad track, or other similar intervening property. At least 50 percent of the  
30.29 contiguous acreage must meet the definition of forest land in section 88.01, subdivision 7.  
30.30 For the purposes of sections 290C.01 to 290C.11, forest land does not include the following:

30.31 (i) land used for residential or agricultural purposes;<sub>2</sub>

30.32 (ii) land enrolled in the reinvest in Minnesota program, a state or federal conservation  
30.33 reserve or easement reserve program under sections 103F.501 to 103F.531, the Minnesota

31.1 agricultural property tax law under section 273.111, or land subject to agricultural land  
 31.2 preservation controls or restrictions as defined in section 40A.02 or under the Metropolitan  
 31.3 Agricultural Preserves Act under chapter 473H, or;

31.4 (iii) land subject to a conservation easement funded under section 97A.056 or a  
 31.5 comparable permanent easement conveyed to a governmental or nonprofit entity; or

31.6 (iv) land improved with a structure, pavement, sewer, campsite, or any road, other  
 31.7 than a township road, used for purposes not prescribed in the forest management plan.

31.8 **EFFECTIVE DATE.** This section is effective for payments made beginning in  
 31.9 calendar year 2014.

31.10 Sec. 4. Minnesota Statutes 2012, section 290C.05, is amended to read:

31.11 **290C.05 ANNUAL CERTIFICATION.**

31.12 On or before July 1 of each year, beginning with the year after the original claimant  
 31.13 has received an approved application, the commissioner shall send each claimant enrolled  
 31.14 under the sustainable forest incentive program a certification form. For purposes of this  
 31.15 section, the original claimant is the person that filed the first application under section  
 31.16 290C.04 to enroll the land in the program. The claimant must sign the certification,  
 31.17 attesting that the requirements and conditions for continued enrollment in the program are  
 31.18 currently being met, and must return the signed certification form, along with a copy of  
 31.19 the property tax statement for the property taxes payable on the enrolled property for the  
 31.20 calendar year and any other information the commissioner deems necessary to determine  
 31.21 whether the property is qualified under section 290C.02, subdivision 6, or the amount of  
 31.22 the payment under section 290C.07, paragraph (a), clause (2), to the commissioner by  
 31.23 August 15 of that same year. If the claimant does not return an annual certification form  
 31.24 by the due date, the provisions in section 290C.11 apply.

31.25 **EFFECTIVE DATE.** This section is effective for payments made beginning in  
 31.26 calendar year 2014.

31.27 Sec. 5. Minnesota Statutes 2012, section 290C.07, is amended to read:

31.28 **290C.07 CALCULATION OF INCENTIVE PAYMENT.**

31.29 (a) An approved claimant under the sustainable forest incentive program is eligible  
 31.30 to receive an annual payment. The payment shall be equal to the lesser of (1) \$7 per acre  
 31.31 or (2) one-half of the property tax payable for the calendar year for each acre enrolled in  
 31.32 the sustainable forest incentive program.

32.1 (b) The annual payment for each Social Security number or state or federal business  
32.2 tax identification number must not exceed \$100,000.

32.3 **EFFECTIVE DATE.** This section is effective for payments made beginning in  
32.4 calendar year 2014.

32.5 Sec. 6. **[2971.07] SURCHARGE ON HOMEOWNERS AND AUTO POLICIES.**

32.6 Subdivision 1. **Surcharge on policies.** (a) Each licensed insurer engaged in writing  
32.7 insurance shall collect a surcharge equal to \$5 per calendar year for each policy issued  
32.8 or renewed during that calendar year for:

32.9 (1) homeowners insurance authorized in section 60A.06, subdivision 1, clause  
32.10 (1)(c); and

32.11 (2) automobile insurance as defined in section 65B.14, subdivision 2.

32.12 (b) The surcharge amount collected under this subdivision must not be considered  
32.13 premium for any other purpose. The surcharge amount must be separately stated on either a  
32.14 billing or policy declaration or document containing similar information sent to an insured.

32.15 Subd. 2. **Collection and administration.** The commissioner shall administer the  
32.16 surcharge imposed by this section in the same manner as the taxes imposed by this chapter.

32.17 Subd. 3. **Deposit of revenues.** The commissioner shall deposit revenues from the  
32.18 surcharge under this section as follows:

32.19 (1) amounts from the surcharge imposed under subdivision 1, paragraph (a), clause  
32.20 (1), in a surcharge fire pension aid account in the special revenue fund; and

32.21 (2) amounts from the surcharge imposed under subdivision 1, paragraph (a), clause  
32.22 (2), in a surcharge police pension aid account in the special revenue fund.

32.23 Subd. 4. **Surcharge termination.** The surcharge imposed under subdivision  
32.24 1 ends on the December 31 next following the actuarial valuation date on which the  
32.25 assets of the retirement plan on a market value equals or exceeds 90 percent of the total  
32.26 actuarial accrued liabilities of the retirement plan as disclosed in an actuarial valuation  
32.27 prepared under section 356.215 and the Standards for Actuarial Work promulgated by the  
32.28 Legislative Commission on Pensions and Retirement, for the State Patrol retirement plan  
32.29 or the public employees police and fire retirement plan, whichever occurs last.

32.30 **EFFECTIVE DATE.** This section is effective for policies issued after June 30, 2013.

32.31 Sec. 7. Minnesota Statutes 2012, section 477A.011, subdivision 30, is amended to read:

32.32 Subd. 30. **Pre-1940 housing percentage.** (a) Except as provided in paragraph (b),  
32.33 "pre-1940 housing percentage" for a city is 100 times the most recent federal census count



33.1 by the United States Bureau of the Census of all housing units in the city built before  
 33.2 1940, divided by the total number of all housing units in the city. Housing units includes  
 33.3 both occupied and vacant housing units as defined by the federal census.

33.4 (b) For the city of East Grand Forks only, "pre-1940 housing percentage" is equal  
 33.5 to 100 times the 1990 federal census count of all housing units in the city built before  
 33.6 1940, divided by the most recent count by the United States Bureau of the Census of all  
 33.7 housing units in the city. Housing units includes both occupied and vacant housing units  
 33.8 as defined by the federal census.

33.9 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 33.10 2014 and thereafter.

33.11 Sec. 8. Minnesota Statutes 2012, section 477A.011, is amended by adding a  
 33.12 subdivision to read:

33.13 Subd. 30a. **Percent of housing built between 1940 and 1970.** "Percent of housing  
 33.14 built between 1940 and 1970" is equal to 100 times the most recent count by the United  
 33.15 States Bureau of the Census of all housing units in the city built after 1939 but before  
 33.16 1970, divided by the total number of all housing units in the city. Housing units includes  
 33.17 both occupied and vacant housing units as defined by the federal census.

33.18 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 33.19 2014 and thereafter.

33.20 Sec. 9. Minnesota Statutes 2012, section 477A.011, subdivision 34, is amended to read:

33.21 Subd. 34. **City revenue need.** (a) For a city with a population equal to or greater  
 33.22 than ~~2,500~~ 10,000, "city revenue need" is ~~the greater of 285 or 1.15 times~~ the sum of (1)  
 33.23 ~~5.0734098~~ 4.59 times the pre-1940 housing percentage; plus (2) ~~19.141678~~ times the  
 33.24 ~~population decline percentage~~ 0.622 times the percent of housing built between 1940 and  
 33.25 1970; plus (3) ~~2504.06334~~ times the road accidents factor 169.415 times the jobs per  
 33.26 capita; plus (4) ~~355.0547~~; minus (5) the metropolitan area factor; minus (6) ~~49.10638~~  
 33.27 ~~times the household size~~ the sparsity adjustment; plus (5) 307.664.

33.28 (b) For a city with a population equal to or greater than 2,500 and less than 10,000,  
 33.29 "city revenue need" is 1.15 times the sum of (1) 572.62; plus (2) 5.026 times the pre-1940  
 33.30 housing percentage; minus (3) 53.768 times household size; plus (4) 14.022 times peak  
 33.31 population decline.

33.32 ~~(b)~~ (c) For a city with a population less than 2,500, "city revenue need" is the sum of  
 33.33 (1) ~~2.387~~ times the pre-1940 housing percentage; plus (2) ~~2.67591~~ times the commercial

34.1 industrial percentage; plus (3) ~~3.16042~~ times the population decline percentage; plus (4)  
 34.2 ~~1.206~~ times the transformed population; minus (5) ~~62.772~~ 410 plus 0.367 times the city's  
 34.3 population over 100. The city revenue need under this paragraph shall not exceed 630.

34.4 ~~(e)~~ (d) For a city with a population of at least 2,500 or more and a population in one  
 34.5 of the most recently available five years that was less than 2,500, "city revenue need"  
 34.6 is the sum of (1) its city revenue need calculated under paragraph (a) multiplied by its  
 34.7 transition factor; plus (2) its city revenue need calculated under the formula in paragraph  
 34.8 (b) multiplied by the difference between one and its transition factor. For purposes of this  
 34.9 paragraph, a city's "transition factor" is equal to 0.2 multiplied by the number of years that  
 34.10 the city's population estimate has been 2,500 or more. This provision only applies for aids  
 34.11 payable in calendar years 2006 to 2008 to cities with a 2002 population of less than 2,500.  
 34.12 It applies to any city for aids payable in 2009 and thereafter but less than 3,000, the "city  
 34.13 revenue need" equals (1) the transition factor times the city's revenue need calculated in  
 34.14 paragraph (b) plus (2) 630 times the difference between one and the transition factor. For  
 34.15 a city with a population of at least 10,000 but less than 10,500, the "city revenue need"  
 34.16 equals (1) the transition factor times the city's revenue need calculated in paragraph (a)  
 34.17 plus (2) the city's revenue need calculated under the formula in paragraph (b) times the  
 34.18 difference between one and the transition factor. For purposes of this paragraph "transition  
 34.19 factor" is 0.2 percent times the amount that the city's population exceeds the minimum  
 34.20 threshold in either of the first two sentences.

34.21 ~~(d)~~ (e) The city revenue need cannot be less than zero.

34.22 (e) (f) For calendar year ~~2005~~ 2015 and subsequent years, the city revenue need for  
 34.23 a city, as determined in paragraphs (a) to ~~(d)~~ (e), is multiplied by the ratio of the annual  
 34.24 implicit price deflator for government consumption expenditures and gross investment for  
 34.25 state and local governments as prepared by the United States Department of Commerce,  
 34.26 for the most recently available year to the ~~2003~~ 2013 implicit price deflator for state  
 34.27 and local government purchases.

34.28 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 34.29 2014 and thereafter.

34.30 Sec. 10. Minnesota Statutes 2012, section 477A.011, subdivision 42, is amended to read:

34.31 Subd. 42. **City jobs base Jobs per capita.** (a) "City jobs base" for a city with a  
 34.32 population of 5,000 or more is equal to the product of (1) \$25.20, (2) the number of  
 34.33 jobs per capita in the city, and (3) its population. For cities with a population less than  
 34.34 5,000, the city jobs base is equal to zero. For a city receiving aid under subdivision 36,  
 34.35 paragraph (k), its city jobs base is reduced by the lesser of 36 percent of the amount of

35.1 aid received under that paragraph or \$1,000,000. No city's city jobs base may exceed  
35.2 \$4,725,000 under this paragraph.

35.3 (b) For calendar year 2010 and subsequent years, the city jobs base for a city, as  
35.4 determined in paragraph (a), is multiplied by the ratio of the appropriation under section  
35.5 477A.03, subdivision 2a, for the year in which the aid is paid to the appropriation under  
35.6 that section for aids payable in 2009.

35.7 (e) For purposes of this subdivision, "Jobs per capita in the city" means (1) the  
35.8 average annual number of employees in the city based on the data from the Quarterly  
35.9 Census of Employment and Wages, as reported by the Department of Employment and  
35.10 Economic Development, for the most recent calendar year available as of ~~May 1, 2008~~  
35.11 November 1 of every odd-numbered year, divided by (2) the city's population for the  
35.12 same calendar year as the employment data. The commissioner of the Department of  
35.13 Employment and Economic Development shall certify to the city the average annual  
35.14 number of employees for each city by ~~June 1, 2008~~ January 15, of every even-numbered  
35.15 year beginning with January 15, 2014. A city may challenge an estimate under this  
35.16 paragraph by filing its specific objection, including the names of employers that it feels  
35.17 may have misreported data, in writing with the commissioner by ~~June 20, 2008~~ December  
35.18 1 of every odd-numbered year. The commissioner shall make every reasonable effort  
35.19 to address the specific objection and adjust the data as necessary. The commissioner  
35.20 shall certify the estimates of the annual employment to the commissioner of revenue by  
35.21 ~~July 15, 2008~~ January 15 of all even-numbered years, including any estimates still under  
35.22 objection. For aids payable in 2014, "jobs per capita" shall be based on the annual number  
35.23 of employees and population for calendar year 2010 without additional review.

35.24 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
35.25 2014 and thereafter.

35.26 Sec. 11. Minnesota Statutes 2012, section 477A.011, is amended by adding a  
35.27 subdivision to read:

35.28 **Subd. 44. Peak population decline.** "Peak population decline" is equal to 100  
35.29 times the difference between one and the ratio of the city's current population, to the  
35.30 highest city population reported in a federal census from the 1970 census or later. "Peak  
35.31 population decline" shall not be less than zero.

35.32 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
35.33 2014 and thereafter.

36.1 Sec. 12. Minnesota Statutes 2012, section 477A.011, is amended by adding a  
36.2 subdivision to read:

36.3 Subd. 45. **Sparsity adjustment.** For a city with a population of 10,000 or more, the  
36.4 sparsity adjustment is 100 for any city with an average population density less than 150  
36.5 per square mile, according to the most recent federal census, and the sparsity adjustment is  
36.6 zero for all other cities.

36.7 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
36.8 2014 and thereafter.

36.9 Sec. 13. Minnesota Statutes 2012, section 477A.013, subdivision 8, is amended to read:

36.10 Subd. 8. **City formula aid.** (a) For aids payable in 2014 only, the formula aid for  
36.11 a city is equal to the lesser of its unmet need or the sum of (1) its 2013 certified aid and  
36.12 (2) the product of (i) the difference between its unmet need and its 2013 certified aid  
36.13 and (ii) the aid gap percentage.

36.14 (b) For aids payable in 2015 and thereafter, the formula aid for a city is equal to  
36.15 the sum of (1) its city jobs base, (2) its small city aid base, and (3) the need increase  
36.16 percentage multiplied by the average of its unmet need for the most recently available two  
36.17 years formula aid in the previous year and (2) the product of (i) the difference between  
36.18 its unmet need and its certified aid in the previous year under subdivision 9, and (ii)  
36.19 the aid gap percentage.

36.20 No city may have a formula aid amount less than zero. The ~~need increase~~ aid gap  
36.21 percentage must be the same for all cities.

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

36.28 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
36.29 2014 and thereafter.

36.30 Sec. 14. Minnesota Statutes 2012, section 477A.013, subdivision 9, is amended to read:

36.31 Subd. 9. **City aid distribution.** (a) In calendar year ~~2013~~ 2014 and thereafter, each  
36.32 city shall receive an aid distribution equal to the sum of (1) the city formula aid under  
36.33 subdivision 8, and (2) its city aid base aid adjustment under subdivision 13.

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

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

37.12 ~~(d) (b) For aids payable in 2014 only, the total aid for a city may not be less than the~~  
37.13 ~~amount it was certified to receive in 2013. For aids payable in 2010 2015 and thereafter,~~  
37.14 ~~the total aid for a city with a population less than 2,500 must not be less than the amount~~  
37.15 ~~it was certified to receive in the previous year minus the lesser of \$10 multiplied by its~~  
37.16 ~~population, or five percent of its 2003-certified aid amount. For aids payable in 2009 only,~~  
37.17 ~~the total aid for a city with a population less than 2,500 must not be less than what it~~  
37.18 ~~received under this section in the previous year unless its total aid in calendar year 2008~~  
37.19 ~~was aid under section 477A.011, subdivision 36, paragraph (s), in which case its minimum~~  
37.20 ~~aid is zero its net levy in the year prior to the aid distribution.~~

37.21 ~~(e) A city's aid loss under this section may not exceed \$300,000 in any year in~~  
37.22 ~~which the total city aid appropriation under section 477A.03, subdivision 2a, is equal or~~  
37.23 ~~greater than the appropriation under that subdivision in the previous year, unless the~~  
37.24 ~~city has an adjustment in its city net tax capacity under the process described in section~~  
37.25 ~~469.174, subdivision 28.~~

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

37.32 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
37.33 2014 and thereafter.

37.34 Sec. 15. Minnesota Statutes 2012, section 477A.013, is amended by adding a  
37.35 subdivision to read:

38.1 Subd. 13. **Certified aid adjustments.** (a) A city that received an aid base increase  
38.2 under Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (e), shall  
38.3 have its total aid under subdivision 9 increased by an amount equal to \$150,000 for aids  
38.4 payable in 2014 through 2018.

38.5 (b) A city that received a temporary aid increase under Minnesota Statutes 2012,  
38.6 section 477A.011, subdivision 36, paragraph (m), (v), or (w), shall have its total aid under  
38.7 subdivision 9 decreased by the amount of its aid base increase under those paragraphs in  
38.8 calendar year 2013.

38.9 Sec. 16. Minnesota Statutes 2012, section 477A.015, is amended to read:

38.10 **477A.015 PAYMENT DATES.**

38.11 The commissioner of revenue shall make the payments of local government aid to  
38.12 affected taxing authorities in two installments on July 20 and December 26 annually.

38.13 When the commissioner of public safety determines that a local government has  
38.14 suffered financial hardship due to a natural disaster, the commissioner of public safety  
38.15 shall notify the commissioner of revenue, who shall make payments of aids under sections  
38.16 477A.011 to 477A.014, which are otherwise due on December 26, as soon as is practical  
38.17 after the determination is made but not before July 20.

38.18 The commissioner may pay all or part of the payments of aids under sections  
38.19 477A.011 to 477A.014, which are due on December 26 at any time after August 15 if a  
38.20 local government requests such payment as being necessary for meeting its cash flow  
38.21 needs. For aids payable in 2013 only, a city that is located in an area deemed a disaster  
38.22 area during the month of April 2013, as defined in section 12A.01, subdivision 5, shall  
38.23 receive its December 26, 2013 payment with its July 20, 2013 payment.

38.24 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
38.25 2013 and thereafter.

38.26 Sec. 17. Minnesota Statutes 2012, section 477A.03, subdivision 2a, is amended to read:

38.27 Subd. 2a. **Cities.** For aids payable in ~~2013~~ 2014 and thereafter, the total aid paid  
38.28 under section 477A.013, subdivision 9, is ~~\$426,438,012~~ \$506,438,012. For aids payable  
38.29 in 2015 and thereafter, the total aid paid under section 477A.013, subdivision 9, is the  
38.30 amount certified under that section in the previous year multiplied by the inflation  
38.31 adjustment under subdivision 6.

38.32 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
38.33 2014 and thereafter.

39.1 Sec. 18. Minnesota Statutes 2012, section 477A.03, subdivision 2b, is amended to read:

39.2 Subd. 2b. **Counties.** (a) For aids payable in ~~2013~~ 2014 and thereafter, the total aid  
39.3 payable under section 477A.0124, subdivision 3, is ~~\$80,795,000~~ \$95,795,000. Each  
39.4 calendar year, ~~\$500,000 of this appropriation~~ shall be retained by the commissioner  
39.5 of revenue to make reimbursements to the commissioner of management and budget  
39.6 for payments made under section 611.27. ~~For calendar year 2004, the amount shall~~  
39.7 ~~be in addition to the payments authorized under section 477A.0124, subdivision 1.~~  
39.8 ~~For calendar year 2005 and subsequent years, the amount shall be deducted from the~~  
39.9 ~~appropriation under this paragraph.~~ The reimbursements shall be to defray the additional  
39.10 costs associated with court-ordered counsel under section 611.27. Any retained amounts  
39.11 not used for reimbursement in a year shall be included in the next distribution of county  
39.12 need aid that is certified to the county auditors for the purpose of property tax reduction  
39.13 for the next taxes payable year.

39.14 (b) For aids payable in ~~2013~~ 2014 and thereafter, the total aid under section  
39.15 477A.0124, subdivision 4, is ~~\$84,909,575~~ \$99,909,575. The commissioner of management  
39.16 and budget shall bill the commissioner of revenue for the cost of preparation of local impact  
39.17 notes as required by section 3.987, not to exceed \$207,000 in each fiscal year ~~2004 and~~  
39.18 ~~thereafter~~. The commissioner of education shall bill the commissioner of revenue for the  
39.19 cost of preparation of local impact notes for school districts as required by section 3.987,  
39.20 not to exceed \$7,000 in each fiscal year ~~2004 and thereafter~~. The commissioner of revenue  
39.21 shall deduct the amounts billed under this paragraph from the appropriation under this  
39.22 paragraph. The amounts deducted are appropriated to the commissioner of management  
39.23 and budget and the commissioner of education for the preparation of local impact notes.

39.24 **EFFECTIVE DATE.** This section is effective for aid payable in 2014 and thereafter.

39.25 Sec. 19. Minnesota Statutes 2012, section 477A.03, is amended by adding a  
39.26 subdivision to read:

39.27 Subd. 6. **Inflation adjustment.** In 2015 and thereafter, the amount paid under  
39.28 subdivision 2a shall be multiplied by an amount equal to one plus the sum of (1) the  
39.29 percentage increase in the implicit price deflator for government expenditures and gross  
39.30 investment for state and local government purchases as prepared by the United States  
39.31 Department of Commerce, for the 12-month period ending March 31 of the previous  
39.32 calendar year, and (2) the percentage increase in total city population for the most recently  
39.33 available years as of January 15 of the current year. The percentage increase in this  
39.34 subdivision shall not be less than 2.5 percent or greater than five percent.

40.1 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
40.2 2014 and thereafter.

40.3 Sec. 20. **REPEALER.**

40.4 (a) Minnesota Statutes 2012, sections 477A.011, subdivisions 2a, 19, 29, 31, 32, 33,  
40.5 36, 39, 40, 41, and 42; 477A.013, subdivisions 11 and 12; 477A.0133; and 477A.0134, are  
40.6 repealed.

40.7 (b) Laws 2006, chapter 259, article 11, section 3, as amended by Laws 2008, chapter  
40.8 154, article 1, section 4, is repealed.

40.9 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
40.10 2014 and thereafter.

## 40.11 **ARTICLE 4**

### 40.12 **PROPERTY TAXES**

40.13 Section 1. Minnesota Statutes 2012, section 103B.102, subdivision 3, is amended to  
40.14 read:

40.15 Subd. 3. **Evaluation and report.** The Board of Water and Soil Resources shall  
40.16 evaluate performance, financial, and activity information for each local water management  
40.17 entity. The board shall evaluate the entities' progress in accomplishing their adopted plans  
40.18 on a regular basis as determined by the board based on budget and operations of the local  
40.19 water management entity, but not less than once every five ~~ten~~ years. The board shall  
40.20 maintain a summary of local water management entity performance on the board's Web site.  
40.21 Beginning February 1, 2008, and annually thereafter, the board shall provide an analysis  
40.22 of local water management entity performance to the chairs of the house of representatives  
40.23 and senate committees having jurisdiction over environment and natural resources policy.

40.24 Sec. 2. Minnesota Statutes 2012, section 103B.335, is amended to read:

#### 40.25 **103B.335 TAX LEVY AUTHORITY.**

40.26 Subdivision 1. **Local water planning and management.** The governing body of  
40.27 any county, municipality, or township may levy a tax in an amount required to implement  
40.28 sections 103B.301 to 103B.355 or a comprehensive watershed management plan as  
40.29 defined in section 103B.3363.

40.30 Subd. 2. **Priority programs; conservation and watershed districts.** A county  
40.31 may levy amounts necessary to pay the reasonable ~~increased~~ costs to soil and water  
40.32 conservation districts and watershed districts of administering and implementing priority



41.1 programs identified in an approved and adopted plan or a comprehensive watershed  
41.2 management plan as defined in section 103B.3363.

41.3 Sec. 3. Minnesota Statutes 2012, section 103B.3369, subdivision 5, is amended to read:

41.4 Subd. 5. **Financial assistance.** A base grant may be awarded to a county that  
41.5 provides a match utilizing a water implementation tax or other local source. A water  
41.6 implementation tax that a county intends to use as a match to the base grant must be  
41.7 levied at a rate sufficient to generate a minimum amount determined by the board.  
41.8 The board may award performance-based grants to local units of government that are  
41.9 responsible for implementing elements of applicable portions of watershed management  
41.10 plans, comprehensive plans, local water management plans, or comprehensive watershed  
41.11 management plans, developed or amended, adopted and approved, according to chapter  
41.12 103B, 103C, or 103D. Upon request by a local government unit, the board may also  
41.13 award performance-based grants to local units of government to carry out TMDL  
41.14 implementation plans as provided in chapter 114D, if the TMDL implementation plan has  
41.15 been incorporated into the local water management plan according to the procedures for  
41.16 approving comprehensive plans, watershed management plans, local water management  
41.17 plans, or comprehensive watershed management plans under chapter 103B, 103C, or  
41.18 103D, or if the TMDL implementation plan has undergone a public review process.  
41.19 Notwithstanding section 16A.41, the board may award performance-based grants on an  
41.20 advanced basis. The fee authorized in section 40A.152 may be used as a local match  
41.21 or as a supplement to state funding to accomplish implementation of comprehensive  
41.22 plans, watershed management plans, local water management plans, or comprehensive  
41.23 watershed management plans under chapter 103B, 103C, or 103D.

41.24 Sec. 4. Minnesota Statutes 2012, section 103C.501, subdivision 4, is amended to read:

41.25 Subd. 4. **Cost-sharing funds.** (a) The state board shall allocate ~~at least 70 percent~~  
41.26 ~~of~~ cost-sharing funds to areas with high priority erosion, sedimentation, or water quality  
41.27 problems or water quantity problems due to altered hydrology. The areas must be selected  
41.28 based on ~~the statewide~~ priorities established by the state board.

41.29 (b) The allocated funds must be used for conservation practices for high priority  
41.30 problems identified in the comprehensive and annual work plans of the districts, for  
41.31 the technical assistance portion of the grant funds to leverage federal or other nonstate  
41.32 funds, or to address high-priority needs identified in local water management plans or  
41.33 comprehensive watershed management plans.

41.34 ~~(b) The remaining cost-sharing funds may be allocated to districts as follows:~~

42.1 (1) ~~for technical and administrative assistance, not more than 20 percent of the~~  
 42.2 ~~funds; and~~  
 42.3 (2) ~~for conservation practices for lower priority erosion, sedimentation, or water~~  
 42.4 ~~quality problems.~~

42.5 Sec. 5. Minnesota Statutes 2012, section 103F.405, subdivision 1, is amended to read:

42.6 Subdivision 1. **Authority.** Each statutory or home rule charter city, town, or  
 42.7 county that has planning and zoning authority under sections 366.10 to 366.19, 394.21  
 42.8 to 394.37, or 462.351 to 462.365 is encouraged to adopt a soil loss ordinance. The soil  
 42.9 loss ordinance must use the soil loss tolerance for each soil series described in the United  
 42.10 States Soil Natural Resources Conservation Service Field Office Technical Guide, or  
 42.11 another method approved by the Board of Water and Soil Resources, to determine the  
 42.12 soil loss limits, but the soil loss limits must be attainable by the best practicable soil  
 42.13 conservation practice. Ordinances adopted by local governments ~~within the metropolitan~~  
 42.14 ~~area defined in section 473.121~~ must be consistent with ~~local water management plans~~  
 42.15 ~~adopted under section 103B.235~~ a comprehensive plan, local water management plan, or  
 42.16 watershed management plan developed or amended, adopted and approved, according  
 42.17 to chapter 103B, 103C, or 103D.

42.18 Sec. 6. Minnesota Statutes 2012, section 168.012, subdivision 9, is amended to read:

42.19 Subd. 9. **Manufactured homes and park trailers.** Manufactured homes and park  
 42.20 trailers shall not be taxed as motor vehicles using the public streets and highways and shall  
 42.21 be exempt from the motor vehicle tax provisions of this chapter. Except as provided in  
 42.22 section 273.125, manufactured homes and park trailers shall be taxed as personal property.  
 42.23 The provisions of Minnesota Statutes 1957, section 272.02 or any other act providing for  
 42.24 tax exemption shall be inapplicable to manufactured homes and park trailers, except such  
 42.25 manufactured homes as are held by a licensed dealer or limited dealer and exempted as  
 42.26 inventory under subdivision 9a. Travel trailers not conspicuously displaying current  
 42.27 registration plates on the property tax assessment date shall be taxed as manufactured  
 42.28 homes if occupied as human dwelling places.

42.29 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and  
 42.30 thereafter.

42.31 Sec. 7. Minnesota Statutes 2012, section 168.012, is amended by adding a subdivision  
 42.32 to read:

43.1            Subd. 9a. **Manufactured home as dealer inventory.** Manufactured homes as  
43.2 defined in section 327.31, subdivision 6, shall be considered as dealer inventory if the  
43.3 home is:

43.4            (1) listed as inventory and held by a licensed or limited dealer;

43.5            (2) unoccupied and not available for rent;

43.6            (3) may or may not be permanently connected to utilities when located in a  
43.7 manufactured park; and

43.8            (4) may or may not be temporarily connected to utilities when located at a dealer's  
43.9 sales center.

43.10           **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and  
43.11 thereafter.

43.12           Sec. 8. Minnesota Statutes 2012, section 272.02, subdivision 39, is amended to read:

43.13           Subd. 39. **Economic development; public purpose.** The holding of property by a  
43.14 political subdivision of the state for later resale for economic development purposes shall  
43.15 be considered a public purpose in accordance with subdivision 8 for a period not to exceed  
43.16 nine years, except that for property located in a city of ~~5,000~~ 20,000 population or under  
43.17 that is located outside of the metropolitan area as defined in section 473.121, subdivision  
43.18 2, the period must not exceed 15 years.

43.19           The holding of property by a political subdivision of the state for later resale (1)  
43.20 which is purchased or held for housing purposes, or (2) which meets the conditions  
43.21 described in section 469.174, subdivision 10, shall be considered a public purpose in  
43.22 accordance with subdivision 8.

43.23           The governing body of the political subdivision which acquires property which is  
43.24 subject to this subdivision shall after the purchase of the property certify to the city or  
43.25 county assessor whether the property is held for economic development purposes or  
43.26 housing purposes, or whether it meets the conditions of section 469.174, subdivision 10.  
43.27 If the property is acquired for economic development purposes and buildings or other  
43.28 improvements are constructed after acquisition of the property, and if more than one-half  
43.29 of the floor space of the buildings or improvements which is available for lease to or use  
43.30 by a private individual, corporation, or other entity is leased to or otherwise used by  
43.31 a private individual, corporation, or other entity the provisions of this subdivision shall  
43.32 not apply to the property. This subdivision shall not create an exemption from section  
43.33 272.01, subdivision 2; 272.68; 273.19; or 469.040, subdivision 3; or other provision of  
43.34 law providing for the taxation of or for payments in lieu of taxes for publicly held property  
43.35 which is leased, loaned, or otherwise made available and used by a private person.

44.1 **EFFECTIVE DATE.** This section is effective for assessment year 2013 and  
44.2 thereafter and for taxes payable in 2014 and thereafter.

44.3 Sec. 9. Minnesota Statutes 2012, section 272.02, is amended by adding a subdivision  
44.4 to read:

44.5 Subd. 98. **Certain property owned by an Indian tribe.** (a) Property is exempt that:  
44.6 (1) was classified as 3a under section 273.13, subdivision 24, for taxes payable  
44.7 in 2013;

44.8 (2) is located in a city of the first class with a population greater than 300,000 as of  
44.9 the 2010 federal census;

44.10 (3) is owned and occupied directly or indirectly by a federally recognized Indian  
44.11 tribe within the state of Minnesota; and

44.12 (4) is used exclusively for tribal purposes or institutions of public charity as defined  
44.13 in subdivision 7.

44.14 (b) For purposes of this subdivision, a "tribal purpose" is a public purpose as defined  
44.15 in subdivision 8 and includes noncommercial tribal government activities. Property  
44.16 that qualifies for the exemption under this subdivision is limited to no more than two  
44.17 contiguous parcels and structures that do not exceed in the aggregate 20,000 square feet.  
44.18 Property acquired for single-family housing, market-rate apartments, agriculture, or  
44.19 forestry does not qualify for this exemption. The exemption created by this subdivision  
44.20 expires with taxes payable in 2024.

44.21 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2014.

44.22 Sec. 10. Minnesota Statutes 2012, section 272.02, is amended by adding a subdivision  
44.23 to read:

44.24 Subd. 99. **Public entertainment facility; property tax exemption; special**  
44.25 **assessment.** Any real or personal property acquired, owned, leased, controlled, used,  
44.26 or occupied by a first class city for the primary purpose of providing an arena for a  
44.27 professional basketball team is declared to be acquired, owned, leased, controlled, used,  
44.28 and occupied for public, governmental, and municipal purposes, and is exempt from ad  
44.29 valorem taxation by the state or any political subdivision of the state, provided that the  
44.30 properties are subject to special assessments levied by a political subdivision for a local  
44.31 improvement in amounts proportionate to and not exceeding the special benefit received  
44.32 by the properties from the improvement. In determining the special benefit received by  
44.33 the properties, no possible use of any of the properties in any manner different from their  
44.34 intended use for providing a professional basketball arena at the time may be considered.

45.1 Notwithstanding section 272.01, subdivision 2, or 273.19, real or personal property subject  
45.2 to a lease or use agreement between the city and another person for uses related to the  
45.3 purposes of the operation of the arena is exempt from taxation regardless of the length of  
45.4 the lease or use agreement. This section, insofar as it provides an exemption or special  
45.5 treatment, does not apply to any real property that is leased for residential, business, or  
45.6 commercial development, or to a restaurant that is open for general business more than  
45.7 200 days a year, or for other purposes different from those necessary to the provision  
45.8 and operation of the arena.

45.9 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2013.

45.10 Sec. 11. Minnesota Statutes 2012, section 272.02, is amended by adding a subdivision  
45.11 to read:

45.12 Subd. 100. **Public entertainment facility; property tax exemption; special**  
45.13 **assessment.** Any real or personal property acquired, owned, leased, controlled, used,  
45.14 or occupied by a first class city for the primary purpose of providing a ball park for a  
45.15 minor league baseball team is declared to be acquired, owned, leased, controlled, used,  
45.16 and occupied for public, governmental, and municipal purposes, and is exempt from ad  
45.17 valorem taxation by the state or any political subdivision of the state, provided that the  
45.18 properties are subject to special assessments levied by a political subdivision for a local  
45.19 improvement in amounts proportionate to and not exceeding the special benefit received  
45.20 by the properties from the improvement. In determining the special benefit received by  
45.21 the properties, no possible use of any of the properties in any manner different from  
45.22 their intended use for providing a minor league ballpark at the time may be considered.

45.23 Notwithstanding section 272.01, subdivision 2, or 273.19, real or personal property  
45.24 subject to a lease or use agreement between the city and another person for uses related to  
45.25 the purposes of the operation of the ballpark and related parking facilities is exempt from  
45.26 taxation regardless of the length of the lease or use agreement. This section, insofar as it  
45.27 provides an exemption or special treatment, does not apply to any real property that is  
45.28 leased for residential, business, or commercial development or other purposes different  
45.29 from those necessary to the provision and operation of the ball park.

45.30 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2013.

45.31 Sec. 12. Minnesota Statutes 2012, section 272.02, is amended by adding a subdivision  
45.32 to read:

46.1 Subd. 101. **Electric generation facility; personal property.** (a) Notwithstanding  
46.2 subdivision 9, clause (a), and section 453.54, subdivision 20, attached machinery and  
46.3 other personal property which is part of an electric generation facility that exceeds five  
46.4 megawatts of installed capacity and meets the requirements of this subdivision is exempt.

46.5 At the time of construction, the facility must be:

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

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

46.9 (3) designed to utilize reciprocating engines paired with generators to produce  
46.10 electrical power;

46.11 (4) located within the service territory of a municipal power agency's electrical  
46.12 municipal utility that serves load exclusively in a metropolitan county as defined in  
46.13 section 473.121, subdivision 4; and

46.14 (5) designed to connect directly with a municipality's substation.

46.15 (b) Construction of the facility must be commenced after June 1, 2013, and before  
46.16 June 1, 2017. Property eligible for this exemption does not include electric transmission  
46.17 lines and interconnections or gas pipelines and interconnections appurtenant to the  
46.18 property or the facility.

46.19 **EFFECTIVE DATE.** This section is effective for assessment year 2013, taxes  
46.20 payable in 2014, and thereafter.

46.21 Sec. 13. Minnesota Statutes 2012, section 273.11, is amended by adding a subdivision  
46.22 to read:

46.23 Subd. 24. **Valuation limit for class 4d property.** Notwithstanding the provisions of  
46.24 subdivision 1, the taxable value of any property classified as class 4d under section 273.13,  
46.25 subdivision 25, is limited as provided under this section. For assessment year 2013, the  
46.26 value may not exceed \$100,000 times the number of dwelling units. For subsequent years,  
46.27 the limit is adjusted each year by the average statewide change in estimated market value  
46.28 of property classified as class 4a and 4d under section 273.13, subdivision 25, for the  
46.29 previous assessment year, excluding valuation change due to new construction, rounded to  
46.30 the nearest \$1,000. Beginning with assessment year 2014, the commissioner of revenue  
46.31 must certify the limit for each assessment year by November 1 of the previous year.

46.32 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2013.

46.33 Sec. 14. Minnesota Statutes 2012, section 279.01, subdivision 1, is amended to read:

47.1 Subdivision 1. **Due dates; penalties.** Except as provided in ~~subdivision~~ subdivisions  
47.2 ~~3 or 4~~ to 5, on May 16 or 21 days after the postmark date on the envelope containing the  
47.3 property tax statement, whichever is later, a penalty accrues and thereafter is charged upon  
47.4 all unpaid taxes on real estate on the current lists in the hands of the county treasurer. The  
47.5 penalty is at a rate of two percent on homestead property until May 31 and four percent on  
47.6 June 1. The penalty on nonhomestead property is at a rate of four percent until May 31 and  
47.7 eight percent on June 1. This penalty does not accrue until June 1 of each year, or 21 days  
47.8 after the postmark date on the envelope containing the property tax statements, whichever  
47.9 is later, on commercial use real property used for seasonal residential recreational purposes  
47.10 and classified as class 1c or 4c, and on other commercial use real property classified as  
47.11 class 3a, provided that over 60 percent of the gross income earned by the enterprise on the  
47.12 class 3a property is earned during the months of May, June, July, and August. In order for  
47.13 the first half of the tax due on class 3a property to be paid after May 15 and before June 1,  
47.14 or 21 days after the postmark date on the envelope containing the property tax statement,  
47.15 whichever is later, without penalty, the owner of the property must attach an affidavit  
47.16 to the payment attesting to compliance with the income provision of this subdivision.  
47.17 Thereafter, for both homestead and nonhomestead property, on the first day of each month  
47.18 beginning July 1, up to and including October 1 following, an additional penalty of one  
47.19 percent for each month accrues and is charged on all such unpaid taxes provided that if the  
47.20 due date was extended beyond May 15 as the result of any delay in mailing property tax  
47.21 statements no additional penalty shall accrue if the tax is paid by the extended due date. If  
47.22 the tax is not paid by the extended due date, then all penalties that would have accrued if  
47.23 the due date had been May 15 shall be charged. When the taxes against any tract or lot  
47.24 exceed \$100, one-half thereof may be paid prior to May 16 or 21 days after the postmark  
47.25 date on the envelope containing the property tax statement, whichever is later; and, if so  
47.26 paid, no penalty attaches; the remaining one-half may be paid at any time prior to October  
47.27 16 following, without penalty; but, if not so paid, then a penalty of two percent accrues  
47.28 thereon for homestead property and a penalty of four percent on nonhomestead property.  
47.29 Thereafter, for homestead property, on the first day of November an additional penalty of  
47.30 four percent accrues and on the first day of December following, an additional penalty of  
47.31 two percent accrues and is charged on all such unpaid taxes. Thereafter, for nonhomestead  
47.32 property, on the first day of November and December following, an additional penalty of  
47.33 four percent for each month accrues and is charged on all such unpaid taxes. If one-half of  
47.34 such taxes are not paid prior to May 16 or 21 days after the postmark date on the envelope  
47.35 containing the property tax statement, whichever is later, the same may be paid at any time

48.1 prior to October 16, with accrued penalties to the date of payment added, and thereupon  
48.2 no penalty attaches to the remaining one-half until October 16 following.

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

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

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

48.15 Sec. 15. Minnesota Statutes 2012, section 279.01, is amended by adding a subdivision  
48.16 to read:

48.17 Subd. 5. **Federal active service exception.** In the case of a homestead property  
48.18 owned by an individual who is on federal active service, as defined in section 190.05,  
48.19 subdivision 5c, as a member of the National Guard or a reserve component, a six-month  
48.20 grace period is granted for complying with the due dates imposed by subdivision 1. During  
48.21 this period, no late fees or penalties shall accrue against the property. The due date for  
48.22 property taxes owed under this chapter for an individual covered by this subdivision shall  
48.23 be November 16 for taxes due on May 16, and April 16 of the following year for taxes due  
48.24 on October 16. A taxpayer making a payment under this subdivision must accompany  
48.25 the payment with a signed copy of the taxpayer's orders or form DD214 showing the  
48.26 dates of active service which clearly indicate that the taxpayer was in active service as a  
48.27 member of the National Guard or a reserve component on the date the payment was due.  
48.28 This grace period applies to all homestead property owned by individuals on federal active  
48.29 service, as herein defined, for all of that property's due dates which fall on a day that is  
48.30 included in the taxpayer's federal active service.

48.31 Sec. 16. Minnesota Statutes 2012, section 279.02, is amended to read:

48.32 **279.02 DUTIES OF COUNTY AUDITOR AND TREASURER.**

48.33 Subdivision 1. **Delinquent property; rates.** On the first business day in January, of  
48.34 each year, the county treasurer shall return the tax lists on hand to the county auditor, who



49.1 shall compare the same with the statements receipted for by the treasurer on file in the  
49.2 auditor's office and each tract or lot of real property against which the taxes, or any part  
49.3 thereof, remain unpaid, shall be deemed delinquent, and thereupon an additional penalty  
49.4 of two percent on the amount of the original tax remaining unpaid shall immediately  
49.5 accrue and thereafter be charged upon all such delinquent taxes; and any auditor who  
49.6 shall make out and deliver any statement of delinquent taxes without including therein  
49.7 the penalties imposed by law, and any treasurer who shall receive payment of such taxes  
49.8 without including in such payment all items as shown on the auditor's statement, shall be  
49.9 liable to the county for the amounts of any items omitted.

49.10 Subd. 2. Federal active service exception. Notwithstanding subdivision 1, a  
49.11 homestead property owned by an individual who is on federal active service, as defined  
49.12 in section 190.05, subdivision 5c, as a member of the National Guard or a reserve  
49.13 component, shall not be deemed delinquent under this section if the due dates imposed  
49.14 under section 279.01 fall on a day in which the individual was on federal active service.

49.15 Sec. 17. Minnesota Statutes 2012, section 287.05, is amended by adding a subdivision  
49.16 to read:

49.17 Subd. 10. Hennepin and Ramsey Counties. For properties located in Hennepin  
49.18 and Ramsey Counties, the county may impose an additional mortgage registry tax as  
49.19 defined in sections 383A.80 and 383B.80.

49.20 EFFECTIVE DATE. This section is effective for deeds and mortgages  
49.21 acknowledged on or after July 1, 2013.

49.22 Sec. 18. [287.40] HENNEPIN AND RAMSEY COUNTIES.

49.23 For properties located in Hennepin and Ramsey Counties, the county may impose an  
49.24 additional deed tax as defined in sections 383A.80 and 383B.80.

49.25 EFFECTIVE DATE. This section is effective for deeds and mortgages  
49.26 acknowledged on or after July 1, 2013.

49.27 Sec. 19. Laws 1988, chapter 645, section 3, as amended by Laws 1999, chapter 243,  
49.28 article 6, section 9, Laws 2000, chapter 490, article 6, section 15, and Laws 2008, chapter  
49.29 154, article 2, section 30, is amended to read:

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

49.31 (a) The tax levied by the hospital district under Minnesota Statutes, section 447.34,  
49.32 must not be levied at a rate that exceeds the amount authorized to be levied under that

50.1 section. The proceeds of the tax may be used for all purposes of the hospital district,  
50.2 except as provided in paragraph (b).

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

50.6 (1) ambulance acquisitions for the Cook ambulance service and the Orr ambulance  
50.7 service and not;

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

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

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

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

50.16 Sec. 20. Laws 1999, chapter 243, article 6, section 11, is amended to read:

50.17 Sec. 11. **CEMETERY LEVY FOR SAWYER BY CARLTON COUNTY.**

50.18 ~~Subdivision 1. Levy authorized.~~ Notwithstanding other law to the contrary, the  
50.19 Carlton county board of commissioners may annually levy in and for the unorganized  
50.20 township territory of Sawyer an amount ~~up to \$1,000 annually~~ for cemetery purposes,  
50.21 ~~beginning with taxes payable in 2000 and ending with taxes payable in 2009.~~

50.22 ~~Subd. 2. Effective date.~~ This section is effective June 1, 1999, without local  
50.23 approval.

50.24 **EFFECTIVE DATE; LOCAL APPROVAL.** This section applies to taxes  
50.25 payable in 2014 and thereafter, and is effective the day after the Carlton county board  
50.26 of commissioners and its chief clerical officer timely complete their compliance with  
50.27 Minnesota Statutes, section 645.021, subdivisions 2 and 3.

50.28 Sec. 21. Laws 2008, chapter 366, article 5, section 33, the effective date, is amended to  
50.29 read:

50.30 **EFFECTIVE DATE.** This section is effective for taxes levied in 2008, payable in  
50.31 2009, and is repealed effective for taxes levied in ~~2013~~ 2018, payable in ~~2014~~ 2019,  
50.32 and thereafter.

51.1 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2014.

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

51.4 **EFFECTIVE DATE.** This section is effective for assessment years year 2010 and  
51.5 2011, for taxes payable in 2011 and 2012 thereafter.

51.6 **EFFECTIVE DATE.** This section is effective for assessment year 2012 and  
51.7 thereafter.

51.8 Sec. 23. **MINNEAPOLIS AND ST. PAUL; ENTERTAINMENT FACILITIES**  
51.9 **COORDINATION.**

51.10 (a) On or before January 1, 2015, the cities of St. Paul and Minneapolis shall establish  
51.11 a joint governing structure to coordinate and provide for joint marketing, promotion, and  
51.12 scheduling of conventions and events at the Target Center and Xcel Energy Center.

51.13 (b) On or before February 1, 2014, the cities of St. Paul and Minneapolis, and  
51.14 representatives from the primary professional sports team tenant of each facility, shall also  
51.15 study and report to the legislature on creating a joint governing structure to provide for  
51.16 joint administration, financing, and operations of the facilities and the possible effects of  
51.17 joint governance on the finances of each facility and each city. The study under this  
51.18 paragraph must:

51.19 (1) examine the current finances of each facility, including past and projected costs  
51.20 and revenues; projected capital improvements; and the current and projected impact  
51.21 of each facility on the city's general fund;

51.22 (2) determine the impacts of joint governance on the future finances of each facility  
51.23 and city;

51.24 (3) examine the inclusion of other entertainment venues in the joint governance, and  
51.25 the impact the inclusion of those facilities would have on all the facilities within the joint  
51.26 governing structure and the cities in which they are located; and

51.27 (4) consider the amount of city, regional, and state funding, if any, that would be  
51.28 required to fund and operate the facilities under a joint governing structure.

51.29 (c) In considering joint governing structures under paragraph (b), the study shall  
51.30 specifically consider the feasibility of joining the Target Center and the Xcel Energy  
51.31 Center, and possibly other venues, to the Minnesota Sports Facilities Authority under  
51.32 Minnesota Statutes, section 473J.08.

52.1 (d) Representatives of the cities and the primary professional sports team tenants  
52.2 of each facility shall meet within 30 days of the effective date of this section to begin  
52.3 implementation of this section.

52.4 **EFFECTIVE DATE.** This section is effective the day following final enactment  
52.5 upon compliance with the provisions of Minnesota Statutes, section 645.021, subdivisions  
52.6 2 and 3, by the governing bodies of the cities of St. Paul and Minneapolis and their chief  
52.7 clerical officers, and provided that, notwithstanding the time limits under Minnesota  
52.8 Statutes, section 645.021, subdivision 3, the certificates of approval are filed with the  
52.9 secretary of state within 30 days after enactment of this act.

52.10 Sec. 24. **MORATORIUM ON CHANGES IN ASSESSMENT PRACTICE.**

52.11 (a) An assessor may not deviate from current practices or policies used generally in  
52.12 assessing or determining the taxable status of property used in the production of biofuels,  
52.13 wine, beer, distilled beverages, or dairy products.

52.14 (b) An assessor may not change the taxable status of any existing property involved  
52.15 in the industrial processes identified in paragraph (a), unless the change is made as a result  
52.16 of a change in use of the property, or to correct an error. For currently taxable properties,  
52.17 the assessor may change the estimated market value of the property.

52.18 **EFFECTIVE DATE.** This section is effective for assessment year 2013 only.

52.19 Sec. 25. **STUDY AND REPORT ON CERTAIN PROPERTY USED IN**  
52.20 **BUSINESS AND PRODUCTION.**

52.21 In order to provide the legislature with information on the assessment of property  
52.22 used in business and production activities, the commissioner of revenue must study the  
52.23 impact of the exception contained in Minnesota Statutes, section 272.03, subdivision  
52.24 1(c)(iii). The commissioner must report a summary of findings and recommendations to  
52.25 the chairs and ranking minority members of the taxes committees of the senate and house  
52.26 of representatives by February 1, 2014.

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

52.28 Sec. 26. **REIMBURSEMENT FOR PROPERTY TAX ABATEMENTS.**

52.29 Subdivision 1. **Reimbursement.** The commissioner of revenue shall reimburse  
52.30 taxing jurisdictions for property tax abatements granted in Hennepin County under Laws  
52.31 2011, First Special Session chapter 7, article 5, section 13, notwithstanding the time limits

53.1 contained in that section. The reimbursements must be made to each taxing jurisdiction  
53.2 pursuant to the certification of the Hennepin County auditor.

53.3 Subd. 2. **Appropriation.** The amount necessary, not to exceed \$400,000, is  
53.4 appropriated to the commissioner of revenue from the general fund to make the payments  
53.5 required under this section. This appropriation does not cancel but is available until June  
53.6 30, 2014.

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

53.8 Sec. 27. **IRON RANGE FISCAL DISPARITIES STUDY.**

53.9 Subdivision 1. **Study required.** The commissioner of revenue shall conduct a study  
53.10 of the tax relief area revenue distribution program contained in Minnesota Statutes, chapter  
53.11 276A, commonly known as the Iron Range fiscal disparities program. By February 1,  
53.12 2015, the commissioner shall submit a report to the chairs and ranking minority members  
53.13 of the house of representatives and senate tax committees consisting of the findings of the  
53.14 study and identification of issues for policy makers to consider. The study must analyze:

53.15 (1) the extent to which the benefits of the economic growth in the region are shared  
53.16 throughout the region, especially for growth that results from state or regional decisions;

53.17 (2) the program's impact on the variability of tax rates across jurisdictions of the  
53.18 region;

53.19 (3) the program's impact on the distribution of homestead property tax burdens  
53.20 across jurisdictions of the region; and

53.21 (4) the relationship between the impacts of the program and overburden on  
53.22 jurisdictions containing properties that provide regional benefits, specifically the costs  
53.23 those properties impose on their host jurisdictions in excess of their tax payments. The  
53.24 report must include a description of other property tax, aid, and local development  
53.25 programs that interact with the fiscal disparities program.

53.26 Subd. 2. **Funds transfer from fiscal disparities levy.** For taxes payable in 2014  
53.27 only, \$75,000 must be added to St. Louis County's areawide levy as otherwise determined  
53.28 under Minnesota Statutes, section 276A.06, subdivision 5. Upon receipt of the proceeds of  
53.29 this levy, St. Louis County must transfer this money to the commissioner of management  
53.30 and budget for deposit into an account in the special revenue fund. One-half of the  
53.31 proceeds of the levy must be transferred prior to June 30, 2014.

53.32 Subd. 3. **Appropriation.** \$37,500 in fiscal year 2014 and \$37,500 in fiscal year  
53.33 2015 are appropriated from the account in the special revenue fund established under  
53.34 subdivision 2 to the commissioner of revenue to pay for the study required by this section.  
53.35 Any amounts remaining in the account in the special revenue fund on June 30, 2015, must

54.1 be distributed to St. Louis County for the purposes of reducing the areawide tax rate  
 54.2 for taxes payable in 2016.

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

54.4 Sec. 28. **REPEALER.**

54.5 (a) Minnesota Statutes 2012, sections 428A.101; and 428A.21, are repealed.

54.6 (b) Minnesota Statutes 2012, sections 383A.80, subdivision 4; and 383B.80,  
 54.7 subdivision 4, are repealed.

54.8 **EFFECTIVE DATE.** This section is effective the day following final enactment,  
 54.9 and paragraph (b) reinstates the authority for Hennepin and Ramsey Counties to  
 54.10 impose the additional mortgage registry and deed tax effective for deeds and mortgages  
 54.11 acknowledged on or after July 1, 2013.

## 54.12 **ARTICLE 5**

### 54.13 **SPECIAL TAXES**

54.14 Section 1. Minnesota Statutes 2012, section 270C.56, subdivision 1, is amended to read:

54.15 Subdivision 1. **Liability imposed.** A person who, either singly or jointly with  
 54.16 others, has the control of, supervision of, or responsibility for filing returns or reports,  
 54.17 paying taxes, or collecting or withholding and remitting taxes and who fails to do so, or a  
 54.18 person who is liable under any other law, is liable for the payment of taxes arising under  
 54.19 chapters 295, 296A, 297A, 297F, and 297G, or sections ~~256.9658~~, 290.92, and 297E.02,  
 54.20 and the applicable penalties and interest on those taxes.

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

54.22 Sec. 2. **[295.61] SPORTS MEMORABILIA GROSS RECEIPTS TAX.**

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

54.25 (b) "Commissioner" means the commissioner of revenue.

54.26 (c) "Sale" means a transfer of title or possession of tangible personal property,  
 54.27 whether absolutely or conditionally.

54.28 (d) "Sports memorabilia" means items available for sale to the public that are sold  
 54.29 under a license granted by any professional sports league or a team that is a franchise of a  
 54.30 professional sports league, or an affiliate or subsidiary of a league or a team, including:

54.31 (1) one-of-a-kind items related to sports figures, teams, or events;

55.1 (2) trading cards;

55.2 (3) photographs;

55.3 (4) clothing;

55.4 (5) sports event licensed items;

55.5 (6) sports equipment; and

55.6 (7) similar items.

55.7 (e) "Wholesale" or "sale at wholesale" means a sale to a retailer, as defined in section  
55.8 297A.61, subdivision 9, for the purpose of reselling the property to a third party.

55.9 (f) "Wholesaler" means any person making wholesale sales of sports memorabilia  
55.10 to purchasers in the state.

55.11 Subd. 2. **Imposition.** A tax is imposed on each sale at wholesale of sports  
55.12 memorabilia equal to ten percent of the gross revenues from the sale.

55.13 Subd. 3. **Estimated payments; annual return.** (a) Each wholesaler must make  
55.14 estimated payments of the tax for the calendar year to the commissioner in quarterly  
55.15 installments by April 15, July 15, October 15, and January 15 of the following calendar  
55.16 year. Estimated tax payments are not required if the tax for the calendar year is less than  
55.17 \$500. An underpayment of estimated installments bears interest at the rate specified in  
55.18 section 270C.40, from the due date of the payment until paid or until the due date of the  
55.19 annual return at the rate specified in section 270C.40. An underpayment of an estimated  
55.20 installment is the difference between the amount paid and the lesser of (1) 90 percent of  
55.21 one-quarter of the tax for the calendar year, or (2) the tax for the actual gross revenues  
55.22 received during the quarter.

55.23 (b) A taxpayer with an aggregate tax liability of \$10,000 or more during a fiscal  
55.24 year ending June 30, must remit all liabilities by funds transfer as defined in section  
55.25 336.4A-104, paragraph (a), in the next calendar year. The funds-transfer payment date,  
55.26 as defined in section 336.4A-401, is on or before the first funds-transfer business day  
55.27 after the date the tax is due.

55.28 (c) The taxpayer must file an annual return reconciling the estimated payments by  
55.29 March 15 of the following calendar year.

55.30 (d) The estimated payments and annual return must contain the information and be  
55.31 in the form prescribed by the commissioner.

55.32 Subd. 4. **Compensating use tax.** If the tax is not paid under subdivision 2, a  
55.33 compensating tax is imposed on possession for sale or use of sports memorabilia in  
55.34 the state. The rate of tax equals the rate under subdivision 2, and must be paid by the  
55.35 possessor of the items.

56.1 Subd. 5. **Administrative provisions.** Unless specifically provided otherwise by this  
 56.2 section, the audit, assessment, refund, penalty, interest, enforcement, collection remedies,  
 56.3 appeal, and administrative provisions of chapters 270C and 289A that apply to taxes  
 56.4 imposed under chapter 297A apply to taxes imposed under this section.

56.5 Subd. 6. **Disposition of revenues.** The commissioner shall deposit the revenues  
 56.6 from the tax in the general fund.

56.7 **EFFECTIVE DATE.** This section is effective for sales made after June 30, 2013.

56.8 Sec. 3. Minnesota Statutes 2012, section 297F.01, subdivision 3, is amended to read:

56.9 Subd. 3. **Cigarette.** "Cigarette" means any roll for smoking made wholly or in part  
 56.10 of tobacco; that weighs 4.5 pounds or less per thousand:

56.11 (1) the wrapper or cover of which is made of paper or another substance or material  
 56.12 except tobacco; or

56.13 (2) wrapped in any substance containing tobacco, however labeled or named, which,  
 56.14 because of its appearance, size, the type of tobacco used in the filler, or its packaging,  
 56.15 pricing, marketing, or labeling, is likely to be offered to or purchased by consumers as  
 56.16 a cigarette, as defined in clause (1), unless it is wrapped in whole tobacco leaf and does  
 56.17 not have a cellulose acetate or other cigarette-like filter.

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

56.19 Sec. 4. Minnesota Statutes 2012, section 297F.01, is amended by adding a subdivision  
 56.20 to read:

56.21 Subd. 10b. **Moist snuff.** "Moist snuff" means any finely cut, ground, or powdered  
 56.22 smokeless tobacco that is intended to be placed or dipped in the mouth.

56.23 Sec. 5. Minnesota Statutes 2012, section 297F.01, subdivision 19, is amended to read:

56.24 Subd. 19. **Tobacco products.** "Tobacco products" means any product containing,  
 56.25 made, or derived from tobacco that is intended for human consumption, whether chewed,  
 56.26 smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means,  
 56.27 or any component, part, or accessory of a tobacco product, including, but not limited  
 56.28 to, cigars; ~~little cigars~~; cheroots; stogies; periques; granulated, plug cut, crimp cut,  
 56.29 ready rubbed, and other smoking tobacco; snuff; snuff flour; cavendish; plug and twist  
 56.30 tobacco; fine-cut and other chewing tobacco; shorts; refuse scraps, clippings, cuttings  
 56.31 and sweepings of tobacco, and other kinds and forms of tobacco; but does not include  
 56.32 cigarettes as defined in this section. Tobacco products excludes any tobacco product



57.1 that has been approved by the United States Food and Drug Administration for sale as  
57.2 a tobacco cessation product, as a tobacco dependence product, or for other medical  
57.3 purposes, and is being marketed and sold solely for such an approved purpose.

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

57.5 Sec. 6. Minnesota Statutes 2012, section 297F.05, subdivision 1, is amended to read:

57.6 Subdivision 1. **Rates; cigarettes.** A tax is imposed upon the sale of cigarettes in  
57.7 this state, upon having cigarettes in possession in this state with intent to sell, upon any  
57.8 person engaged in business as a distributor, and upon the use or storage by consumers, at  
57.9 the following rates:

57.10 (1) on cigarettes weighing not more than three pounds per thousand, ~~24~~ 141.5 mills  
57.11 on each such cigarette; and

57.12 (2) on cigarettes weighing more than three pounds per thousand, ~~48~~ 283 mills on  
57.13 each such cigarette.

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

57.15 Sec. 7. Minnesota Statutes 2012, section 297F.05, is amended by adding a subdivision  
57.16 to read:

57.17 Subd. 1a. **Annual indexing.** (a) Each year the commissioner shall adjust the  
57.18 tax rates under subdivision 1, including any adjustment made in prior years under this  
57.19 subdivision, by multiplying the mill rates for the current calendar year by an adjustment  
57.20 factor. The adjustment factor equals the in-lieu sales tax rate that applies to the following  
57.21 calendar year divided by the in-lieu sales tax rate for the current calendar year. For  
57.22 purposes of this subdivision, "in-lieu sales tax rate" means the tax rate established under  
57.23 section 297F.25, subdivision 1, in tenths of a cent per pack.

57.24 (b) The commissioner shall publish the resulting rate by November 1 and the rate  
57.25 applies to sales made on or after January 1 of the following year.

57.26 (c) The determination of the commissioner under this subdivision is not a rule and is  
57.27 not subject to the Administrative Procedure Act in chapter 14.

57.28 Sec. 8. Minnesota Statutes 2012, section 297F.05, subdivision 3, is amended to read:

57.29 Subd. 3. **Rates; tobacco products.** (a) A tax is imposed upon all tobacco products  
57.30 in this state and upon any person engaged in business as a distributor, at the rate of ~~35~~  
57.31 95 percent of the wholesale sales price of the tobacco products. The tax is imposed at  
57.32 the time the distributor:

58.1 (1) brings, or causes to be brought, into this state from outside the state tobacco  
58.2 products for sale;

58.3 (2) makes, manufactures, or fabricates tobacco products in this state for sale in  
58.4 this state; or

58.5 (3) ships or transports tobacco products to retailers in this state, to be sold by those  
58.6 retailers.

58.7 (b) Notwithstanding paragraph (a), a minimum tax equal to the rate imposed on a  
58.8 pack of 20 cigarettes weighing not more than three pounds per thousand, as established  
58.9 under subdivision 1, is imposed on each container of moist snuff.

58.10 For purposes of this subdivision, a "container" means the smallest consumer-size can,  
58.11 package, or other container that is marketed or packaged by the manufacturer, distributor,  
58.12 or retailer for separate sale to a retail purchaser.

58.13 **EFFECTIVE DATE.** This section is effective July 1, 2013, except the minimum  
58.14 tax under paragraph (b) is effective January 1, 2014.

58.15 Sec. 9. Minnesota Statutes 2012, section 297F.05, subdivision 4, is amended to read:

58.16 Subd. 4. **Use tax; tobacco products.** A tax is imposed upon the use or storage by  
58.17 consumers of tobacco products in this state, and upon such consumers, at the rate of ~~35~~ 95  
58.18 percent of the cost to the consumer of the tobacco products or the minimum tax under  
58.19 subdivision 3, paragraph (b), whichever is greater.

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

58.21 Sec. 10. Minnesota Statutes 2012, section 297F.24, subdivision 1, is amended to read:

58.22 Subdivision 1. **Fee imposed.** (a) A fee is imposed upon the sale of nonsettlement  
58.23 cigarettes in this state, upon having nonsettlement cigarettes in possession in this state  
58.24 with intent to sell, upon any person engaged in business as a distributor, and upon the use  
58.25 or storage by consumers of nonsettlement cigarettes. The fee equals a rate of ~~1.75~~ 2.5  
58.26 cents per cigarette.

58.27 (b) The purpose of this fee is to:

58.28 (1) ensure that manufacturers of nonsettlement cigarettes pay fees to the state that  
58.29 are comparable to costs attributable to the use of the cigarettes;

58.30 (2) prevent manufacturers of nonsettlement cigarettes from undermining the state's  
58.31 policy of discouraging underage smoking by offering nonsettlement cigarettes at prices  
58.32 substantially below the cigarettes of other manufacturers; and

58.33 (3) fund such other purposes as the legislature determines appropriate.

59.1 Sec. 11. Minnesota Statutes 2012, section 297F.25, subdivision 1, is amended to read:

59.2 Subdivision 1. **Imposition.** (a) A tax is imposed on distributors on the sale of  
59.3 cigarettes by a cigarette distributor to a retailer or cigarette subjobber for resale in this  
59.4 state. The tax is equal to ~~6.5 percent of~~ the combined tax rate under section 297A.62,  
59.5 multiplied by the weighted average retail price and must be expressed in cents per pack  
59.6 rounded to the nearest one-tenth of a cent. The weighted average retail price must be  
59.7 determined annually, with new rates published by November 1, and effective for sales  
59.8 on or after January 1 of the following year. The weighted average retail price must be  
59.9 established by surveying cigarette retailers statewide in a manner and time determined by  
59.10 the commissioner. The commissioner shall make an inflation adjustment in accordance  
59.11 with the Consumer Price Index for all urban consumers inflation indicator as published in  
59.12 the most recent state budget forecast. The commissioner shall use the inflation factor for  
59.13 the calendar year in which the new tax rate takes effect. If the survey indicates that the  
59.14 average retail price of cigarettes has not increased relative to the average retail price in  
59.15 the previous year's survey, then the commissioner shall not make an inflation adjustment.  
59.16 The determination of the commissioner pursuant to this subdivision is not a "rule" and is  
59.17 not subject to the Administrative Procedure Act contained in chapter 14. For packs of  
59.18 cigarettes with other than 20 cigarettes, the tax must be adjusted proportionally.

59.19 (b) Notwithstanding paragraph (a), and in lieu of a survey of cigarette retailers, the  
59.20 tax calculation of the weighted average retail price for the sales of cigarettes from August  
59.21 1, 2011, through December 31, 2011, shall be calculated by: (1) increasing the average  
59.22 retail price per pack of 20 cigarettes from the most recent survey by the percentage change  
59.23 in a weighted average of the presumed legal prices for cigarettes during the year after  
59.24 completion of that survey, as reported and published by the Department of Commerce  
59.25 under section 325D.371; (2) subtracting the sales tax included in the retail price; and (3)  
59.26 adjusting for expected inflation. The rate must be published by May 1 and is effective for  
59.27 sales after July 31. If the weighted average of the presumed legal prices indicates that the  
59.28 average retail price of cigarettes has not increased relative to the average retail price in the  
59.29 most recent survey, then no inflation adjustment must be made. For packs of cigarettes  
59.30 with other than 20 cigarettes, the tax must be adjusted proportionally.

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

59.32 Sec. 12. Minnesota Statutes 2012, section 297G.03, subdivision 1, is amended to read:

59.33 Subdivision 1. **General rate; distilled spirits and wine.** The following excise tax is  
59.34 imposed on all distilled spirits and wine manufactured, imported, sold, or possessed in  
59.35 this state:

		Standard	Metric
60.1			
60.2	(a) Distilled spirits, liqueurs, cordials,	\$ <del>5.03</del>	\$ <del>1.33</del>
60.3	and specialties regardless of alcohol	<u>11.02</u> per gallon	<u>2.91</u> per liter
60.4	content (excluding ethyl alcohol)		
60.5	(b) Wine containing 14 percent or less	\$ <del>.30</del>	\$ <del>.08</del>
60.6	alcohol by volume (except cider as	<u>2.08</u> per gallon	<u>.55</u> per liter
60.7	defined in section 297G.01, subdivision		
60.8	3a)		
60.9	(c) Wine containing more than 14	\$ <del>.95</del>	\$ <del>.25</del>
60.10	percent but not more than 21 percent	<u>2.73</u> per gallon	<u>.72</u> per liter
60.11	alcohol by volume		
60.12	(d) Wine containing more than 21	\$ <del>1.82</del>	\$ <del>.48</del>
60.13	percent but not more than 24 percent	<u>3.64</u> per gallon	<u>.97</u> per liter
60.14	alcohol by volume		
60.15	(e) Wine containing more than 24	\$ <del>3.52</del>	\$ <del>.93</del>
60.16	percent alcohol by volume	<u>5.34</u> per gallon	<u>1.42</u> per liter
60.17	(f) Natural and artificial sparkling wines	\$ <del>1.82</del>	\$ <del>.48</del>
60.18	containing alcohol	<u>3.60</u> per gallon	<u>.95</u> per liter
60.19	(g) Cider as defined in section 297G.01,	\$ <del>.15</del>	\$ <del>.04</del>
60.20	subdivision 3a	<u>1.93</u> per gallon	<u>.51</u> per liter
60.21	(h) Low-alcohol dairy cocktails	\$ <del>.08</del>	\$ <del>.02</del>
60.22		<u>1.36</u> per gallon	<u>.36</u> per liter

60.23 In computing the tax on a package of distilled spirits or wine, a proportional tax at a  
 60.24 like rate on all fractional parts of a gallon or liter must be paid, except that the tax on a  
 60.25 fractional part of a gallon less than 1/16 of a gallon is the same as for 1/16 of a gallon.

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

60.27 Sec. 13. Minnesota Statutes 2012, section 297G.03, is amended by adding a  
 60.28 subdivision to read:

60.29 **Subd. 5. Small winery credit.** (a) A qualified winery is entitled to a tax credit of  
 60.30 \$2.08 per gallon on 50,000 gallons sold in any fiscal year beginning July 1. Qualified  
 60.31 wineries may take the credit on the 18th day of each month, but the total credit allowed  
 60.32 may not exceed in any fiscal year the lesser of:

60.33 (1) the liability for tax; or

60.34 (2) \$104,000.

60.35 (b) For purposes of this subdivision, a "qualified winery" means a winery, whether  
 60.36 or not located in this state, producing less than 100,000 gallons of wine in the calendar  
 60.37 year immediately preceding the calendar year for which the credit under this subdivision  
 60.38 is claimed. In determining the number of gallons, all brands or labels of a winery must  
 60.39 be combined. All facilities for the production of wine owned or controlled by the same  
 60.40 person, corporation, or other entity must be treated as a single winery.

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

61.2 Sec. 14. Minnesota Statutes 2012, section 297G.04, is amended to read:

61.3 **297G.04 FERMENTED MALT BEVERAGES; RATE OF TAX.**

61.4 Subdivision 1. **Tax imposed.** The following excise tax is imposed on all fermented  
61.5 malt beverages that are imported, directly or indirectly sold, or possessed in this state:

61.6 (1) on fermented malt beverages containing not more than 3.2 percent alcohol by  
61.7 weight, ~~\$2.40~~ \$25.55 per 31-gallon barrel; and

61.8 (2) on fermented malt beverages containing more than 3.2 percent alcohol by  
61.9 weight, ~~\$4.60~~ \$27.75 per 31-gallon barrel.

61.10 For fractions of a 31-gallon barrel, the tax rate is calculated proportionally.

61.11 Subd. 2. **Tax credit.** A qualified brewer producing fermented malt beverages is  
61.12 entitled to a tax credit of ~~\$4.60~~ \$27.75 per barrel on ~~25,000~~ 50,000 barrels sold in any  
61.13 fiscal year beginning July 1, regardless of the alcohol content of the product. Qualified  
61.14 brewers may take the credit on the 18th day of each month, but the total credit allowed  
61.15 may not exceed in any fiscal year the lesser of:

61.16 (1) the liability for tax; or

61.17 (2) ~~\$115,000~~ \$1,387,500.

61.18 For purposes of this subdivision, a "qualified brewer" means a brewer, whether or  
61.19 not located in this state, manufacturing less than ~~100,000~~ 200,000 barrels of fermented  
61.20 malt beverages in the calendar year immediately preceding the calendar year for which  
61.21 the credit under this subdivision is claimed. In determining the number of barrels, all  
61.22 brands or labels of a brewer must be combined. All facilities for the manufacture of  
61.23 fermented malt beverages owned or controlled by the same person, corporation, or other  
61.24 entity must be treated as a single brewer.

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

61.26 Sec. 15. Minnesota Statutes 2012, section 325D.32, subdivision 2, is amended to read:

61.27 Subd. 2. **Cigarettes.** "Cigarettes" means and includes any roll for smoking, made  
61.28 wholly or in part of tobacco, irrespective of size and shape and whether or not such  
61.29 tobacco is flavored, adulterated or mixed with any other ingredient, the wrapper or cover  
61.30 of which is made of paper or any other substance or material except whole tobacco leaf,  
61.31 and includes any cigarette as defined in section 297F.01, subdivision 3.

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

62.1       Sec. 16. **FLOOR STOCKS TAX.**

62.2           Subdivision 1. Cigarettes. (a) A floor stocks tax is imposed on every person  
62.3 engaged in the business in this state as a distributor, retailer, subjobber, vendor,  
62.4 manufacturer, or manufacturer's representative of cigarettes, on the stamped cigarettes and  
62.5 unaffixed stamps in the person's possession or under the person's control at 12:01 a.m. on  
62.6 July 1, 2013. The tax is imposed at the rate of 80 mills on each cigarette.

62.7           (b) Each distributor, on or before July 11, 2013, shall file a return with the  
62.8 commissioner of revenue, in the form the commissioner prescribes, showing the stamped  
62.9 cigarettes and unaffixed stamps on hand at 12:01 a.m. on July 1, 2013, and the amount  
62.10 of tax due on the cigarettes and unaffixed stamps. Each retailer, subjobber, vendor,  
62.11 manufacturer, or manufacturer's representative, on or before July 11, 2013, shall file  
62.12 a return with the commissioner, in the form the commissioner prescribes, showing the  
62.13 cigarettes on hand at 12:01 a.m. on July 1, 2013, and the amount of tax due on the  
62.14 cigarettes. The tax imposed by this section is due and payable on or before August 8,  
62.15 2013, and after that date bears interest at the rate of one percent per month.

62.16          Subd. 2. Audit and enforcement. The tax imposed by this section is subject to  
62.17 the audit, assessment, interest, appeal, refund, penalty, enforcement, administrative, and  
62.18 collection provisions of Minnesota Statutes, chapters 270C and 297F. The commissioner  
62.19 of revenue may require a distributor to receive and maintain copies of floor stocks fee  
62.20 returns filed by all persons requesting a credit for returned cigarettes.

62.21          Subd. 3. Deposit of proceeds. The commissioner of revenue shall deposit the  
62.22 revenues from the tax under this section in the state treasury and credit them to the  
62.23 general fund.

62.24          EFFECTIVE DATE. This section is effective July 1, 2013.

62.25       Sec. 17. **INTERIM SALES TAX RATE.**

62.26           Notwithstanding the provisions of Minnesota Statutes, section 297F.25, the  
62.27 commissioner shall adjust the weighted average retail price in section 297F.25, subdivision  
62.28 1, on July 1, 2013, to reflect the price changes under this act. This weighted average  
62.29 shall be used to compute cigarette sales tax under Minnesota Statutes, section 297F.25,  
62.30 subdivision 1, until December 31, 2013, when the commissioner shall resume annual  
62.31 adjustments to the weighted average sales price. The commissioner's determination of  
62.32 the adjustment that takes effect on January 1, 2014, must be limited to the change in the  
62.33 weighted average retail that occurs during calendar year 2013 but after July 15, 2013.

62.34          EFFECTIVE DATE. This section is effective July 1, 2013.

63.1       Sec. 18. **TOBACCO TAX COLLECTION REPORT.**

63.2             Subdivision 1. Report to legislature. (a) The commissioner of revenue shall report  
63.3 to the 2014 legislature on the tobacco tax collection system, including recommendations  
63.4 to improve compliance under the excise tax for both cigarettes and other tobacco products.  
63.5 The purpose of the report is to provide information and guidance to the legislature on  
63.6 improvements to the tobacco tax collection system to:

63.7             (1) provide a unified system of collecting both the cigarette and other tobacco  
63.8 taxes, regardless of category, size, or shape, that ensures the highest reasonable rates of  
63.9 tax collection;

63.10            (2) discourage tax evasion; and

63.11            (3) help to prevent illegal sale of tobacco products, which may make these products  
63.12 more accessible to youth.

63.13            (b) In the report, the commissioner shall:

63.14            (1) provide a detailed review of the present excise tax collection and compliance  
63.15 system as it applies to both cigarettes and other tobacco products. This must include  
63.16 an assessment of the levels of compliance for each category of products and the effect  
63.17 of the stamping requirement on compliance for each category of products and the effect  
63.18 of the stamping requirement on compliance rates for cigarettes relative to other tobacco  
63.19 products. It also must identify any weaknesses in the system;

63.20            (2) survey the methods of collection and enforcement used by other states or nations,  
63.21 including identifying and discussing emerging best practices that ensure tracking of both  
63.22 cigarettes and other tobacco products and result in the highest rates of tax collection and  
63.23 compliance. These best practices must consider high-technology alternatives, such as use  
63.24 of bar codes, radio-frequency identification tags, or similar mechanisms for tracking  
63.25 compliance;

63.26            (3) evaluate the adequacy and effectiveness of the existing penalties and other  
63.27 sanctions for noncompliance;

63.28            (4) evaluate the adequacy of the resources allocated by the state to enforce the  
63.29 tobacco tax and prevention laws; and

63.30            (5) make recommendations on implementation of a comprehensive tobacco tax  
63.31 collection system for Minnesota that can be implemented by January 1, 2014, including:

63.32            (i) recommendations on the specific steps needed to institute and implement the new  
63.33 system, including estimates of the state's costs of doing so and any additional personnel  
63.34 requirements;

63.35            (ii) recommendations on methods to recover the cost of implementing the system  
63.36 from the industry;

64.1 (iii) evaluation of the extent to which the proposed system is sufficiently flexible  
64.2 and adaptable to adjust to modifications in the construction, packaging, formatting, and  
64.3 marketing of tobacco products by the industry; and

64.4 (iv) recommendations to modify existing penalties or to impose new penalties or  
64.5 other sanctions to ensure compliance with the system.

64.6 Subd. 2. **Due date.** The report required by subdivision 1 is due January 1, 2014.

64.7 Subd. 3. **Procedure.** The report required under this section must be made in the  
64.8 manner provided under Minnesota Statutes, section 3.195. In addition, copies must be  
64.9 provided to the chairs and ranking minority members of the legislative committees and  
64.10 divisions with jurisdiction over taxation.

64.11 Subd. 4. **Appropriation.** (a) \$100,000 is appropriated from the general fund to the  
64.12 commissioner of revenue for fiscal year 2014 for the cost of preparing the report under  
64.13 subdivision 1.

64.14 (b) The appropriation under this subdivision is a onetime appropriation and is not  
64.15 included in the base budget.

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

64.17 Sec. 19. **REPEALER.**

64.18 Minnesota Statutes 2012, sections 16A.725; and 256.9658, are repealed.

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

## 64.20 **ARTICLE 6**

### 64.21 **INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES**

64.22 Section 1. Minnesota Statutes 2012, section 116J.8737, subdivision 1, is amended to  
64.23 read:

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

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

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

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



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

65.3 (1) \$10,000 in a calendar year by a qualified investor; or

65.4 (2) \$30,000 in a calendar year by a qualified fund.

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

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

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

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

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

65.21 **EFFECTIVE DATE.** This section is effective for qualified small businesses  
65.22 certified after June 30, 2013.

65.23 Sec. 2. Minnesota Statutes 2012, section 116J.8737, subdivision 2, is amended to read:

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

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

66.1 business, the commissioner must either certify the business or reject the application within  
66.2 30 days of receiving the additional information. If the commissioner neither certifies the  
66.3 business nor rejects the application within 30 days of receiving the original application or  
66.4 within 30 days of receiving the additional information requested, whichever is later, then  
66.5 the application is deemed rejected, and the commissioner must refund the \$150 application  
66.6 fee. A business that applies for certification and is rejected may reapply.

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

66.8 (1) the business has its headquarters in Minnesota;

66.9 (2) at least 51 percent of the business's employees are employed in Minnesota, and  
66.10 51 percent of the business's total payroll is paid or incurred in the state;

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

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

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

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

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

66.25 (5) the business has fewer than 25 employees;

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

66.33 (7) the business has (i) not been in operation for more than ten years, or (ii) the  
66.34 business has not been in operation for more than 20 years if the business is engaged  
66.35 in the research, development, or production of medical devices or pharmaceuticals for

67.1 which United States Food and Drug Administration approval is required for use in the  
67.2 treatment or diagnosis of a disease or condition;

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

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

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

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

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

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

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

67.15 (3) the business must not issue securities that are traded on a public exchange within  
67.16 180 days after the date on which the qualified investment was made; and

67.17 (4) the business must not have a liquidation event within 180 days after the date on  
67.18 which the qualified investment was made.

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

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

67.23 (1) "qualified high-technology field" includes aerospace, agricultural processing,  
67.24 renewable energy, energy efficiency and conservation, environmental engineering, food  
67.25 technology, cellulosic ethanol, information technology, materials science technology,  
67.26 nanotechnology, telecommunications, biotechnology, medical device products,  
67.27 pharmaceuticals, diagnostics, biologicals, chemistry, veterinary science, and similar  
67.28 fields; and

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

67.32 **EFFECTIVE DATE.** This section is effective for qualified small businesses  
67.33 certified after June 30, 2013, except the amendments to paragraph (c), clause (7), are  
67.34 effective the day following final enactment.

67.35 Sec. 3. Minnesota Statutes 2012, section 116J.8737, subdivision 8, is amended to read:

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

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

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

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

68.12 (4) for credit certificates issued under subdivision 5, the amount of the credit  
68.13 certificate issued, amount of the qualifying investment, the name of the qualifying investor  
68.14 or qualifying fund that received the certificate, and the name of the qualifying small  
68.15 business in which the qualifying investment was made;

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

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

68.20 (b) The following data, including data classified as nonpublic or private, must be  
68.21 provided to the consultant for use in conducting the program evaluation under subdivision  
68.22 10:

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

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

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

68.30 Sec. 4. Minnesota Statutes 2012, section 289A.02, subdivision 7, is amended to read:

68.31 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
68.32 Revenue Code" means the Internal Revenue Code of 1986, as amended through April  
68.33 14, 2011 January 3, 2013.

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

69.1 Sec. 5. Minnesota Statutes 2012, section 289A.08, subdivision 1, is amended to read:

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

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

69.10 (2) an individual who is a Minnesota resident is not required to file a Minnesota  
69.11 income tax return if the individual's gross income derived from Minnesota sources as  
69.12 determined under section 290.17, less the subtraction allowed under section 290.01,  
69.13 subdivision 19b, clauses ~~(11) and (14)~~ (9) and (12), is less than the filing requirements for  
69.14 a single individual who is a full-year resident of Minnesota.

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

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

69.23 Sec. 6. Minnesota Statutes 2012, section 289A.08, subdivision 3, is amended to read:

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

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

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

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

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

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

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

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

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

70.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
70.20 December 31, 2012.

70.21 Sec. 7. Minnesota Statutes 2012, section 289A.08, subdivision 7, is amended to read:

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

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

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

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

71.9 (e) This subdivision does not negate the requirement that an individual pay estimated  
71.10 tax if the individual's liability would exceed the requirements set forth in section 289A.25.  
71.11 The individual's liability to pay estimated tax is, however, satisfied when the partnership  
71.12 pays composite estimated tax in the manner prescribed in section 289A.25.

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

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

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

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

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

72.1 Sec. 8. Minnesota Statutes 2012, section 290.01, subdivision 5, is amended to read:

72.2 Subd. 5. **Domestic corporation.** The term "domestic" when applied to a corporation  
72.3 means a corporation:

72.4 (1) created or organized in the United States, or under the laws of the United States or  
72.5 of any state, the District of Columbia, or any political subdivision of any of the foregoing  
72.6 but not including the Commonwealth of Puerto Rico, or any possession of the United States;

72.7 ~~(2) which qualifies as a DISC, as defined in section 992(a) of the Internal Revenue~~  
72.8 ~~Code; or~~

72.9 ~~(3) which qualifies as a FSC, as defined in section 922 of the Internal Revenue Code.~~

72.10 (2) which, regardless of the place where the corporation was incorporated:

72.11 (i) has the average of its property, payroll, and sales factors, as defined under section  
72.12 290.191, within the territorial limits of the 50 states of the United States and the District of  
72.13 Columbia of 20 percent or more; or

72.14 (ii) derives less than 80 percent of its income from foreign sources;

72.15 (3) which is:

72.16 (i) a foreign corporation, foreign partnership, or other foreign entity that has its

72.17 income included in the federal taxable income, as defined in section 63 of the Internal

72.18 Revenue Code, of an entity as defined in clause (1) or an individual who is a United States

72.19 resident, as defined in section 865(g) of the Internal Revenue Code; and

72.20 (ii) not treated as a corporation for federal income tax purposes;

72.21 (4) which is incorporated in a tax haven; or

72.22 (5) which is engaged in activity in a tax haven sufficient for the tax haven to impose a

72.23 net income tax under United States constitutional standards and section 290.015, and which

72.24 reports that 20 percent or more of its income is attributable to business in the tax haven.

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

72.26 December 31, 2012.

72.27 Sec. 9. Minnesota Statutes 2012, section 290.01, is amended by adding a subdivision  
72.28 to read:

72.29 Subd. 5c. **Tax haven.** (a) "Tax haven" means the following foreign jurisdictions,

72.30 unless the listing of the jurisdiction does not apply under paragraph (b):

72.31 (1) Anguilla;

72.32 (2) Antigua and Barbuda;

72.33 (3) Aruba;

72.34 (4) Bahamas;

72.35 (5) Bahrain;



- 73.1 (6) Belize;  
73.2 (7) Bermuda;  
73.3 (8) British Virgin Islands;  
73.4 (9) Cayman Islands;  
73.5 (10) Cook Islands;  
73.6 (11) Costa Rica;  
73.7 (12) Cyprus;  
73.8 (13) Dominica;  
73.9 (14) Gibraltar;  
73.10 (15) Grenada;  
73.11 (16) Guernsey-Sark-Alderney;  
73.12 (17) Isle of Man;  
73.13 (18) Jersey;  
73.14 (19) Jordan;  
73.15 (20) Lebanon;  
73.16 (21) Liberia;  
73.17 (22) Liechtenstein;  
73.18 (23) Malta;  
73.19 (24) Marshall Islands;  
73.20 (25) Monaco;  
73.21 (26) Nauru;  
73.22 (27) Netherlands Antilles;  
73.23 (28) Niue;  
73.24 (29) Panama;  
73.25 (30) St. Kitts and Nevis;  
73.26 (31) St. Lucia;  
73.27 (32) St. Vincent and Grenadines;  
73.28 (33) Samoa;  
73.29 (34) Turks and Caicos; and  
73.30 (35) Vanuatu.  
73.31 (b) A foreign jurisdiction's listing under paragraph (a) does not apply to the first  
73.32 taxable year after:  
73.33 (1) the United States enters into a tax treaty or other agreement with the foreign  
73.34 jurisdiction that provides for prompt, obligatory, and automatic exchange of information  
73.35 with the United States government relevant to enforcing the provisions of federal tax laws

74.1 applicable to both individuals and all corporations and other entities and the treaty or other  
74.2 agreement was in effect for the taxable year; and

74.3 (2) the foreign jurisdiction imposes a tax rate of at least ten percent on a tax base  
74.4 equal to at least 90 percent of the tax base that applies to corporations under the Internal  
74.5 Revenue Code.

74.6 **EFFECTIVE DATE.** This section is effective for returns filed for taxable years  
74.7 beginning after December 31, 2012.

74.8 Sec. 10. Minnesota Statutes 2012, section 290.01, subdivision 19, as amended by Laws  
74.9 2013, chapter 3, section 3, is amended to read:

74.10 Subd. 19. **Net income.** The term "net income" means the federal taxable income,  
74.11 as defined in section 63 of the Internal Revenue Code of 1986, as amended through the  
74.12 date named in this subdivision, incorporating the federal effective dates of changes to the  
74.13 Internal Revenue Code and any elections made by the taxpayer in accordance with the  
74.14 Internal Revenue Code in determining federal taxable income for federal income tax  
74.15 purposes, and with the modifications provided in subdivisions 19a to 19f.

74.16 In the case of a regulated investment company or a fund thereof, as defined in section  
74.17 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment  
74.18 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,  
74.19 except that:

74.20 (1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal  
74.21 Revenue Code does not apply;

74.22 (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal  
74.23 Revenue Code must be applied by allowing a deduction for capital gain dividends and  
74.24 exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal  
74.25 Revenue Code; and

74.26 (3) the deduction for dividends paid must also be applied in the amount of any  
74.27 undistributed capital gains which the regulated investment company elects to have treated  
74.28 as provided in section 852(b)(3)(D) of the Internal Revenue Code.

74.29 The net income of a real estate investment trust as defined and limited by section  
74.30 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust  
74.31 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

74.32 The net income of a designated settlement fund as defined in section 468B(d) of  
74.33 the Internal Revenue Code means the gross income as defined in section 468B(b) of the  
74.34 Internal Revenue Code.

75.1 The Internal Revenue Code of 1986, as amended through ~~April 14, 2011~~ January 3,  
75.2 2013, shall be in effect for taxable years beginning after December 31, 1996, ~~and before~~  
75.3 ~~January 1, 2012, and for taxable years beginning after December 31, 2012.~~ The Internal  
75.4 Revenue Code of 1986, as amended through January 3, 2013, is in effect for taxable years  
75.5 beginning after ~~December 31, 2011, and before January 1, 2013.~~

75.6 Except as otherwise provided, references to the Internal Revenue Code in  
75.7 subdivisions 19 to 19f mean the code in effect for purposes of determining net income for  
75.8 the applicable year.

75.9 **EFFECTIVE DATE.** This section is effective the day following final enactment,  
75.10 except the changes incorporated by federal changes are effective at the same time as the  
75.11 changes were effective for federal purposes.

75.12 Sec. 11. Minnesota Statutes 2012, section 290.01, subdivision 19a, is amended to read:

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

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

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

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

75.23 (B) the portion of the exempt-interest dividends derived from interest income  
75.24 on obligations of the state of Minnesota or its political or governmental subdivisions,  
75.25 municipalities, governmental agencies or instrumentalities, but only if the portion of the  
75.26 exempt-interest dividends from such Minnesota sources paid to all shareholders represents  
75.27 95 percent or more of the exempt-interest dividends, including any dividends exempt  
75.28 under subitem (A), that are paid by the regulated investment company as defined in section  
75.29 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as  
75.30 defined in section 851(g) of the Internal Revenue Code, making the payment; and

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

75.34 (2) to the extent allowed as a deduction under section 63(d) of the Internal Revenue  
75.35 Code the amount of:

76.1 (i) income, sales and use, motor vehicle sales, or excise taxes paid or accrued within  
76.2 the taxable year under this chapter ~~and the amount of;~~

76.3 (ii) taxes based on net income paid, sales and use, motor vehicle sales, or excise  
76.4 taxes paid to any other state or to any province or territory of Canada, ~~to the extent allowed~~  
76.5 ~~as a deduction under section 63(d) of the Internal Revenue Code;~~ and

76.6 (iii) charitable contributions, as defined in section 170(c) of the Internal Revenue  
76.7 Code, to the extent allowed as a deduction under section 170(a) of the Internal Revenue  
76.8 Code.

76.9 ~~but~~ The addition sum of the additions under items (i) to (iii) may not be more  
76.10 than the amount by which the itemized deductions as allowed under section 63(d) of  
76.11 the Internal Revenue Code state itemized deduction exceeds the amount of the standard  
76.12 deduction as defined in section 63(c) of the Internal Revenue Code, disregarding the  
76.13 amounts allowed under sections 63(e)(1)(C) and 63(e)(1)(E) of the Internal Revenue  
76.14 Code, minus any addition that would have been required under clause (21) if the taxpayer  
76.15 had claimed the standard deduction. For the purpose of this paragraph, the disallowance of  
76.16 itemized deductions under section 68 of the Internal Revenue Code of 1986, income, sales  
76.17 and use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed.  
76.18 For purposes of this clause, income, sales and use, and charitable contributions are the last  
76.19 itemized deductions disallowed under clause (13);

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

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

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

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

76.33 (7) 80 percent of the depreciation deduction allowed under section 168(k) of the  
76.34 Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that  
76.35 in the taxable year generates a deduction for depreciation under section 168(k) and the  
76.36 activity generates a loss for the taxable year that the taxpayer is not allowed to claim for

77.1 the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is  
77.2 limited to excess of the depreciation claimed by the activity under section 168(k) over the  
77.3 amount of the loss from the activity that is not allowed in the taxable year. In succeeding  
77.4 taxable years when the losses not allowed in the taxable year are allowed, the depreciation  
77.5 under section 168(k) is allowed;

77.6 (8) 80 percent of the amount by which the deduction allowed by section 179 of the  
77.7 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal  
77.8 Revenue Code of 1986, as amended through December 31, 2003;

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

77.11 ~~(10) for taxable years beginning before January 1, 2013, the exclusion allowed under~~  
77.12 ~~section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans;~~

77.13 ~~(11) (10) the amount of expenses disallowed under section 290.10, subdivision 2;~~

77.14 ~~(12) for taxable years beginning before January 1, 2010, the amount deducted for~~  
77.15 ~~qualified tuition and related expenses under section 222 of the Internal Revenue Code, to~~  
77.16 ~~the extent deducted from gross income;~~

77.17 ~~(13) for taxable years beginning before January 1, 2010, the amount deducted for~~  
77.18 ~~certain expenses of elementary and secondary school teachers under section 62(a)(2)(D)~~  
77.19 ~~of the Internal Revenue Code, to the extent deducted from gross income;~~

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

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

77.24 ~~(16) (11) discharge of indebtedness income resulting from reacquisition of business~~  
77.25 ~~indebtedness and deferred under section 108(i) of the Internal Revenue Code;~~

77.26 ~~(17) the amount of unemployment compensation exempt from tax under section~~  
77.27 ~~85(e) of the Internal Revenue Code;~~

77.28 ~~(18) (12) changes to federal taxable income attributable to a net operating loss that~~  
77.29 ~~the taxpayer elected to carry back for more than two years for federal purposes but for~~  
77.30 ~~which the losses can be carried back for only two years under section 290.095, subdivision~~  
77.31 ~~11, paragraph (c);~~

77.32 ~~(19) (13) to the extent included in the computation of federal taxable income in~~  
77.33 ~~taxable years beginning after December 31, 2010, the amount of disallowed itemized~~  
77.34 ~~deductions, but the amount of disallowed itemized deductions plus the addition required~~  
77.35 ~~under clause (2) may not be more than the amount by which the itemized deductions as~~  
77.36 ~~allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the~~

78.1 standard deduction as defined in section 63(c) of the Internal Revenue Code, ~~disregarding~~  
78.2 ~~the amounts allowed under sections 63(e)(1)(C) and 63(e)(1)(E) of the Internal Revenue~~  
78.3 ~~Code, and reduced by any addition that would have been required under clause (21) if the~~  
78.4 ~~taxpayer had claimed the standard deduction:~~

78.5 (i) the amount of disallowed itemized deductions is equal to the lesser of:

78.6 (A) three percent of the excess of the taxpayer's federal adjusted gross income  
78.7 over the applicable amount; or

78.8 (B) 80 percent of the amount of the itemized deductions otherwise allowable to the  
78.9 taxpayer under the Internal Revenue Code for the taxable year;

78.10 (ii) the term "applicable amount" means \$100,000, or \$50,000 in the case of a  
78.11 married individual filing a separate return. Each dollar amount shall be increased by  
78.12 an amount equal to:

78.13 (A) such dollar amount, multiplied by

78.14 (B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal  
78.15 Revenue Code for the calendar year in which the taxable year begins, by substituting  
78.16 "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof;

78.17 (iii) the term "itemized deductions" does not include:

78.18 (A) the deduction for medical expenses under section 213 of the Internal Revenue  
78.19 Code;

78.20 (B) any deduction for investment interest as defined in section 163(d) of the Internal  
78.21 Revenue Code; and

78.22 (C) the deduction under section 165(a) of the Internal Revenue Code for casualty or  
78.23 theft losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue  
78.24 Code or for losses described in section 165(d) of the Internal Revenue Code; and

78.25 ~~(20)~~ (14) to the extent included in federal taxable income in taxable years beginning  
78.26 after December 31, 2010, the amount of disallowed personal exemptions for taxpayers  
78.27 with federal adjusted gross income over the threshold amount:

78.28 (i) the disallowed personal exemption amount is equal to the dollar amount of the  
78.29 personal exemptions claimed by the taxpayer in the computation of federal taxable income  
78.30 multiplied by the applicable percentage;

78.31 (ii) "applicable percentage" means two percentage points for each \$2,500 (or  
78.32 fraction thereof) by which the taxpayer's federal adjusted gross income for the taxable  
78.33 year exceeds the threshold amount. In the case of a married individual filing a separate  
78.34 return, the preceding sentence shall be applied by substituting "\$1,250" for "\$2,500." In  
78.35 no event shall the applicable percentage exceed 100 percent;

78.36 (iii) the term "threshold amount" means:

- 79.1 (A) \$150,000 in the case of a joint return or a surviving spouse;
- 79.2 (B) \$125,000 in the case of a head of a household;
- 79.3 (C) \$100,000 in the case of an individual who is not married and who is not a
- 79.4 surviving spouse or head of a household; and
- 79.5 (D) \$75,000 in the case of a married individual filing a separate return; and
- 79.6 (iv) the thresholds shall be increased by an amount equal to:
- 79.7 (A) such dollar amount, multiplied by
- 79.8 (B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal
- 79.9 Revenue Code for the calendar year in which the taxable year begins, by substituting
- 79.10 "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof; and
- 79.11 ~~(21) to the extent deducted in the computation of federal taxable income, for taxable~~
- 79.12 ~~years beginning after December 31, 2010, and before January 1, 2013, the difference~~
- 79.13 ~~between the standard deduction allowed under section 63(e) of the Internal Revenue Code~~
- 79.14 ~~and the standard deduction allowed for 2011 and 2012 under the Internal Revenue Code~~
- 79.15 ~~as amended through December 1, 2010.~~

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

79.17 December 31, 2012.

79.18 Sec. 12. Minnesota Statutes 2012, section 290.01, subdivision 19b, is amended to read:

79.19 Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates,

79.20 and trusts, there shall be subtracted from federal taxable income:

79.21 (1) net interest income on obligations of any authority, commission, or

79.22 instrumentality of the United States to the extent includable in taxable income for federal

79.23 income tax purposes but exempt from state income tax under the laws of the United States;

79.24 (2) if included in federal taxable income, the amount of any overpayment of income

79.25 tax to Minnesota or to any other state, for any previous taxable year, whether the amount

79.26 is received as a refund or as a credit to another taxable year's income tax liability;

79.27 (3) the amount paid to others, less the amount used to claim the credit allowed under

79.28 section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten

79.29 to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and

79.30 transportation of each qualifying child in attending an elementary or secondary school

79.31 situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a

79.32 resident of this state may legally fulfill the state's compulsory attendance laws, which

79.33 is not operated for profit, and which adheres to the provisions of the Civil Rights Act

79.34 of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or

79.35 tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause,

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

80.14 (4) income as provided under section 290.0802;

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

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

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

80.31 ~~(8)~~ (6) in each of the five tax years immediately following the tax year in which an  
80.32 addition is required under subdivision 19a, clause (7), or 19c, clause ~~(15)~~ (12), in the case  
80.33 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the  
80.34 delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount  
80.35 of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c,  
80.36 clause ~~(15)~~ (12), in the case of a shareholder of an S corporation, minus the positive value



81.1 of any net operating loss under section 172 of the Internal Revenue Code generated for the  
81.2 tax year of the addition. The resulting delayed depreciation cannot be less than zero;

81.3 ~~(9)~~ (7) job opportunity building zone income as provided under section 469.316;

81.4 ~~(10)~~ (8) to the extent included in federal taxable income, the amount of compensation  
81.5 paid to members of the Minnesota National Guard or other reserve components of the  
81.6 United States military for active service, excluding compensation for services performed  
81.7 under the Active Guard Reserve (AGR) program. For purposes of this clause, "active  
81.8 service" means (i) state active service as defined in section 190.05, subdivision 5a, clause  
81.9 (1); or (ii) federally funded state active service as defined in section 190.05, subdivision  
81.10 5b, but "active service" excludes service performed in accordance with section 190.08,  
81.11 subdivision 3;

81.12 ~~(11)~~ (9) to the extent included in federal taxable income, the amount of compensation  
81.13 paid to Minnesota residents who are members of the armed forces of the United States  
81.14 or United Nations for active duty performed under United States Code, title 10; or the  
81.15 authority of the United Nations;

81.16 ~~(12)~~ (10) an amount, not to exceed \$10,000, equal to qualified expenses related to a  
81.17 qualified donor's donation, while living, of one or more of the qualified donor's organs  
81.18 to another person for human organ transplantation. For purposes of this clause, "organ"  
81.19 means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;  
81.20 "human organ transplantation" means the medical procedure by which transfer of a human  
81.21 organ is made from the body of one person to the body of another person; "qualified  
81.22 expenses" means unreimbursed expenses for both the individual and the qualified donor  
81.23 for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses  
81.24 may be subtracted under this clause only once; and "qualified donor" means the individual  
81.25 or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An  
81.26 individual may claim the subtraction in this clause for each instance of organ donation for  
81.27 transplantation during the taxable year in which the qualified expenses occur;

81.28 ~~(13)~~ (11) in each of the five tax years immediately following the tax year in which an  
81.29 addition is required under subdivision 19a, clause (8), or 19c, clause ~~(16)~~ (13), in the case  
81.30 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of  
81.31 the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause ~~(16)~~  
81.32 (13), in the case of a shareholder of a corporation that is an S corporation, minus the  
81.33 positive value of any net operating loss under section 172 of the Internal Revenue Code  
81.34 generated for the tax year of the addition. If the net operating loss exceeds the addition for  
81.35 the tax year, a subtraction is not allowed under this clause;

82.1 ~~(14)~~ (12) to the extent included in the federal taxable income of a nonresident of  
 82.2 Minnesota, compensation paid to a service member as defined in United States Code, title  
 82.3 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief  
 82.4 Act, Public Law 108-189, section 101(2);

82.5 ~~(15)~~ (13) to the extent included in federal taxable income, the amount of national  
 82.6 service educational awards received from the National Service Trust under United States  
 82.7 Code, title 42, sections 12601 to 12604, for service in an approved Americorps National  
 82.8 Service program;

82.9 ~~(16)~~ (14) to the extent included in federal taxable income, discharge of indebtedness  
 82.10 income resulting from reacquisition of business indebtedness included in federal taxable  
 82.11 income under section 108(i) of the Internal Revenue Code. This subtraction applies only  
 82.12 to the extent that the income was included in net income in a prior year as a result of the  
 82.13 addition under section 290.01, subdivision 19a, clause ~~(16)~~ (11); ~~and~~

82.14 ~~(17)~~ (15) the amount of the net operating loss allowed under section 290.095,  
 82.15 subdivision 11, paragraph (c);

82.16 (16) the amount of the limitation on itemized deductions under section 68(b) of the  
 82.17 Internal Revenue Code;

82.18 (17) the amount of the phase-out of personal exemptions under section 151(d) of  
 82.19 the Internal Revenue Code; and

82.20 (18) in the year that the expenditures are made for railroad track maintenance, as  
 82.21 defined in section 45G(d) of the Internal Revenue Code, in the case of a shareholder of a  
 82.22 corporation that is an S corporation or a partner in a partnership, an amount equal to the  
 82.23 credit awarded under section 45G(a) of the Internal Revenue Code. The subtraction is  
 82.24 reduced to an amount equal to the percentage of the shareholder's or partner's share of the  
 82.25 net income of the S corporation or partnership.

82.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 82.27 December 31, 2012.

82.28 Sec. 13. Minnesota Statutes 2012, section 290.01, subdivision 19c, is amended to read:

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

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

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

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

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

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

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

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

83.17 ~~(8) the exempt foreign trade income of a foreign sales corporation under sections~~  
83.18 ~~921(a) and 291 of the Internal Revenue Code;~~

83.19 ~~(9)~~ (8) the amount of percentage depletion deducted under sections 611 through  
83.20 614 and 291 of the Internal Revenue Code;

83.21 ~~(10)~~ (9) for certified pollution control facilities placed in service in a taxable year  
83.22 beginning before December 31, 1986, and for which amortization deductions were elected  
83.23 under section 169 of the Internal Revenue Code of 1954, as amended through December  
83.24 31, 1985, the amount of the amortization deduction allowed in computing federal taxable  
83.25 income for those facilities;

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

83.30 ~~(12)~~ (10) the amount of a partner's pro rata share of net income which does not flow  
83.31 through to the partner because the partnership elected to pay the tax on the income under  
83.32 section 6242(a)(2) of the Internal Revenue Code;

83.33 ~~(13) the amount of net income excluded under section 114 of the Internal Revenue~~  
83.34 ~~Code;~~

84.1 ~~(14)~~ (11) any increase in subpart F income, as defined in section 952(a) of the  
 84.2 Internal Revenue Code, for the taxable year when subpart F income is calculated without  
 84.3 regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

84.4 ~~(15)~~ (12) 80 percent of the depreciation deduction allowed under section  
 84.5 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if  
 84.6 the taxpayer has an activity that in the taxable year generates a deduction for depreciation  
 84.7 under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable  
 84.8 year that the taxpayer is not allowed to claim for the taxable year, "the depreciation  
 84.9 allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess  
 84.10 of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A)  
 84.11 over the amount of the loss from the activity that is not allowed in the taxable year. In  
 84.12 succeeding taxable years when the losses not allowed in the taxable year are allowed, the  
 84.13 depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;

84.14 ~~(16)~~ (13) 80 percent of the amount by which the deduction allowed by section 179 of  
 84.15 the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal  
 84.16 Revenue Code of 1986, as amended through December 31, 2003;

84.17 ~~(17)~~ (14) to the extent deducted in computing federal taxable income, the amount of  
 84.18 the deduction allowable under section 199 of the Internal Revenue Code;

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

84.21 ~~(19)~~ (15) the amount of expenses disallowed under section 290.10, subdivision 2; and

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

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

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

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

84.33 ~~(iv)~~ licensing fees; and

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

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

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

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

- 85.13 ~~(i) income related to the direct or indirect acquisition, use, maintenance or~~  
85.14 ~~management, ownership, sale, exchange, or any other disposition of intangible property;~~  
85.15 ~~(ii) income from factoring transactions or discounting transactions;~~  
85.16 ~~(iii) royalty, patent, technical, and copyright fees;~~  
85.17 ~~(iv) licensing fees; and~~  
85.18 ~~(v) other similar income.~~

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

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

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

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

86.1 ~~(24) for taxable years beginning before January 1, 2010, the additional amount~~  
86.2 ~~allowed as a deduction for donation of computer technology and equipment under section~~  
86.3 ~~170(e)(6) of the Internal Revenue Code, to the extent deducted from taxable income; and~~  
86.4 ~~(25) (16) discharge of indebtedness income resulting from reacquisition of business~~  
86.5 ~~indebtedness and deferred under section 108(i) of the Internal Revenue Code.~~

86.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
86.7 December 31, 2012.

86.8 Sec. 14. Minnesota Statutes 2012, section 290.01, subdivision 19d, is amended to read:

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

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

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

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

86.20 (4) amounts disallowed for intangible drilling costs due to differences between  
86.21 this chapter and the Internal Revenue Code in taxable years beginning before January  
86.22 1, 1987, as follows:

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

86.26 (ii) to the extent the disallowed costs are not represented by physical property, an  
86.27 amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section  
86.28 290.09, subdivision 8;

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

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

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

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

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

87.8 (6) an amount for interest and expenses relating to income not taxable for federal  
87.9 income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and  
87.10 expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or  
87.11 291 of the Internal Revenue Code in computing federal taxable income;

87.12 (7) in the case of mines, oil and gas wells, other natural deposits, and timber for  
87.13 which percentage depletion was disallowed pursuant to subdivision 19c, clause ~~(9)~~ (8), a  
87.14 reasonable allowance for depletion based on actual cost. In the case of leases the deduction  
87.15 must be apportioned between the lessor and lessee in accordance with rules prescribed  
87.16 by the commissioner. In the case of property held in trust, the allowable deduction must  
87.17 be apportioned between the income beneficiaries and the trustee in accordance with the  
87.18 pertinent provisions of the trust, or if there is no provision in the instrument, on the basis  
87.19 of the trust's income allocable to each;

87.20 (8) for certified pollution control facilities placed in service in a taxable year  
87.21 beginning before December 31, 1986, and for which amortization deductions were elected  
87.22 under section 169 of the Internal Revenue Code of 1954, as amended through December  
87.23 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes  
87.24 1986, section 290.09, subdivision 7;

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

87.31 (10) ~~80~~ 50 percent of royalties, fees, or other like income accrued or received from a  
87.32 ~~foreign operating corporation or a foreign corporation~~ or a foreign corporation which is part of the same unitary  
87.33 business as the receiving corporation, unless the income resulting from such payments or  
87.34 accruals is income from sources within the United States as defined in subtitle A, chapter  
87.35 1, subchapter N, part 1, of the Internal Revenue Code;

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

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

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

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

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

88.17 ~~(16)~~ (15) any decrease in subpart F income, as defined in section 952(a) of the  
88.18 Internal Revenue Code, for the taxable year when subpart F income is calculated without  
88.19 regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

88.20 ~~(17)~~ (16) in each of the five tax years immediately following the tax year in which an  
88.21 addition is required under subdivision 19c, clause ~~(15)~~ (12), an amount equal to one-fifth  
88.22 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the  
88.23 amount of the addition made by the taxpayer under subdivision 19c, clause ~~(15)~~ (12). The  
88.24 resulting delayed depreciation cannot be less than zero;

88.25 ~~(18)~~ (17) in each of the five tax years immediately following the tax year in which an  
88.26 addition is required under subdivision 19c, clause ~~(16)~~ (13), an amount equal to one-fifth  
88.27 of the amount of the addition; ~~and~~

88.28 ~~(19)~~ (18) to the extent included in federal taxable income, discharge of indebtedness  
88.29 income resulting from reacquisition of business indebtedness included in federal taxable  
88.30 income under section 108(i) of the Internal Revenue Code. This subtraction applies only  
88.31 to the extent that the income was included in net income in a prior year as a result of the  
88.32 addition under ~~section 290.01~~, subdivision 19c, clause ~~(25)~~ (16); ~~and~~

88.33 (19) in the year that the expenditures are made for railroad track maintenance, as  
88.34 defined in section 45G(d) of the Internal Revenue Code, an amount equal to the credit  
88.35 awarded under section 45G(a) of the Internal Revenue Code.



89.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
89.2 December 31, 2012.

89.3 Sec. 15. Minnesota Statutes 2012, section 290.01, is amended by adding a subdivision  
89.4 to read:

89.5 Subd. 29a. **State itemized deduction.** The term "state itemized deduction" means  
89.6 federal itemized deductions, as defined in section 63(d) of the Internal Revenue Code,  
89.7 disregarding any limitation under section 68 of the Internal Revenue Code, and reduced  
89.8 by the amount of the addition required under subdivision 19a, clause (13).

89.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
89.10 December 31, 2012.

89.11 Sec. 16. Minnesota Statutes 2012, section 290.01, subdivision 31, as amended by Laws  
89.12 2013, chapter 3, section 4, is amended to read:

89.13 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, for  
89.14 taxable years beginning before January 1, 2012, and after December 31, 2012, "Internal  
89.15 Revenue Code" means the Internal Revenue Code of 1986, as amended through April 14,  
89.16 2011; and for taxable years beginning after December 31, 2011, and before January 1,  
89.17 2013, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended  
89.18 through January 3, 2013. Internal Revenue Code also includes any uncodified provision in  
89.19 federal law that relates to provisions of the Internal Revenue Code that are incorporated  
89.20 into Minnesota law. When used in this chapter, the reference to "subtitle A, chapter 1,  
89.21 subchapter N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as  
89.22 amended through March 18, 2010.

89.23 **EFFECTIVE DATE.** This section is effective the day following final enactment,  
89.24 except the changes incorporated by federal changes are effective at the same time as the  
89.25 changes were effective for federal purposes.

89.26 Sec. 17. Minnesota Statutes 2012, section 290.01, is amended by adding a subdivision  
89.27 to read:

89.28 Subd. 33. **Foreign source income; income from foreign sources.** The terms  
89.29 "foreign source income" and "income from foreign sources" means income from sources  
89.30 without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the  
89.31 Internal Revenue Code.

90.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
90.2 December 31, 2012.

90.3 Sec. 18. Minnesota Statutes 2012, section 290.06, subdivision 2c, is amended to read:

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

90.8 (1) On the first ~~\$25,680~~ \$31,650, 5.35 percent;

90.9 (2) On all over ~~\$25,680~~ \$31,650, but not over ~~\$102,030~~ \$130,000, 7.05 percent;

90.10 (3) On all over ~~\$102,030~~ \$130,000, but not over \$400,000, 7.85 percent.;

90.11 (4) On all over \$400,000, 8.49 percent.

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

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

90.17 (1) On the first ~~\$17,570~~ \$21,650, 5.35 percent;

90.18 (2) On all over ~~\$17,570~~ \$21,650, but not over ~~\$57,710~~ \$73,500, 7.05 percent;

90.19 (3) On all over ~~\$57,710~~ \$73,500, but not over \$226,200, 7.85 percent.;

90.20 (4) On all over \$226,200, 8.49 percent.

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

90.24 (1) On the first ~~\$21,630~~ \$26,650, 5.35 percent;

90.25 (2) On all over ~~\$21,630~~ \$26,650, but not over ~~\$86,910~~ \$110,700, 7.05 percent;

90.26 (3) On all over ~~\$86,910~~ \$110,700, but not over \$340,700, 7.85 percent.;

90.27 (4) On all over \$340,700, 8.49 percent.

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

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

91.5 (1) the numerator is the individual's Minnesota source federal adjusted gross income  
 91.6 as defined in section 62 of the Internal Revenue Code and increased by the additions  
 91.7 required under section 290.01, subdivision 19a, clauses (1), ~~(5), (6), (7), (8), (9), (12),~~  
 91.8 ~~(13), and (16) to (18)~~ (5) to (9), (11), and (12), and reduced by the Minnesota assignable  
 91.9 portion of the subtraction for United States government interest under section 290.01,  
 91.10 subdivision 19b, clause (1), and the subtractions under section 290.01, subdivision 19b,  
 91.11 clauses ~~(8), (9), (13), (14), (16), and (17)~~ (6), (7), (11), (12), (14), and (15), after applying  
 91.12 the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

91.13 (2) the denominator is the individual's federal adjusted gross income as defined in  
 91.14 section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in  
 91.15 section 290.01, subdivision 19a, clauses (1), ~~(5), (6), (7), (8), (9), (12), (13), and (16) to~~  
 91.16 ~~(18)~~ (5) to (9), (11), and (12), and reduced by the amounts specified in section 290.01,  
 91.17 subdivision 19b, clauses (1), ~~(8), (9), (13), (14), (16), and (17)~~ (6), (7), (11), (12), (14),  
 91.18 and (15).

91.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 91.20 December 31, 2012.

91.21 Sec. 19. Minnesota Statutes 2012, section 290.06, subdivision 2d, is amended to read:

91.22 Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after  
 91.23 December 31, ~~2000~~ 2013, the minimum and maximum dollar amounts for each rate  
 91.24 bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the  
 91.25 percentage determined under paragraph (b). For the purpose of making the adjustment as  
 91.26 provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the  
 91.27 rate brackets as they existed for taxable years beginning after December 31, ~~1999~~ 2012,  
 91.28 and before January 1, ~~2001~~ 2014. The rate applicable to any rate bracket must not be  
 91.29 changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes  
 91.30 in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10  
 91.31 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

91.32 (b) The commissioner shall adjust the rate brackets and by the percentage determined  
 91.33 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in  
 91.34 section 1(f)(3)(B) the word "~~1999~~" "2012" shall be substituted for the word "1992." For  
 91.35 ~~2001~~ 2014, the commissioner shall then determine the percent change from the 12 months

92.1 ending on August 31, ~~1999~~ 2012, to the 12 months ending on August 31, ~~2000~~ 2013, and  
 92.2 in each subsequent year, from the 12 months ending on August 31, ~~1999~~ 2012, to the 12  
 92.3 months ending on August 31 of the year preceding the taxable year. The determination of  
 92.4 the commissioner pursuant to this subdivision shall not be considered a "rule" and shall  
 92.5 not be subject to the Administrative Procedure Act contained in chapter 14.

92.6 No later than December 15 of each year, the commissioner shall announce the  
 92.7 specific percentage that will be used to adjust the tax rate brackets.

92.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 92.9 December 31, 2012.

92.10 Sec. 20. Minnesota Statutes 2012, section 290.06, is amended by adding a subdivision  
 92.11 to read:

92.12 **Subd. 36. Charitable contributions credit.** (a) A taxpayer, other than a corporation,  
 92.13 estate, or trust, is allowed a credit against the tax imposed by this chapter equal to eight  
 92.14 percent of the amount by which eligible charitable contributions exceed the greater of:

92.15 (1) two percent of the taxpayer's adjusted gross income for the taxable year; or  
 92.16 (2) \$400 (\$800 for married filing jointly).

92.17 (b) For purposes of this subdivision, "eligible charitable contributions" means  
 92.18 charitable contributions allowable as a deduction for the taxable year under section 170(a)  
 92.19 of the Internal Revenue Code, subject to the limitations of section 170(b) of the Internal  
 92.20 Revenue Code, and determined without regard to whether or not the taxpayer itemizes  
 92.21 deductions.

92.22 (c) For purposes of this subdivision, "adjusted gross income" has the meaning given  
 92.23 in section 62 of the Internal Revenue Code.

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

92.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 92.27 December 31, 2012.

92.28 Sec. 21. Minnesota Statutes 2012, section 290.067, subdivision 1, is amended to read:

92.29 Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the  
 92.30 tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the  
 92.31 dependent care credit for which the taxpayer is eligible pursuant to the provisions of  
 92.32 section 21 of the Internal Revenue Code subject to the limitations provided in subdivision  
 92.33 2 except that in determining whether the child qualified as a dependent, income received

93.1 as a Minnesota family investment program grant or allowance to or on behalf of the child  
93.2 must not be taken into account in determining whether the child received more than half  
93.3 of the child's support from the taxpayer, and the provisions of section 32(b)(1)(D) of  
93.4 the Internal Revenue Code do not apply.

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

93.14 (c) If a married couple:

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

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

93.17 (3) does not participate in a dependent care assistance program as defined in section  
93.18 129 of the Internal Revenue Code, in lieu of the actual employment related expenses paid  
93.19 for that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of  
93.20 (i) the combined earned income of the couple or (ii) the amount of the maximum limit for  
93.21 one qualified individual under section 21(c) and (d) of the Internal Revenue Code will  
93.22 be deemed to be the employment related expense paid for that child. The earned income  
93.23 limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed  
93.24 amount. These deemed amounts apply regardless of whether any employment-related  
93.25 expenses have been paid.

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

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

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

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

94.1 In the case of a nonresident, part-year resident, or a person who has earned income  
94.2 not subject to tax under this chapter including earned income excluded pursuant to section  
94.3 290.01, subdivision 19b, clause ~~(9)~~ (7), the credit determined under section 21 of the  
94.4 Internal Revenue Code must be allocated based on the ratio by which the earned income  
94.5 of the claimant and the claimant's spouse from Minnesota sources bears to the total earned  
94.6 income of the claimant and the claimant's spouse.

94.7 For residents of Minnesota, the subtractions for military pay under section 290.01,  
94.8 subdivision 19b, clauses ~~(10) and (11)~~ (8) and (9), are not considered "earned income not  
94.9 subject to tax under this chapter."

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

94.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
94.14 December 31, 2012.

94.15 Sec. 22. Minnesota Statutes 2012, section 290.067, subdivision 2a, is amended to read:

94.16 Subd. 2a. **Income.** (a) For purposes of this section, "income" means the sum of  
94.17 the following:

94.18 (1) federal adjusted gross income as defined in section 62 of the Internal Revenue  
94.19 Code; and

94.20 (2) the sum of the following amounts to the extent not included in clause (1):

94.21 (i) all nontaxable income;

94.22 (ii) the amount of a passive activity loss that is not disallowed as a result of section  
94.23 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity  
94.24 loss carryover allowed under section 469(b) of the Internal Revenue Code;

94.25 (iii) an amount equal to the total of any discharge of qualified farm indebtedness  
94.26 of a solvent individual excluded from gross income under section 108(g) of the Internal  
94.27 Revenue Code;

94.28 (iv) cash public assistance and relief;

94.29 (v) any pension or annuity (including railroad retirement benefits, all payments  
94.30 received under the federal Social Security Act, supplemental security income, and veterans  
94.31 benefits), which was not exclusively funded by the claimant or spouse, or which was  
94.32 funded exclusively by the claimant or spouse and which funding payments were excluded  
94.33 from federal adjusted gross income in the years when the payments were made;

94.34 (vi) interest received from the federal or a state government or any instrumentality  
94.35 or political subdivision thereof;

- 95.1 (vii) workers' compensation;
- 95.2 (viii) nontaxable strike benefits;
- 95.3 (ix) the gross amounts of payments received in the nature of disability income or  
95.4 sick pay as a result of accident, sickness, or other disability, whether funded through  
95.5 insurance or otherwise;
- 95.6 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of  
95.7 1986, as amended through December 31, 1995;
- 95.8 (xi) contributions made by the claimant to an individual retirement account,  
95.9 including a qualified voluntary employee contribution; simplified employee pension plan;  
95.10 self-employed retirement plan; cash or deferred arrangement plan under section 401(k)  
95.11 of the Internal Revenue Code; or deferred compensation plan under section 457 of the  
95.12 Internal Revenue Code;
- 95.13 (xii) nontaxable scholarship or fellowship grants;
- 95.14 (xiii) the amount of deduction allowed under section 199 of the Internal Revenue  
95.15 Code;
- 95.16 (xiv) the amount of deduction allowed under section 220 or 223 of the Internal  
95.17 Revenue Code;
- 95.18 (xv) the amount of ~~deducted for~~ tuition expenses required to be added to income  
95.19 under section 290.01, subdivision 19a, clause (12) under section 222 of the Internal  
95.20 Revenue Code; and
- 95.21 (xvi) the amount deducted for certain expenses of elementary and secondary school  
95.22 teachers under section 62(a)(2)(D) of the Internal Revenue Code; ~~and~~.
- 95.23 ~~(xvii) unemployment compensation.~~
- 95.24 In the case of an individual who files an income tax return on a fiscal year basis, the  
95.25 term "federal adjusted gross income" means federal adjusted gross income reflected in the  
95.26 fiscal year ending in the next calendar year. Federal adjusted gross income may not be  
95.27 reduced by the amount of a net operating loss carryback or carryforward or a capital loss  
95.28 carryback or carryforward allowed for the year.
- 95.29 (b) "Income" does not include:
- 95.30 (1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;
- 95.31 (2) amounts of any pension or annuity that were exclusively funded by the claimant  
95.32 or spouse if the funding payments were not excluded from federal adjusted gross income  
95.33 in the years when the payments were made;
- 95.34 (3) surplus food or other relief in kind supplied by a governmental agency;
- 95.35 (4) relief granted under chapter 290A;

96.1 (5) child support payments received under a temporary or final decree of dissolution  
96.2 or legal separation; and

96.3 (6) restitution payments received by eligible individuals and excludable interest as  
96.4 defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of  
96.5 2001, Public Law 107-16.

96.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
96.7 December 31, 2012.

96.8 Sec. 23. Minnesota Statutes 2012, section 290.0671, subdivision 1, is amended to read:

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

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

96.16 (c) For individuals with one qualifying child, the credit equals 8.5 percent of the first  
96.17 \$6,920 of earned income and 8.5 percent of earned income over \$12,080 but less than  
96.18 \$13,450. The credit is reduced by 5.73 percent of earned income or adjusted gross income,  
96.19 whichever is greater, in excess of \$15,080, but in no case is the credit less than zero.

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

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

96.26 (f) For a person who was a resident for the entire tax year and has earned income  
96.27 not subject to tax under this chapter, including income excluded under section 290.01,  
96.28 subdivision 19b, clause (9), the credit must be allocated based on the ratio of federal  
96.29 adjusted gross income reduced by the earned income not subject to tax under this chapter  
96.30 over federal adjusted gross income. For purposes of this paragraph, the subtractions for  
96.31 military pay under section 290.01, subdivision 19b, clauses ~~(10) and (11)~~ (8) and (9), are  
96.32 not considered "earned income not subject to tax under this chapter."

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



97.1 (g) For tax years beginning after December 31, 2007, and before December 31,  
97.2 2010, and for tax years beginning after December 31, 2017, the \$5,770 in paragraph (b),  
97.3 the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for  
97.4 inflation under subdivision 7, are each increased by \$3,000 for married taxpayers filing joint  
97.5 returns. For tax years beginning after December 31, 2008, the commissioner shall annually  
97.6 adjust the \$3,000 by the percentage determined pursuant to the provisions of section 1(f)  
97.7 of the Internal Revenue Code, except that in section 1(f)(3)(B), the word "2007" shall be  
97.8 substituted for the word "1992." For 2009, the commissioner shall then determine the  
97.9 percent change from the 12 months ending on August 31, 2007, to the 12 months ending on  
97.10 August 31, 2008, and in each subsequent year, from the 12 months ending on August 31,  
97.11 2007, to the 12 months ending on August 31 of the year preceding the taxable year. The  
97.12 earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the  
97.13 amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the  
97.14 commissioner under this subdivision is not a rule under the Administrative Procedure Act.

97.15 (h) For tax years beginning after December 31, 2010, and before January 1, 2012,  
97.16 and for tax years beginning after December 31, 2012, and before January 1, 2018, the  
97.17 \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph  
97.18 (d), after being adjusted for inflation under subdivision 7, are each increased by \$5,000  
97.19 for married taxpayers filing joint returns. For tax years beginning after December 31,  
97.20 2010, and before January 1, 2012, and for tax years beginning after December 31, 2012,  
97.21 and before January 1, 2018, the commissioner shall annually adjust the \$5,000 by the  
97.22 percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue  
97.23 Code, except that in section 1(f)(3)(B), the word "2008" shall be substituted for the word  
97.24 "1992." For 2011, the commissioner shall then determine the percent change from the 12  
97.25 months ending on August 31, 2008, to the 12 months ending on August 31, 2010, and in  
97.26 each subsequent year, from the 12 months ending on August 31, 2008, to the 12 months  
97.27 ending on August 31 of the year preceding the taxable year. The earned income thresholds  
97.28 as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the  
97.29 amount is rounded up to the nearest \$10. The determination of the commissioner under  
97.30 this subdivision is not a rule under the Administrative Procedure Act.

97.31 (i) The commissioner shall construct tables showing the amount of the credit at  
97.32 various income levels and make them available to taxpayers. The tables shall follow  
97.33 the schedule contained in this subdivision, except that the commissioner may graduate  
97.34 the transition between income brackets.

97.35 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
97.36 December 31, 2012.

98.1 Sec. 24. Minnesota Statutes 2012, section 290.0675, subdivision 1, is amended to read:

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

98.4 (b) "Earned income" means the sum of the following, to the extent included in  
98.5 Minnesota taxable income:

98.6 (1) earned income as defined in section 32(c)(2) of the Internal Revenue Code;

98.7 (2) income received from a retirement pension, profit-sharing, stock bonus, or  
98.8 annuity plan; and

98.9 (3) Social Security benefits as defined in section 86(d)(1) of the Internal Revenue  
98.10 Code.

98.11 (c) "Taxable income" means net income as defined in section 290.01, subdivision 19.

98.12 (d) "Earned income of lesser-earning spouse" means the earned income of the  
98.13 spouse with the lesser amount of earned income as defined in paragraph (b) for the taxable  
98.14 year minus the sum of (i) the amount for one exemption under section 151(d) of the  
98.15 Internal Revenue Code and (ii) one-half the amount of the standard deduction under  
98.16 section 63(c)(2)(A) and (4) of the Internal Revenue Code ~~minus one-half of any addition~~  
98.17 ~~required under section 290.01, subdivision 19a, clause (21), and one-half of the addition~~  
98.18 ~~that would have been required under section 290.01, subdivision 19a, clause (21), if the~~  
98.19 ~~taxpayer had claimed the standard deduction.~~

98.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
98.21 December 31, 2012.

98.22 Sec. 25. Minnesota Statutes 2012, section 290.0677, subdivision 2, is amended to read:

98.23 Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have  
98.24 the meanings given.

98.25 (b) "Designated area" means a:

98.26 (1) combat zone designated by Executive Order from the President of the United  
98.27 States;

98.28 (2) qualified hazardous duty area, designated in Public Law; or

98.29 (3) location certified by the U. S. Department of Defense as eligible for combat zone  
98.30 tax benefits due to the location's direct support of military operations.

98.31 (c) "Active military service" means active duty service in any of the United States  
98.32 armed forces, the National Guard, or reserves.

98.33 (d) "Qualified individual" means an individual who has:

98.34 (1) ~~either (i) met one of the following criteria:~~

98.35 (i) has served at least 20 years in the military or;

99.1 (ii) has a service-connected disability rating of 100 percent for a total and permanent  
99.2 disability; or

99.3 (iii) has been determined by the military to be eligible for compensation from a  
99.4 pension or other retirement pay from the federal government for service in the military,  
99.5 as computed under United States Code, title 10, sections 1401 to 1414, 1447 to 1455,  
99.6 or 12733; and

99.7 (2) separated from military service before the end of the taxable year.

99.8 (e) "Adjusted gross income" has the meaning given in section 61 of the Internal  
99.9 Revenue Code.

99.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
99.11 December 31, 2012.

99.12 Sec. 26. Minnesota Statutes 2012, section 290.068, subdivision 3, is amended to read:

99.13 Subd. 3. **Limitation; carryover.** (a)(1) The credit for a taxable year beginning  
99.14 before January 1, 2010, and after December 31, 2012, shall not exceed the liability for  
99.15 tax. "Liability for tax" for purposes of this section means the tax imposed under section  
99.16 290.06, subdivision 1, for the taxable year reduced by the sum of the nonrefundable  
99.17 credits allowed under this chapter.

99.18 (2) In the case of a corporation which is a partner in a partnership, the credit allowed  
99.19 for the taxable year shall not exceed the lesser of the amount determined under clause (1)  
99.20 for the taxable year or an amount (separately computed with respect to the corporation's  
99.21 interest in the trade or business or entity) equal to the amount of tax attributable to that  
99.22 portion of taxable income which is allocable or apportionable to the corporation's interest  
99.23 in the trade or business or entity.

99.24 (b) If the amount of the credit determined under this section for any taxable year  
99.25 exceeds the limitation under clause (a), the excess shall be a research credit carryover to  
99.26 each of the 15 succeeding taxable years. The entire amount of the excess unused credit for  
99.27 the taxable year shall be carried first to the earliest of the taxable years to which the credit  
99.28 may be carried and then to each successive year to which the credit may be carried. The  
99.29 amount of the unused credit which may be added under this clause shall not exceed the  
99.30 taxpayer's liability for tax less the research credit for the taxable year.

99.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
99.32 December 31, 2012.

99.33 Sec. 27. Minnesota Statutes 2012, section 290.068, subdivision 6a, is amended to read:

100.1 Subd. 6a. **Credit to be refundable.** If the amount of credit allowed in this section  
100.2 for qualified research expenses incurred in taxable years beginning after December 31,  
100.3 2009, and before January 1, 2013, exceeds the taxpayer's tax liability under this chapter,  
100.4 the commissioner shall refund the excess amount. The credit allowed for qualified research  
100.5 expenses incurred in taxable years beginning after December 31, 2009, and before January  
100.6 1, 2013, must be used before any research credit earned under subdivision 3.

100.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
100.8 December 31, 2012.

100.9 Sec. 28. Minnesota Statutes 2012, section 290.0681, subdivision 1, is amended to read:

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

100.12 (b) "Account" means the historic credit administration account in the special  
100.13 revenue fund.

100.14 (c) "Office" means the State Historic Preservation Office of the Minnesota Historical  
100.15 Society.

100.16 (d) "Project" means rehabilitation of a certified historic structure, as defined in  
100.17 section 47(c)(3)(A) of the Internal Revenue Code, that is located in Minnesota and is  
100.18 allowed a federal credit ~~under section 47(a)(2) of the Internal Revenue Code.~~

100.19 (e) "Society" means the Minnesota Historical Society.

100.20 (f) "Federal credit" means the credit allowed under section 47(a)(2) of the Internal  
100.21 Revenue Code.

100.22 (g) "Placed in service" has the meaning used in section 47 of the Internal Revenue  
100.23 Code.

100.24 (h) "Qualified rehabilitation expenditures" has the meaning given in section 47 of  
100.25 the Internal Revenue Code.

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

100.27 Sec. 29. Minnesota Statutes 2012, section 290.0681, subdivision 3, is amended to read:

100.28 Subd. 3. **Applications; allocations.** (a) To qualify for a credit or grant under this  
100.29 section, the developer of a project must apply to the office before the rehabilitation  
100.30 begins. The application must contain the information and be in the form prescribed by  
100.31 the office. The office may collect a fee for application of up to \$5,000, ~~based on 0.5~~  
100.32 percent of estimated qualified rehabilitation expenses, not to exceed \$35,000, to offset  
100.33 costs associated with personnel and administrative expenses related to administering the

101.1 credit and preparing the economic impact report in subdivision 9. Application fees are  
101.2 deposited in the account. The application must indicate if the application is for a credit  
101.3 or a grant in lieu of the credit or a combination of the two and designate the taxpayer  
101.4 qualifying for the credit or the recipient of the grant.

101.5 (b) Upon approving an application for credit, the office shall issue allocation  
101.6 certificates that:

101.7 (1) verify eligibility for the credit or grant;

101.8 (2) state the amount of credit or grant anticipated with the project, with the credit  
101.9 amount equal to 100 percent and the grant amount equal to 90 percent of the federal  
101.10 credit anticipated in the application;

101.11 (3) state that the credit or grant allowed may increase or decrease if the federal  
101.12 credit the project receives at the time it is placed in service is different than the amount  
101.13 anticipated at the time the allocation certificate is issued; and

101.14 (4) state the fiscal year in which the credit or grant is allocated, and that the taxpayer  
101.15 or grant recipient is entitled to receive the credit or grant at the time the project is placed  
101.16 in service, provided that date is within three calendar years following the issuance of  
101.17 the allocation certificate.

101.18 (c) The office, in consultation with the commissioner ~~of revenue~~, shall determine  
101.19 if the project is eligible for a credit or a grant under this section and must notify the  
101.20 developer in writing of its determination. Eligibility for the credit is subject to review  
101.21 and audit by the commissioner ~~of revenue~~.

101.22 (d) The federal credit recapture and repayment requirements under section 50 of the  
101.23 Internal Revenue Code do not apply to the credit allowed under this section.

101.24 (e) Any decision of the office under paragraph (c) may be challenged as a contested  
101.25 case under chapter 14. The contested case proceeding must be initiated within 45 days of  
101.26 the date of written notification by the office.

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

101.28 Sec. 30. Minnesota Statutes 2012, section 290.0681, subdivision 4, is amended to read:

101.29 Subd. 4. **Credit certificates; grants.** (a)(1) The developer of a project for which the  
101.30 office has issued an allocation certificate must notify the office when the project is placed  
101.31 in service. Upon verifying that the project has been placed in service, and was allowed a  
101.32 federal credit, the office must issue a credit certificate to the taxpayer designated in the  
101.33 application or must issue a grant to the recipient designated in the application. The credit  
101.34 certificate must state the amount of the credit.

101.35 (2) The credit amount equals the federal credit allowed for the project.

102.1 (3) The grant amount equals 90 percent of the federal credit allowed for the project.

102.2 (b) The recipient of a credit certificate may assign the certificate to another taxpayer,  
102.3 which is then allowed the credit under this section or section 297I.20, subdivision 3. An  
102.4 assignment is not valid unless the assignee notifies the commissioner within 30 days of the  
102.5 date that the assignment is made. The commissioner shall prescribe the forms necessary  
102.6 for notifying the commissioner of the assignment of a credit certificate and for claiming  
102.7 a credit by assignment.

102.8 (c) Credits passed through to partners, members, shareholders, or owners pursuant to  
102.9 subdivision 5 are not an assignment of a credit certificate under this subdivision.

102.10 (d) A grant agreement between the office and the recipient of a grant may allow the  
102.11 grant to be issued to another individual or entity.

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

102.13 Sec. 31. Minnesota Statutes 2012, section 290.0681, subdivision 5, is amended to read:

102.14 Subd. 5. **Partnerships; multiple owners.** Credits granted to a partnership, a limited  
102.15 liability company taxed as a partnership, S corporation, or multiple owners of property  
102.16 are passed through to the partners, members, shareholders, or owners, respectively, pro  
102.17 rata to each partner, member, shareholder, or owner based on their share of the entity's  
102.18 assets or as specially allocated in their organizational documents or any other executed  
102.19 agreement, as of the last day of the taxable year.

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

102.21 Sec. 32. **[290.0693] VETERANS JOBS TAX CREDIT.**

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

102.24 (b) "Date of hire" means the day that the qualified employee begins performing  
102.25 services as an employee of the qualified employer.

102.26 (c) "Disabled veteran" is a veteran who has had a service-connected disability rating  
102.27 as adjudicated by the United States Veterans Administration, or by the retirement board of  
102.28 one of the several branches of the armed forces.

102.29 (d)(1) "Qualified employee" means an employee as defined in section 290.92,  
102.30 subdivision 1, who meets the following criteria:

102.31 (i) the employee is a resident of Minnesota on the date of hire;

102.32 (ii) the employee is paid wages as defined in section 290.92, subdivision 1; and

103.1 (iii) the employee's wages are attributable to Minnesota under section 290.191,  
103.2 subdivision 12;

103.3 (2) Qualified employee does not include:

103.4 (i) any employee who bears any of the relationships to the employer described in  
103.5 subparagraphs (A) to (G) of section 152(d)(2) of the Internal Revenue Code;

103.6 (ii) if the employer is a corporation, an employee who owns, directly or indirectly,  
103.7 more than 50 percent in value of the outstanding stock of the corporation, or if the  
103.8 employer is an entity other than a corporation, an employee who owns, directly or  
103.9 indirectly, more than 50 percent of the capital and profits interests in the entity, as  
103.10 determined with the application of section 267(c) of the Internal Revenue Code; or

103.11 (iii) if the employer is an estate or trust, any employee who is a fiduciary of the estate  
103.12 or trust, or is an individual who bears any of the relationships described in subparagraphs  
103.13 (A) to (G) of section 152(d)(2) of the Internal Revenue Code to a grantor, beneficiary,  
103.14 or fiduciary of the estate or trust.

103.15 (e) "Qualified employer" means an employer that hired a disabled veteran, or an  
103.16 unemployed veteran as a qualified employee.

103.17 (f) "Unemployed veteran" is a veteran who:

103.18 (1) received unemployment compensation under state or federal law at any time  
103.19 during the two-year period prior to the date of hire; and

103.20 (2) was unemployed on the date of hire.

103.21 (g) "Veteran" has the meaning given in section 197.447.

103.22 Subd. 2. **Credit allowed.** (a) A qualified employer is allowed a credit for each of  
103.23 the following individuals that the qualified employer hires as a qualified employee during  
103.24 taxable years beginning after December 31, 2012, and before January 1, 2017:

103.25 (1) a disabled veteran; or

103.26 (2) an unemployed veteran.

103.27 (b) Subject to the requirements of this section, there is no limit to the number of  
103.28 credits that a qualified employer may claim under this section during a taxable year.

103.29 (c) A qualified employer may claim the credit either for the taxable year in which  
103.30 the qualified employee is hired, or in the next taxable year, but may claim the credit only  
103.31 once for each qualified employee.

103.32 Subd. 3. **Credit amount for hiring certain veterans.** (a) A qualified employer who  
103.33 is required to file a return under section 289A.08, subdivision 1, 2, or 3, is allowed a credit  
103.34 against the tax imposed by this chapter as determined under this subdivision.

104.1 (b) For hiring a disabled veteran as a qualified employee, the credit equals ten  
104.2 percent of the wages paid to the qualified employee during the taxable year, but the  
104.3 amount of the credit shall not exceed \$1,200.

104.4 (c) For hiring an unemployed veteran as a qualified employee, the credit equals  
104.5 ten percent of the wages paid to the qualified employee during the taxable year, but the  
104.6 amount of the credit shall not exceed \$600.

104.7 (d) The credit is limited to the liability for tax under this chapter for the taxable year.

104.8 (e) A qualified employer is allowed only one of the credits authorized under  
104.9 paragraphs (b) and (c) upon hiring a disabled veteran, or an unemployed veteran as a  
104.10 qualified employee.

104.11 (f) A qualified employer may not claim a credit under this subdivision for hiring  
104.12 a disabled veteran, or an unemployed veteran as a qualified employee if the qualified  
104.13 employer currently employs or has previously employed the disabled veteran, or  
104.14 unemployed veteran.

104.15 Subd. 4. **Flow-through entities.** Credits granted to a partnership, limited liability  
104.16 company taxed as a partnership, S corporation, or multiple owners of a business are passed  
104.17 through to the partners, members, shareholders, or owners, respectively, pro rata to each  
104.18 partner, member, shareholder, or owner based on their share of the entity's assets or as  
104.19 specially allocated in their organizational documents, as of the last day of the taxable year.

104.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
104.21 December 31, 2012.

104.22 Sec. 33. Minnesota Statutes 2012, section 290.091, subdivision 2, is amended to read:

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

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

104.27 (1) the taxpayer's federal alternative minimum taxable income as defined in section  
104.28 55(b)(2) of the Internal Revenue Code;

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

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

104.33 ~~(ii) (i) the medical expense deduction;~~

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

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



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

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

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

105.12 (6) the amount of addition required by section 290.01, subdivision 19a, clauses ~~(7)~~  
105.13 ~~to (9), (12), (13), and (16) to (18)~~ (7) to (9), (11), and (12);

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

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

105.16 (2) an overpayment of state income tax as provided by section 290.01, subdivision  
105.17 19b, clause (2), to the extent included in federal alternative minimum taxable income;

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

105.22 (4) amounts subtracted from federal taxable income as provided by section 290.01,  
105.23 subdivision 19b, clauses ~~(6), (8) to (14), and (16)~~ (6) to (12), (14), and (18); and

105.24 (5) the amount of the net operating loss allowed under section 290.095, subdivision  
105.25 11, paragraph (c).

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

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

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

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

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

106.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
106.2 December 31, 2012.

106.3 Sec. 34. Minnesota Statutes 2012, section 290.0921, subdivision 3, is amended to read:

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

106.11 (1) For purposes of the depreciation adjustments under section 56(a)(1) and  
106.12 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in  
106.13 service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal  
106.14 income tax purposes, including any modification made in a taxable year under section  
106.15 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7,  
106.16 paragraph (c).

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

106.21 (2) The portion of the depreciation deduction allowed for federal income tax  
106.22 purposes under section 168(k) of the Internal Revenue Code that is required as an addition  
106.23 under section 290.01, subdivision 19c, clause ~~(15)~~ (12), is disallowed in determining  
106.24 alternative minimum taxable income.

106.25 (3) The subtraction for depreciation allowed under section 290.01, subdivision  
106.26 19d, clause ~~(17)~~ (16), is allowed as a depreciation deduction in determining alternative  
106.27 minimum taxable income.

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

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

106.32 ~~(6) The special rule for dividends from section 936 companies under section~~  
106.33 ~~56(g)(4)(C)(iii) does not apply.~~

106.34 ~~(7)~~ (6) The tax preference for depletion under section 57(a)(1) of the Internal  
106.35 Revenue Code does not apply.

107.1           ~~(8)~~ (7) The tax preference for intangible drilling costs under section 57(a)(2) of the  
107.2 Internal Revenue Code must be calculated without regard to subparagraph (E) and the  
107.3 subtraction under section 290.01, subdivision 19d, clause (4).

107.4           ~~(9)~~ (8) The tax preference for tax exempt interest under section 57(a)(5) of the  
107.5 Internal Revenue Code does not apply.

107.6           ~~(10)~~ (9) The tax preference for charitable contributions of appreciated property  
107.7 under section 57(a)(6) of the Internal Revenue Code does not apply.

107.8           ~~(11)~~ (10) For purposes of calculating the tax preference for accelerated depreciation  
107.9 or amortization on certain property placed in service before January 1, 1987, under section  
107.10 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the  
107.11 deduction allowed under section 290.01, subdivision 19e.

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

107.15           ~~(12)~~ (11) For purposes of calculating the adjustment for adjusted current earnings  
107.16 in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable  
107.17 income" as it is used in section 56(g) of the Internal Revenue Code, means alternative  
107.18 minimum taxable income as defined in this subdivision, determined without regard to the  
107.19 adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

107.20           ~~(13)~~ (12) For purposes of determining the amount of adjusted current earnings  
107.21 under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under  
107.22 section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign  
107.23 dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1),  
107.24 (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in  
107.25 section 290.01, subdivision 19d, clause (9), or (iii) the amount of royalties, fees or other  
107.26 like income subtracted as provided in section 290.01, subdivision 19d, clause (10).

107.27           ~~(14)~~ (13) Alternative minimum taxable income excludes the income from operating  
107.28 in a job opportunity building zone as provided under section 469.317.

107.29           ~~(15)~~ (14) Alternative minimum taxable income excludes the income from operating  
107.30 in a biotechnology and health sciences industry zone as provided under section 469.337.

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

107.33           **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
107.34 December 31, 2012.

107.35           Sec. 35. Minnesota Statutes 2012, section 290.0922, subdivision 1, is amended to read:

108.1 Subdivision 1. **Imposition.** (a) In addition to the tax imposed by this chapter without  
 108.2 regard to this section, the franchise tax imposed on a corporation required to file under  
 108.3 section 289A.08, subdivision 3, other than a corporation treated as an "S" corporation  
 108.4 under section 290.9725 for the taxable year includes a tax equal to the following amounts:

108.5	If the sum of the corporation's Minnesota		
108.6	property, payrolls, and sales or receipts is:		the tax equals:
108.7	<del>less than</del>	\$ 500,000	\$ 0
108.8	\$ 500,000 to	\$ 999,999	\$ 100
108.9	\$ 1,000,000 to	\$ 4,999,999	\$ 300
108.10	\$ 5,000,000 to	\$ 9,999,999	\$ 1,000
108.11	\$ 10,000,000 to	\$ 19,999,999	\$ 2,000
108.12	\$ 20,000,000 or more		\$ 5,000
108.13	<u>less than</u>	\$ <u>930,000</u>	\$ <u>0</u>
108.14	\$ <u>930,000</u> to	\$ <u>1,869,999</u>	\$ <u>190</u>
108.15	\$ <u>1,870,000</u> to	\$ <u>9,339,999</u>	\$ <u>560</u>
108.16	\$ <u>9,340,000</u> to	\$ <u>18,679,999</u>	\$ <u>1,870</u>
108.17	\$ <u>18,680,000</u> to	\$ <u>37,359,999</u>	\$ <u>3,740</u>
108.18	\$ <u>37,360,000</u> or more		\$ <u>9,340</u>

108.19 (b) A tax is imposed for each taxable year on a corporation required to file a return  
 108.20 under section 289A.12, subdivision 3, that is treated as an "S" corporation under section  
 108.21 290.9725 and on a partnership required to file a return under section 289A.12, subdivision  
 108.22 3, other than a partnership that derives over 80 percent of its income from farming. The  
 108.23 tax imposed under this paragraph is due on or before the due date of the return for the  
 108.24 taxpayer due under section 289A.18, subdivision 1. The commissioner shall prescribe  
 108.25 the return to be used for payment of this tax. The tax under this paragraph is equal to  
 108.26 the following amounts:

108.27	If the sum of the S corporation's		
108.28	or partnership's Minnesota		
108.29	property, payrolls, and sales or		
108.30	receipts is:		the tax equals:
108.31	<del>less than</del>	\$ 500,000	\$ 0
108.32	\$ 500,000 to	\$ 999,999	\$ 100
108.33	\$ 1,000,000 to	\$ 4,999,999	\$ 300
108.34	\$ 5,000,000 to	\$ 9,999,999	\$ 1,000
108.35	\$ 10,000,000 to	\$ 19,999,999	\$ 2,000
108.36	\$ 20,000,000 or more		\$ 5,000
108.37	<u>less than</u>	\$ <u>930,000</u>	\$ <u>0</u>
108.38	\$ <u>930,000</u> to	\$ <u>1,869,999</u>	\$ <u>190</u>
108.39	\$ <u>1,870,000</u> to	\$ <u>9,339,999</u>	\$ <u>560</u>
108.40	\$ <u>9,340,000</u> to	\$ <u>18,679,999</u>	\$ <u>1,870</u>

109.1           \$ 18,680,000 to \$ 37,359,999                           \$ 3,740  
 109.2           \$ 37,360,000 or more                                   \$ 9,340

109.3           (c) The commissioner shall adjust the dollar amounts of both the tax and the property,  
 109.4 payrolls, and sales or receipts thresholds in paragraphs (a) and (b) by the percentage  
 109.5 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except  
 109.6 that in section 1(f)(3)(B) the word "2012" must be substituted for the word "1992." For  
 109.7 2014, the commissioner shall determine the percentage change from the 12 months ending  
 109.8 on August 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent  
 109.9 year, from the 12 months ending on August 31, 2012, to the 12 months ending on August  
 109.10 31 of the year preceding the taxable year. The determination of the commissioner pursuant  
 109.11 to this subdivision is not a "rule" subject to the Administrative Procedure Act contained in  
 109.12 chapter 14. The tax amounts as adjusted must be rounded to the nearest \$10 amount and  
 109.13 the threshold amounts must be adjusted to the nearest \$10,000 amount. For tax amounts  
 109.14 that end in \$5, the amount is rounded up to the nearest \$10 amount and for the threshold  
 109.15 amounts that end in \$5,000, the amount is rounded up to the nearest \$10,000.

109.16           **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 109.17 December 31, 2012.

109.18           Sec. 36. Minnesota Statutes 2012, section 290.17, subdivision 4, is amended to read:

109.19           Subd. 4. **Unitary business principle.** (a) If a trade or business conducted wholly  
 109.20 within this state or partly within and partly without this state is part of a unitary business,  
 109.21 the entire income of the unitary business is subject to apportionment pursuant to section  
 109.22 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary  
 109.23 business is considered to be derived from any particular source and none may be allocated  
 109.24 to a particular place except as provided by the applicable apportionment formula. The  
 109.25 provisions of this subdivision do not apply to business income subject to subdivision 5,  
 109.26 income of an insurance company, or income of an investment company determined under  
 109.27 section 290.36.

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

109.32           (c) Unity is presumed whenever there is unity of ownership, operation, and use,  
 109.33 evidenced by centralized management or executive force, centralized purchasing,  
 109.34 advertising, accounting, or other controlled interaction, but the absence of these

110.1 centralized activities will not necessarily evidence a nonunitary business. Unity is also  
110.2 presumed when business activities or operations are of mutual benefit, dependent upon or  
110.3 contributory to one another, either individually or as a group.

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

110.9 (e) Unity of ownership ~~is~~ does not deemed to exist when a ~~corporation is two or~~  
110.10 more corporations are involved unless that corporation is a member of a group of two or  
110.11 ~~more business entities and more than 50 percent of the voting stock of each member of~~  
110.12 the group corporation is directly or indirectly owned by a common owner or by common  
110.13 owners, either corporate or noncorporate, or by one or more of the member corporations  
110.14 of the group. For this purpose, the term "voting stock" shall include membership interests  
110.15 of mutual insurance holding companies formed under section 66A.40.

110.16 (f) The net income and apportionment factors under section 290.191 or 290.20 of  
110.17 foreign corporations and other foreign entities which are part of a unitary business shall  
110.18 not be included in the net income or the apportionment factors of the unitary business. A  
110.19 foreign corporation or other foreign entity which is not included on a combined report and  
110.20 which is required to file a return under this chapter shall file on a separate return basis.  
110.21 ~~The net income and apportionment factors under section 290.191 or 290.20 of foreign~~  
110.22 ~~operating corporations shall not be included in the net income or the apportionment~~  
110.23 ~~factors of the unitary business except as provided in paragraph (g).~~ The legislature intends  
110.24 that the provisions of this paragraph are not severable from the provisions of section  
110.25 290.01, subdivision 5, clauses (4) and (5), and if any of those provisions are found to be  
110.26 unconstitutional, the provisions of this paragraph are void for the respective taxable years.

110.27 (g) ~~The adjusted net income of a foreign operating corporation shall be deemed to~~  
110.28 ~~be paid as a dividend on the last day of its taxable year to each shareholder thereof, in~~  
110.29 ~~proportion to each shareholder's ownership, with which such corporation is engaged in~~  
110.30 ~~a unitary business. Such deemed dividend shall be treated as a dividend under section~~  
110.31 ~~290.21, subdivision 4.~~

110.32 Dividends actually paid by a foreign operating corporation to a corporate shareholder  
110.33 which is a member of the same unitary business as the foreign operating corporation shall  
110.34 be eliminated from the net income of the unitary business in preparing a combined report  
110.35 for the unitary business. ~~The adjusted net income of a foreign operating corporation~~  
110.36 ~~shall be its net income adjusted as follows:~~

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

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

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

111.9 ~~(h) (g)~~ For purposes of determining the net income of a unitary business and the  
 111.10 factors to be used in the apportionment of net income pursuant to section 290.191 or  
 111.11 290.20, there must be included only the income and apportionment factors of domestic  
 111.12 corporations or other domestic entities ~~other than foreign operating corporations~~ that are  
 111.13 determined to be part of the unitary business pursuant to this subdivision, notwithstanding  
 111.14 that foreign corporations or other foreign entities might be included in the unitary business.

111.15 ~~(i) (h)~~ Deductions for expenses, interest, or taxes otherwise allowable under  
 111.16 this chapter that are connected with or allocable against dividends, ~~deemed dividends~~  
 111.17 ~~described in paragraph (g),~~ or royalties, fees, or other like income described in section  
 111.18 290.01, subdivision 19d, clause (10), shall not be disallowed.

111.19 ~~(j) (i)~~ Each corporation or other entity, except a sole proprietorship, that is part  
 111.20 of a unitary business must file combined reports as the commissioner determines.  
 111.21 On the reports, all intercompany transactions between entities included pursuant to  
 111.22 paragraph ~~(h) (g)~~ must be eliminated and the entire net income of the unitary business  
 111.23 determined in accordance with this subdivision is apportioned among the entities by  
 111.24 using each entity's Minnesota factors for apportionment purposes in the numerators of  
 111.25 the apportionment formula and the total factors for apportionment purposes of all entities  
 111.26 included pursuant to paragraph ~~(h) (g)~~ in the denominators of the apportionment formula.  
 111.27 Except as otherwise provided by paragraph (f), all sales of the unitary business made  
 111.28 within Minnesota pursuant to section 290.191 or 290.20 must be included on the separate  
 111.29 combined report of a corporation that is a member of the unitary business and is subject to  
 111.30 the jurisdiction of this state to impose tax under this chapter.

111.31 ~~(k) (j)~~ If a corporation has been divested from a unitary business and is included in a  
 111.32 combined report for a fractional part of the common accounting period of the combined  
 111.33 report:

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

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

112.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
112.4 December 31, 2012.

112.5 Sec. 37. Minnesota Statutes 2012, section 290.21, subdivision 4, is amended to read:

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

112.16 (2)(i) the remaining 20 percent of dividends if the dividends received are the stock in  
112.17 an affiliated company transferred in an overall plan of reorganization and the dividend  
112.18 is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as  
112.19 amended through December 31, 1989;

112.20 (ii) the remaining 20 percent of dividends if the dividends are received from a  
112.21 corporation which is subject to tax under section 290.36 and which is a member of an  
112.22 affiliated group of corporations as defined by the Internal Revenue Code and the dividend  
112.23 is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as  
112.24 amended through December 31, 1989, or is deducted under an election under section  
112.25 243(b) of the Internal Revenue Code; or

112.26 (iii) the remaining 20 percent of the dividends if the dividends are received from a  
112.27 property and casualty insurer as defined under section 60A.60, subdivision 8, which is a  
112.28 member of an affiliated group of corporations as defined by the Internal Revenue Code  
112.29 and either: (A) the dividend is eliminated in consolidation under Treasury Regulation  
112.30 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted  
112.31 under an election under section 243(b) of the Internal Revenue Code.

112.32 (b) Seventy percent of dividends received by a corporation during the taxable year  
112.33 from another corporation in which the recipient owns less than 20 percent of the stock,  
112.34 by vote or value, not including stock described in section 1504(a)(4) of the Internal  
112.35 Revenue Code when the corporate stock with respect to which dividends are paid does not



113.1 constitute the stock in trade of the taxpayer, or does not constitute property held by the  
113.2 taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or  
113.3 business, or when the trade or business of the taxpayer does not consist principally of the  
113.4 holding of the stocks and the collection of income and gain therefrom.

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

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

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

113.15 The dividend deduction provided in this subdivision applies to the amount of  
113.16 regulated investment company dividends only to the extent determined under section  
113.17 854(b) of the Internal Revenue Code.

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

113.21 (d) If dividends received by a corporation that does not have nexus with Minnesota  
113.22 under the provisions of Public Law 86-272 are included as income on the return of  
113.23 an affiliated corporation permitted or required to file a combined report under section  
113.24 290.17, subdivision 4, or 290.34, subdivision 2, then for purposes of this subdivision the  
113.25 determination as to whether the trade or business of the corporation consists principally  
113.26 of the holding of stocks and the collection of income and gains therefrom shall be made  
113.27 with reference to the trade or business of the affiliated corporation having a nexus with  
113.28 Minnesota.

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

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

114.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
114.2 December 31, 2012.

114.3 Sec. 38. Minnesota Statutes 2012, section 290A.03, subdivision 15, as amended by  
114.4 Laws 2013, chapter 3, section 5, is amended to read:

114.5 Subd. 15. **Internal Revenue Code.** ~~For taxable years beginning before January 1,~~  
114.6 ~~2012, and after December 31, 2012,~~ "Internal Revenue Code" means the Internal Revenue  
114.7 Code of 1986, as amended through April 14, 2011; ~~and for taxable years beginning after~~  
114.8 ~~December 31, 2011, and before January 1, 2013,~~ "Internal Revenue Code" means the  
114.9 ~~Internal Revenue Code of 1986, as amended through~~ January 3, 2013.

114.10 **EFFECTIVE DATE.** This section is effective for property tax refunds based on  
114.11 property taxes payable after December 31, 2013, and rent paid after December 31, 2012.

114.12 Sec. 39. Minnesota Statutes 2012, section 298.01, subdivision 3b, is amended to read:

114.13 Subd. 3b. **Deductions.** (a) For purposes of determining taxable income under  
114.14 subdivision 3, the deductions from gross income include only those expenses necessary  
114.15 to convert raw ores to marketable quality. Such expenses include costs associated with  
114.16 refinement but do not include expenses such as transportation, stockpiling, marketing, or  
114.17 marine insurance that are incurred after marketable ores are produced, unless the expenses  
114.18 are included in gross income. The allowable deductions from a mine or plant that mines  
114.19 and produces more than one mineral, metal, or energy resource must be determined  
114.20 separately for the purposes of computing the deduction in section 290.01, subdivision 19c,  
114.21 clause ~~(9)~~ (8). These deductions may be combined on one occupation tax return to arrive  
114.22 at the deduction from gross income for all production.

114.23 (b) The provisions of section 290.01, subdivisions 19c, clauses (6) and (9), and 19d,  
114.24 clauses (7) and (11), are not used to determine taxable income.

114.25 Sec. 40. **ESTIMATED TAXES; EXCEPTIONS.**

114.26 No addition to tax, penalties, or interest may be made under Minnesota Statutes,  
114.27 section 289A.25, for any period before September 15, 2013, with respect to an  
114.28 underpayment of estimated tax, to the extent that the underpayment was created or  
114.29 increased by the increase in income tax rates under this article.

114.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
114.31 December 31, 2012.

115.1 Sec. 41. **REPEALER.**

115.2 Minnesota Statutes 2012, sections 290.01, subdivision 6b; 290.06, subdivision 22a;  
115.3 290.0672; and 290.0921, subdivision 7, are repealed.

115.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
115.5 December 31, 2012.

## 115.6 ARTICLE 7

### 115.7 ESTATE AND GIFT TAXES

115.8 Section 1. Minnesota Statutes 2012, section 289A.10, subdivision 1, is amended to read:

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

115.12 (1) a federal estate tax return is required to be filed; or

115.13 (2) the sum of the federal gross estate and federal adjusted taxable gifts made within  
115.14 three years of the date of the decedent's death exceeds \$1,000,000.

115.15 The return must contain a computation of the Minnesota estate tax due. The return  
115.16 must be signed by the personal representative.

115.17 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after  
115.18 December 31, 2012.

115.19 Sec. 2. Minnesota Statutes 2012, section 291.005, subdivision 1, is amended to read:

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

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

115.24 (2) "Federal gross estate" means the gross estate of a decedent as required to be valued  
115.25 and otherwise determined for federal estate tax purposes under the Internal Revenue Code.

115.26 (3) "Internal Revenue Code" means the United States Internal Revenue Code of  
115.27 1986, as amended through ~~April 14, 2011~~ January 3, 2013, but without regard to the  
115.28 provisions of ~~sections 501 and 901 of Public Law 107-16, as amended by Public Law~~  
115.29 ~~111-312, and section 301(e) of Public Law 111-312~~ section 2011, paragraph (f), of the  
115.30 Internal Revenue Code.

115.31 (4) "Minnesota adjusted taxable estate" means federal adjusted taxable estate as  
115.32 defined by section 2011(b)(3) of the Internal Revenue Code, plus

116.1 (i) the amount of deduction for state death taxes allowed under section 2058 of the  
116.2 Internal Revenue Code;

116.3 (ii) the amount of taxable gifts, as defined in section 292.16, and made by the  
116.4 decendent within three years of the decendent's date of death; less

116.5 ~~(ii)~~ (iii)(A) the value of qualified small business property under section 291.03,  
116.6 subdivision 9, and the value of qualified farm property under section 291.03, subdivision  
116.7 10, or (B) \$4,000,000, whichever is less.

116.8 (5) "Minnesota gross estate" means the federal gross estate of a decedent after (a)  
116.9 excluding therefrom any property included therein which has its situs outside Minnesota,  
116.10 and (b) including therein any property omitted from the federal gross estate which is  
116.11 includable therein, has its situs in Minnesota, and was not disclosed to federal taxing  
116.12 authorities.

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

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

116.22 (8) "Resident decedent" means an individual whose domicile at the time of death  
116.23 was in Minnesota.

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

116.25 (i) real property, the state or country in which it is located; ~~with respect to~~

116.26 (ii) tangible personal property, the state or country in which it was normally kept or  
116.27 located at the time of the decedent's death or for a gift of tangible personal property within  
116.28 three years of death, the state or country in which it was normally kept or located when  
116.29 the gift was executed; and ~~with respect to~~

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

116.33 For a nonresident decedent with an ownership interest in a pass-through entity  
116.34 with assets that include real or tangible personal property, situs of the real or tangible  
116.35 personal property is determined as if the pass-through entity does not exist and the real  
116.36 or tangible personal property is personally owned by the decedent. If the pass-through

117.1 entity is owned by a person or persons in addition to the decedent, ownership of the  
117.2 property is attributed to the decedent in proportion to the decedent's capital ownership  
117.3 share of the pass-through entity.

117.4 (10) "Pass-through entity" includes the following:

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

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

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

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

117.12 **EFFECTIVE DATE.** This section is effective for decedents dying after December  
117.13 31, 2012.

117.14 Sec. 3. Minnesota Statutes 2012, section 291.03, subdivision 1, is amended to read:

117.15 Subdivision 1. **Tax amount.** (a) The tax imposed shall be an amount equal to the  
117.16 proportion of the maximum credit for state death taxes computed under section 2011 of  
117.17 the Internal Revenue Code, but using Minnesota adjusted taxable estate instead of federal  
117.18 adjusted taxable estate, as the Minnesota gross estate bears to the value of the federal  
117.19 gross estate. The tax is reduced by:

117.20 (1) the gift tax paid by the decedent under section 292.17 on gifts included in the  
117.21 Minnesota adjusted gross estate and not subtracted as qualified farm or small business  
117.22 property; and

117.23 (2) any credit allowed under subdivision 1c.

117.24 (b) The tax determined under this subdivision must not be greater than the sum of  
117.25 the following amounts multiplied by a fraction, the numerator of which is the Minnesota  
117.26 gross estate and the denominator of which is the federal gross estate:

117.27 (1) the rates and brackets under section 2001(c) of the Internal Revenue Code  
117.28 multiplied by the sum of:

117.29 (i) the taxable estate, as defined under section 2051 of the Internal Revenue Code; plus

117.30 (ii) adjusted taxable gifts, as defined in section 2001(b) of the Internal Revenue  
117.31 Code; less

117.32 (iii) the lesser of (A) the sum of the value of qualified small business property  
117.33 under subdivision 9, and the value of qualified farm property under subdivision 10, or  
117.34 (B) \$4,000,000; less

118.1 (2) the amount of tax allowed under section 2001(b)(2) of the Internal Revenue  
118.2 Code; and less

118.3 (3) the federal credit allowed under section 2010 of the Internal Revenue Code.

118.4 (c) For purposes of this subdivision, "Internal Revenue Code" means the Internal  
118.5 Revenue Code of 1986, as amended through December 31, 2000.

118.6 **EFFECTIVE DATE.** This section is effective for decedents dying after December  
118.7 31, 2012.

118.8 Sec. 4. Minnesota Statutes 2012, section 291.03, is amended by adding a subdivision  
118.9 to read:

118.10 Subd. 1c. **Nonresident decedent tax credit.** (a) The estate of a nonresident  
118.11 decedent that is subject to tax under this chapter on the value of Minnesota situs property  
118.12 held in a pass-through entity is allowed a credit against the tax due under this section  
118.13 equal to the lesser of:

118.14 (1) the amount of estate or inheritance tax paid to another state that is attributable to  
118.15 the Minnesota situs property held in the pass-through entity; or

118.16 (2) the amount of tax paid under this section attributable to the Minnesota situs  
118.17 property held in the pass-through entity.

118.18 (b) The amount of tax attributable to the Minnesota situs property held in the  
118.19 pass-through entity must be determined by the increase in the estate or inheritance tax that  
118.20 results from including the market value of the property in the estate or treating the value  
118.21 as a taxable inheritance to the recipient of the property.

118.22 **EFFECTIVE DATE.** This section is effective for decedents dying after December  
118.23 31, 2012.

118.24 Sec. 5. Minnesota Statutes 2012, section 291.03, subdivision 8, is amended to read:

118.25 Subd. 8. **Definitions.** (a) For purposes of this section, the following terms have the  
118.26 meanings given in this subdivision.

118.27 (b) "Family member" means a family member as defined in section 2032A(e)(2) of  
118.28 the Internal Revenue Code, or a trust whose present beneficiaries are all family members  
118.29 as defined in section 2032A(e)(2) of the Internal Revenue Code.

118.30 (c) "Qualified heir" means a family member who acquired qualified property ~~from~~  
118.31 upon the death of the decedent and satisfies the requirement under subdivision 9, clause  
118.32 ~~(6)~~ (7), or subdivision 10, clause ~~(4)~~ (5), for the property.

119.1 (d) "Qualified property" means qualified small business property under subdivision  
 119.2 9 and qualified farm property under subdivision 10.

119.3 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents  
 119.4 dying after June 30, 2011.

119.5 Sec. 6. Minnesota Statutes 2012, section 291.03, subdivision 9, is amended to read:

119.6 Subd. 9. **Qualified small business property.** Property satisfying all of the following  
 119.7 requirements is qualified small business property:

119.8 (1) The value of the property was included in the federal adjusted taxable estate.

119.9 (2) The property consists of the assets of a trade or business or shares of stock or  
 119.10 other ownership interests in a corporation or other entity engaged in a trade or business.

119.11 ~~The decedent or the decedent's spouse must have materially participated in the trade or~~  
 119.12 ~~business within the meaning of section 469 of the Internal Revenue Code during the~~

119.13 ~~taxable year that ended before the date of the decedent's death.~~ Shares of stock in a

119.14 corporation or an ownership interest in another type of entity do not qualify under this

119.15 subdivision if the shares or ownership interests are traded on a public stock exchange at

119.16 any time during the three-year period ending on the decedent's date of death. For purposes

119.17 of this subdivision, an ownership interest includes the interest the decedent is deemed to

119.18 own under sections 2036, 2037, and 2038 of the Internal Revenue Code.

119.19 (3) During the taxable year that ended before the decedent's death, the trade or

119.20 business must not have been a passive activity within the meaning of section 469(c) of the

119.21 Internal Revenue Code, and the decedent or the decedent's spouse must have materially

119.22 participated in the trade or business within the meaning of section 469(h) of the Internal

119.23 Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other

119.24 provision provided by United States Treasury Department regulation that substitutes

119.25 material participation in prior taxable years for material participation in the taxable year

119.26 that ended before the decedent's death.

119.27 (4) The gross annual sales of the trade or business were \$10,000,000 or less for the

119.28 last taxable year that ended before the date of the death of the decedent.

119.29 ~~(4)~~ (5) The property does not consist of cash or cash equivalents, publicly traded

119.30 securities, or assets not used in the operation of the trade or business. For property

119.31 consisting of shares of stock or other ownership interests in an entity, the ~~amount~~ value of

119.32 cash or cash equivalents, publicly traded securities, or assets not used in the operation of

119.33 the trade or business held by the corporation or other entity must be deducted from the

119.34 value of the property qualifying under this subdivision in proportion to the decedent's

119.35 share of ownership of the entity on the date of death.

120.1 ~~(5)~~ (6) The decedent continuously owned the property, including property the  
120.2 decedent is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue  
120.3 Code, for the three-year period ending on the date of death of the decedent. In the case of  
120.4 a sole proprietor, if the property replaced similar property within the three-year period,  
120.5 the replacement property will be treated as having been owned for the three-year period  
120.6 ending on the date of death of the decedent.

120.7 ~~(6) A family member continuously uses the property in the operation of the trade or~~  
120.8 ~~business for three years following the date of death of the decedent.~~

120.9 (7) For three years following the date of death of the decedent, the trade or business  
120.10 is not a passive activity within the meaning of section 469(c) of the Internal Revenue Code,  
120.11 and a family member materially participates in the operation of the trade or business within  
120.12 the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3)  
120.13 of the Internal Revenue Code and any other provision provided by United States Treasury  
120.14 Department regulation that substitutes material participation in prior taxable years for  
120.15 material participation in the three years following the date of death of the decedent.

120.16 (8) The estate and the qualified heir elect to treat the property as qualified small  
120.17 business property and agree, in the form prescribed by the commissioner, to pay the  
120.18 recapture tax under subdivision 11, if applicable.

120.19 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents  
120.20 dying after June 30, 2011.

120.21 Sec. 7. Minnesota Statutes 2012, section 291.03, subdivision 10, is amended to read:

120.22 Subd. 10. **Qualified farm property.** Property satisfying all of the following  
120.23 requirements is qualified farm property:

120.24 (1) The value of the property was included in the federal adjusted taxable estate.

120.25 (2) The property consists of ~~a farm meeting the requirements of~~ agricultural land as  
120.26 defined in section 500.24, subdivision 2, paragraph (g), and is owned by a person or entity  
120.27 that is not excluded from owning agricultural land by section 500.24, and was classified  
120.28 for property tax purposes as the homestead of the decedent or the decedent's spouse or  
120.29 both under section 273.124, and as class 2a property under section 273.13, subdivision 23.

120.30 (3) For property taxes payable in the taxable year of decedent's death, the property is  
120.31 classified as class 2a property under section 273.13, subdivision 23, and is classified as  
120.32 agricultural homestead, agricultural relative homestead, or special agricultural homestead  
120.33 under section 273.124.

120.34 (4) The decedent continuously owned the property, including property the decedent  
120.35 is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code, for



121.1 the three-year period ending on the date of death of the decedent either by ownership of  
 121.2 the agricultural land or pursuant to holding an interest in an entity that is not excluded  
 121.3 from owning agricultural land under section 500.24.

121.4 ~~(4) A family member continuously uses the property in the operation of the trade or~~  
 121.5 ~~business~~ (5) The property is classified for property tax purposes as class 2a property under  
 121.6 section 273.13, subdivision 23, for three years following the date of death of the decedent.

121.7 ~~(5)~~ (6) The estate and the qualified heir elect to treat the property as qualified farm  
 121.8 property and agree, in a form prescribed by the commissioner, to pay the recapture tax  
 121.9 under subdivision 11, if applicable.

121.10 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents  
 121.11 dying after June 30, 2011.

121.12 Sec. 8. Minnesota Statutes 2012, section 291.03, subdivision 11, is amended to read:

121.13 Subd. 11. **Recapture tax.** (a) If, within three years after the decedent's death and  
 121.14 before the death of the qualified heir, the qualified heir disposes of any interest in the  
 121.15 qualified property, other than by a disposition to a family member, or a family member  
 121.16 ceases to use the qualified property which was acquired or passed from the decedent  
 121.17 satisfy the requirement under subdivision 9, clause (7); or 10, clause (5), an additional  
 121.18 estate tax is imposed on the property. In the case of a sole proprietor, if the qualified heir  
 121.19 replaces qualified small business property excluded under subdivision 9 with similar  
 121.20 property, then the qualified heir will not be treated as having disposed of an interest in the  
 121.21 qualified property.

121.22 (b) The amount of the additional tax equals the amount of the exclusion claimed by  
 121.23 the estate under subdivision 8, paragraph (d), multiplied by 16 percent.

121.24 (c) The additional tax under this subdivision is due on the day which is six months  
 121.25 after the date of the disposition or cessation in paragraph (a).

121.26 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents  
 121.27 dying after June 30, 2011.

121.28 Sec. 9. **[292.16] DEFINITIONS.**

121.29 (a) For purposes of this chapter, the following definitions apply.

121.30 (b) The definitions of terms defined in section 291.005 apply.

121.31 (c) "Resident" has the meaning given in section 290.01.

121.32 (d) "Taxable gifts" means:

122.1 (1) the transfers by gift which are included in taxable gifts for federal gift tax  
122.2 purposes under the following sections of the Internal Revenue Code:

122.3 (i) section 2503;

122.4 (ii) sections 2511 to 2514; and

122.5 (iii) sections 2516 to 2519; less

122.6 (2) the deductions allowed in sections 2522 to 2524 of the Internal Revenue Code.

122.7 **EFFECTIVE DATE.** This section is effective for taxable gifts made after June  
122.8 30, 2013.

122.9 Sec. 10. **[292.17] GIFT TAX.**

122.10 Subdivision 1. **Imposition.** (a) A tax is imposed on the transfer of property by gift  
122.11 by any individual resident or nonresident in an amount equal to ten percent of the amount  
122.12 of the taxable gift.

122.13 (b) The donor is liable for payment of the tax. If the gift tax is not paid when due,  
122.14 the donee of any gift is personally liable for the tax to the extent of the value of the gift.

122.15 Subd. 2. **Lifetime credit.** A credit is allowed against the tax imposed under this  
122.16 section equal to \$100,000. This credit applies to the cumulative amount of taxable gifts  
122.17 made by the donor during the donor's lifetime.

122.18 Subd. 3. **Out-of-state gifts.** Taxable gifts exclude the transfer of:

122.19 (1) real property located outside of this state;

122.20 (2) tangible personal property that was normally kept at a location outside of the  
122.21 state on the date the gift was executed; and

122.22 (3) intangible personal property made by an individual who is not a resident.

122.23 **EFFECTIVE DATE.** This section is effective for taxable gifts made after June  
122.24 30, 2013.

122.25 Sec. 11. **[292.18] RETURNS.**

122.26 (a) Any individual who makes a taxable gift during the taxable year shall file a gift  
122.27 tax return in the form and manner prescribed by the commissioner.

122.28 (b) If the donor dies before filing the return, the executor of the donor's will or  
122.29 the administrator of the donor's estate shall file the return. If the donor becomes legally  
122.30 incompetent before filing the return, the guardian or conservator shall file the return.

122.31 (c) The return must include:

122.32 (1) each gift made during the calendar year which is to be included in computing the  
122.33 taxable gifts;

- 123.1 (2) the deductions claimed and allowable under section 292.16, paragraph (d),  
123.2 clause (2);
- 123.3 (3) a description of the gift, and the donee's name, address, and Social Security  
123.4 number;
- 123.5 (4) the fair market value of gifts not made in money; and
- 123.6 (5) any other information the commissioner requires to administer the gift tax.

123.7 **EFFECTIVE DATE.** This section is effective for taxable gifts made after June  
123.8 30, 2013.

123.9 Sec. 12. **[292.19] FILING REQUIREMENTS.**

123.10 Gift tax returns must be filed by the April 15 following the close of the calendar  
123.11 year, except if a gift is made during the calendar year in which the donor dies, the return  
123.12 for the donor must be filed by the last date, including extensions, for filing the gift tax  
123.13 return for federal gift tax purposes for the donor.

123.14 **EFFECTIVE DATE.** This section is effective for taxable gifts made after June  
123.15 30, 2013.

123.16 Sec. 13. **[292.20] APPRAISAL OF PROPERTY; DECLARATION BY DONOR.**

123.17 The commissioner may require the donor or the donee to show the property subject to  
123.18 the tax under section 292.17 to the commissioner upon demand and may employ a suitable  
123.19 person to appraise the property. The donor shall submit a declaration, in a form prescribed  
123.20 by the commissioner and including any certification required by the commissioner, that the  
123.21 property shown by the donor on the gift tax return includes all of the property transferred by  
123.22 gift for the calendar year and not deductible under section 292.16, paragraph (d), clause (2).

123.23 **EFFECTIVE DATE.** This section is effective for taxable gifts made after June  
123.24 30, 2013.

123.25 Sec. 14. **[292.21] ADMINISTRATIVE PROVISIONS.**

123.26 Subdivision 1. **Payment of tax; penalty for late payment.** The tax imposed under  
123.27 section 292.17 is due and payable to the commissioner by the April 15 following the close  
123.28 of the calendar year during which the gift was made. The return required under section  
123.29 292.19 must be included with the payment. If a taxable gift is made during the calendar  
123.30 year in which the donor dies, the due date is the last date, including extensions, for filing  
123.31 the gift tax return for federal gift tax purposes for the donor. If any person fails to pay the  
123.32 tax due within the time specified under this section, a penalty applies equal to ten percent

124.1 of the amount due and unpaid or \$100, whichever is greater. The unpaid tax and penalty  
124.2 bear interest at the rate under section 270C.40 from the due date of the return.

124.3 Subd. 2. **Extensions.** The commissioner may, for good cause, extend the time for  
124.4 filing a gift tax return, if a written request is filed with a tentative return accompanied by a  
124.5 payment of the tax, which is estimated in the tentative return, on or before the last day for  
124.6 filing the return. Any person to whom an extension is granted must pay, in addition to the  
124.7 tax, interest at the rate under section 270C.40 from the date on which the tax would have  
124.8 been due without the extension.

124.9 Subd. 3. **Changes in federal gift tax.** If the amount of a taxpayer's taxable gifts  
124.10 for federal gift tax purposes, as reported on the taxpayer's federal gift tax return for any  
124.11 calendar year, is changed or corrected by the Internal Revenue Service or other officer  
124.12 of the United States or other competent authority, the taxpayer shall report the change or  
124.13 correction in federal taxable gifts within 180 days after the final determination of the change  
124.14 or correction, and concede the accuracy of the determination or provide a letter detailing  
124.15 how the federal determination is incorrect or does not change the Minnesota gift tax. Any  
124.16 taxpayer filing an amended federal gift tax return shall also file within 180 days an amended  
124.17 return under this chapter and shall include any information the commissioner requires. The  
124.18 time for filing the report or amended return may be extended by the commissioner upon due  
124.19 cause shown. Notwithstanding any limitation of time in this chapter, if, upon examination,  
124.20 the commissioner finds that the taxpayer is liable for the payment of an additional tax, the  
124.21 commissioner shall, within a reasonable time from the receipt of the report or amended  
124.22 return, notify the taxpayer of the amount of additional tax, together with interest computed  
124.23 at the rate under section 270C.40 from the date when the original tax was due and payable.  
124.24 Within 30 days of the mailing of the notice, the taxpayer shall pay the commissioner the  
124.25 amount of the additional tax and interest. If, upon examination of the report or amended  
124.26 return and related information, the commissioner finds that the taxpayer has overpaid the  
124.27 tax due the state, the commissioner shall refund the overpayment to the taxpayer.

124.28 Subd. 4. **Application of federal rules.** In administering the tax under this chapter,  
124.29 the commissioner shall apply the provisions of sections 2701 to 2704 of the Internal  
124.30 Revenue Code. The words "secretary or his delegate," as used in those sections of the  
124.31 Internal Revenue Code, mean the commissioner.

124.32 **EFFECTIVE DATE.** This section is effective for taxable gifts made after June  
124.33 30, 2013.

124.34 Sec. 15. **[292.22] CREDIT AGAINST ESTATE TAX.**

125.1 A credit is allowed against the estate tax imposed under chapter 291 in the amount  
125.2 of any tax imposed and paid under this chapter for a gift includable in the Minnesota  
125.3 adjusted taxable estate of the donor under section 291.005.

125.4 **EFFECTIVE DATE.** This section is effective for taxable gifts made after June  
125.5 30, 2013.

## 125.6 **ARTICLE 8**

### 125.7 **SALES AND USE TAX; LOCAL SALES TAXES**

125.8 Section 1. Minnesota Statutes 2012, section 297A.61, subdivision 3, is amended to read:

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

125.11 (b) Sale and purchase include:

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

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

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

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

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

125.23 (1) prepared food sold by the retailer;

125.24 (2) soft drinks;

125.25 (3) candy;

125.26 (4) dietary supplements; and

125.27 (5) all food sold through vending machines.

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

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

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

126.1 (1) the privilege of admission to places of amusement, recreational areas, or athletic  
126.2 events, including seat licenses, the rental of box seats, suites, sky boxes, and similar  
126.3 facilities in stadiums and arenas and the making available of amusement devices, tanning  
126.4 facilities, reducing salons, steam baths, Turkish baths, health clubs, and spas or athletic  
126.5 facilities;

126.6 (2) lodging and related services by a hotel, rooming house, resort, campground,  
126.7 motel, or trailer camp, including furnishing the guest of the facility with access to  
126.8 telecommunication services, and the granting of any similar license to use real property in  
126.9 a specific facility, other than the renting or leasing of it for a continuous period of 30 days  
126.10 or more under an enforceable written agreement that may not be terminated without prior  
126.11 notice and including accommodations intermediary services provided in connection with  
126.12 other services provided under this clause;

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

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

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

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

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

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

126.28 (6) services as provided in this clause:

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

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

127.1 (iii) building and residential cleaning, maintenance, and disinfecting services and  
127.2 pest control and exterminating services;

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

127.8 (v) pet grooming services;

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

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

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

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

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

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

127.34 (h) A sale and a purchase includes the furnishing for a consideration of tangible  
127.35 personal property or taxable services by the United States or any of its agencies or

128.1 instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political  
128.2 subdivisions.

128.3 (i) A sale and a purchase includes the furnishing for a consideration of  
128.4 telecommunications services, ancillary services associated with telecommunication  
128.5 services, cable television services, and direct satellite services. Telecommunication  
128.6 services include, but are not limited to, the following services, as defined in section  
128.7 297A.669: air-to-ground radiotelephone service, mobile telecommunication service,  
128.8 postpaid calling service, prepaid calling service, prepaid wireless calling service, and  
128.9 private communication services. The services in this paragraph are taxed to the extent  
128.10 allowed under federal law.

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

128.14 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer  
128.15 to a customer when (1) the vehicle is rented by the customer for a consideration, or (2)  
128.16 the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section  
128.17 59B.02, subdivision 11.

128.18 **EFFECTIVE DATE.** This section is effective for sales made after June 30, 2013.

128.19 Sec. 2. Minnesota Statutes 2012, section 297A.61, subdivision 4, is amended to read:

128.20 Subd. 4. **Retail sale.** (a) A "retail sale" means any sale, lease, or rental for any  
128.21 purpose, other than resale, sublease, or subrent of items by the purchaser in the normal  
128.22 course of business as defined in subdivision 21.

128.23 (b) A sale of property used by the owner only by leasing it to others or by holding it  
128.24 in an effort to lease it, and put to no use by the owner other than resale after the lease or  
128.25 effort to lease, is a sale of property for resale.

128.26 (c) A sale of master computer software that is purchased and used to make copies for  
128.27 sale or lease is a sale of property for resale.

128.28 (d) A sale of building materials, supplies, and equipment to owners, contractors,  
128.29 subcontractors, or builders for the erection of buildings or the alteration, repair, or  
128.30 improvement of real property is a retail sale in whatever quantity sold, whether the sale is  
128.31 for purposes of resale in the form of real property or otherwise.

128.32 (e) A sale of carpeting, linoleum, or similar floor covering to a person who provides  
128.33 for installation of the floor covering is a retail sale and not a sale for resale since a sale of  
128.34 floor covering which includes installation is a contract for the improvement of real property.



129.1 (f) A sale of shrubbery, plants, sod, trees, and similar items to a person who provides  
129.2 for installation of the items is a retail sale and not a sale for resale since a sale of  
129.3 shrubbery, plants, sod, trees, and similar items that includes installation is a contract for  
129.4 the improvement of real property.

129.5 (g) A sale of tangible personal property that is awarded as prizes is a retail sale and  
129.6 is not considered a sale of property for resale.

129.7 (h) A sale of tangible personal property utilized or employed in the furnishing or  
129.8 providing of services under subdivision 3, paragraph (g), clause (1), including, but not  
129.9 limited to, property given as promotional items, is a retail sale and is not considered a  
129.10 sale of property for resale.

129.11 (i) A sale of tangible personal property used in conducting lawful gambling under  
129.12 chapter 349 or the State Lottery under chapter 349A, including, but not limited to, property  
129.13 given as promotional items, is a retail sale and is not considered a sale of property for resale.

129.14 (j) Except as otherwise provided in this paragraph, a sale of machines, equipment,  
129.15 or devices that are used to furnish, provide, or dispense goods or services, including,  
129.16 but not limited to, coin-operated devices, is a retail sale and is not considered a sale of  
129.17 property for resale. A sale of coin-operated entertainment and amusement machines,  
129.18 including, but not limited to, fortune-telling machines, cranes, foosball and pool tables,  
129.19 video and pinball games, batting cages, rides, photo or video booths, and jukeboxes is a  
129.20 sale of property for resale.

129.21 (k) In the case of a lease, a retail sale occurs (1) when an obligation to make a lease  
129.22 payment becomes due under the terms of the agreement or the trade practices of the lessor  
129.23 or; (2) in the case of a lease of a motor vehicle, as defined in section 297B.01, subdivision  
129.24 11, but excluding vehicles with a manufacturer's gross vehicle weight rating greater than  
129.25 10,000 pounds and rentals of vehicles for not more than 28 days, at the time the lease is  
129.26 executed; or (3) for rent-to-own or lease-to-own used vehicles where the lessee may  
129.27 purchase or return the vehicle at any time without penalty, at the time each payment is  
129.28 made under the terms of the agreement.

129.29 (l) In the case of a conditional sales contract, a retail sale occurs upon the transfer of  
129.30 title or possession of the tangible personal property.

129.31 (m) A sale of a bundled transaction in which one or more of the products included  
129.32 in the bundle is a taxable product is a retail sale, except that if one of the products  
129.33 is a telecommunication service, ancillary service, Internet access, or audio or video  
129.34 programming service, and the seller has maintained books and records identifying through  
129.35 reasonable and verifiable standards the portions of the price that are attributable to the

130.1 distinct and separately identifiable products, then the products are not considered part of a  
130.2 bundled transaction. For purposes of this paragraph:

130.3 (1) the books and records maintained by the seller must be maintained in the regular  
130.4 course of business, and do not include books and records created and maintained by the  
130.5 seller primarily for tax purposes;

130.6 (2) books and records maintained in the regular course of business include, but are  
130.7 not limited to, financial statements, general ledgers, invoicing and billing systems and  
130.8 reports, and reports for regulatory tariffs and other regulatory matters; and

130.9 (3) books and records are maintained primarily for tax purposes when the books  
130.10 and records identify taxable and nontaxable portions of the price, but the seller maintains  
130.11 other books and records that identify different prices attributable to the distinct products  
130.12 included in the same bundled transaction.

130.13 (n) A sale of motor vehicle repair paint and materials by a motor vehicle repair or  
130.14 body shop business is a retail sale and the sales tax is imposed on the gross receipts from the  
130.15 retail sale of the paint and materials. The motor vehicle repair or body shop that purchases  
130.16 motor vehicle repair paint and motor vehicle repair materials for resale must either:

130.17 (1) separately state each item of paint and each item of materials, and the sales price  
130.18 of each, on the invoice to the purchaser; or

130.19 (2) in order to calculate the sales price of the paint and materials, use a method  
130.20 which estimates the amount and monetary value of the paint and materials used in  
130.21 the repair of the motor vehicle by multiplying the number of labor hours by a rate of  
130.22 consideration for the paint and materials used in the repair of the motor vehicle following  
130.23 industry standard practices that fairly calculate the gross receipts from the retail sale of  
130.24 the motor vehicle repair paint and motor vehicle repair materials. An industry standard  
130.25 practice fairly calculates the gross receipts if the sales price of the paint and materials used  
130.26 or consumed in the repair of a motor vehicle equals or exceeds the purchase price paid  
130.27 by the motor vehicle repair or body shop business. Under this clause, the invoice must  
130.28 either separately state the "paint and materials" as a single taxable item, or separately state  
130.29 "paint" as a taxable item and "materials" as a taxable item. This clause does not apply to  
130.30 wholesale transactions at an auto auction facility.

130.31 (o) A payment made to a cooperative electric association or public utility as a  
130.32 contribution in aid of construction is a contract for improvement to real property and  
130.33 is not a retail sale.

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

131.1 Sec. 3. Minnesota Statutes 2012, section 297A.61, is amended by adding a subdivision  
131.2 to read:

131.3 Subd. 49. **Motor vehicle repair paint and motor vehicle repair materials.** "Motor  
131.4 vehicle repair paint" means a substance composed of solid matter suspended in a liquid  
131.5 medium and applied as a protective or decorative coating to the surface of a motor vehicle in  
131.6 order to restore the motor vehicle to its original condition, and includes primer, body paint,  
131.7 clear coat, and paint thinner used to paint motor vehicles, as defined in section 297B.01.

131.8 "Motor vehicle repair materials" means items, other than motor vehicle repair paint  
131.9 or motor vehicle parts, that become a part of a repaired motor vehicle or are consumed in  
131.10 repairing the motor vehicle at retail, and include abrasives, battery water, body filler or  
131.11 putty, bolts and nuts, brake fluid, buffing pads, chamois, cleaning compounds, degreasing  
131.12 compounds, glaze, grease, grinding discs, hydraulic jack oil, lubricants, masking tape,  
131.13 oxygen and acetylene, polishes, rags, razor blades, sandpaper, sanding discs, scuff pads,  
131.14 sealer, solder, solvents, striping tape, tack cloth, thinner, waxes, and welding rods. Motor  
131.15 vehicle repair materials do not include items that are not used directly on the motor vehicle,  
131.16 such as floor dry that is used to clean the shop, or cleaning compounds and rags that are  
131.17 used to clean tools, equipment, or the shop and are not used to clean the motor vehicle.

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

131.20 Sec. 4. Minnesota Statutes 2012, section 297A.64, subdivision 1, is amended to read:

131.21 Subdivision 1. **Tax imposed.** (a) A tax is imposed on the lease or rental in this  
131.22 state for not more than 28 days of a passenger automobile as defined in section 168.002,  
131.23 subdivision 24, a van as defined in section 168.002, subdivision 40, or a pickup truck as  
131.24 defined in section 168.002, subdivision 26. The rate of tax is ~~6.2~~ 9.2 percent of the sales  
131.25 price. The tax applies whether or not the vehicle is licensed in the state.

131.26 (b) The provisions of this subdivision do not apply to the vehicles of a nonprofit  
131.27 corporation or similar entity, consisting of members who pay the organization for the  
131.28 use of a motor vehicle, if the organization:

131.29 (1) owns or leases a fleet of vehicles of the type subject to the tax under paragraph (a)  
131.30 that are available to its members for use, priced on the basis of intervals of one hour or less;

131.31 (2) parks its vehicles at unstaffed, self-service locations that are accessible to its  
131.32 members at any time; and

131.33 (3) maintains its vehicles, insures its vehicles on behalf of its members, and  
131.34 purchases fuel for its fleet.

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

132.3 Sec. 5. Minnesota Statutes 2012, section 297A.64, subdivision 2, is amended to read:

132.4 Subd. 2. **Fee imposed.** (a) A fee equal to five percent of the sales price is imposed  
132.5 on leases or rentals of vehicles subject to the tax under subdivision 1, paragraph (a). The  
132.6 lessor on the invoice to the customer may designate the fee as "a fee imposed by the State  
132.7 of Minnesota for the registration of rental cars."

132.8 (b) The provisions of this subdivision do not apply to the vehicles of a nonprofit  
132.9 ~~corporation or similar entity, consisting of individual or group members who pay the~~  
132.10 ~~organization for the use of a motor vehicle, if the organization:~~

132.11 ~~(1) owns or leases a fleet of vehicles of the type subject to the tax under subdivision 1~~  
132.12 ~~that are available to its members for use, priced on the basis of intervals of one hour or less;~~

132.13 ~~(2) parks its vehicles at unstaffed, self-service locations that are accessible at any~~  
132.14 ~~time of the day;~~

132.15 ~~(3) maintains its vehicles, insures its vehicles on behalf of its members, and~~  
132.16 ~~purchases fuel for its fleet; and~~

132.17 ~~(4) does not charge usage rates that decline on a per unit basis, whether specified~~  
132.18 ~~based on distance or time exempt from the tax imposed under subdivision 1, paragraph (b).~~

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

132.21 Sec. 6. Minnesota Statutes 2012, section 297A.66, is amended by adding a subdivision  
132.22 to read:

132.23 Subd. 4a. **Solicitor.** (a) "Solicitor," for purposes of subdivision 1, paragraph (a),  
132.24 means a person, whether an independent contractor or other representative, who directly  
132.25 or indirectly solicits business for the retailer.

132.26 (b) A retailer is presumed to have a solicitor in this state if it enters into an agreement  
132.27 with a resident under which the resident, for a commission or other consideration, directly  
132.28 or indirectly refers potential customers, whether by a link on an Internet Web site, or  
132.29 otherwise, to the seller. This paragraph only applies if the total gross receipts are at least  
132.30 \$10,000 in the 12-month period ending on the last day of the most recent calendar quarter  
132.31 before the calendar quarter in which the sale is made. For purposes of this paragraph,  
132.32 gross receipts means receipts from sales to customers located in the state who were  
132.33 referred to the retailer by all residents with this type of agreement with the retailer.

133.1 (c) The presumption under paragraph (b) may be rebutted by proof that the resident  
133.2 with whom the seller has an agreement did not engage in any solicitation in the state  
133.3 on behalf of the retailer that would satisfy the nexus requirement of the United States  
133.4 Constitution during the 12-month period in question. Nothing in this section shall be  
133.5 construed to narrow the scope of the terms affiliate, agent, salesperson, canvasser, or other  
133.6 representative for purposes of subdivision 1, paragraph (a).

133.7 (d) For purposes of this paragraph, "resident" includes an individual who is a  
133.8 resident of this state, as defined in section 290.01, or a business that owns tangible  
133.9 personal property located in this state or has one or more employees providing services for  
133.10 the business in this state.

133.11 (e) This subdivision does not apply to chapter 290 and does not expand or contract  
133.12 the jurisdiction to tax a trade or business under chapter 290.

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

133.15 Sec. 7. Minnesota Statutes 2012, section 297A.668, is amended by adding a  
133.16 subdivision to read:

133.17 Subd. 6a. **Multiple points of use.** (a) Notwithstanding the provisions of subdivisions  
133.18 2 to 5, a business purchaser that is not a holder of a direct pay permit that knows at the  
133.19 time of its purchase of a digital good, computer software delivered electronically, or a  
133.20 service that the digital good, computer software delivered electronically, or service will be  
133.21 concurrently available for use in more than one jurisdiction shall deliver to the seller in  
133.22 conjunction with its purchase a multiple points of use exemption certificate disclosing  
133.23 this fact.

133.24 (b) Upon receipt of the multiple points of use certificate, the seller is relieved of the  
133.25 obligation to collect, pay, or remit the applicable tax and the purchaser is obligated to  
133.26 collect, pay, or remit the applicable tax on a direct pay basis.

133.27 (c) A purchaser delivering the multiple points of use exemption certificate may use  
133.28 any reasonable, but consistent and uniform, method of apportionment that is supported by  
133.29 the purchaser's business records as they exist at the time of the consummation of the sale.

133.30 (d) The multiple points of use exemption certificate remains in effect for all future  
133.31 sales by the seller to the purchaser until it is revoked in writing, except as to the subsequent  
133.32 sale's specific apportionment that is governed by the principle of paragraph (c) and the  
133.33 facts existing at the time of the sale.

133.34 (e) A holder of a direct pay permit is not required to deliver a multiple points of use  
133.35 exemption certificate to the seller. A direct pay permit holder shall follow the provisions

134.1 of paragraph (c) in apportioning the tax due on a digital good, computer software delivered  
134.2 electronically, or a service that will be concurrently available for use in more than one  
134.3 jurisdiction.

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

134.6 Sec. 8. Minnesota Statutes 2012, section 297A.67, subdivision 7, is amended to read:

134.7 Subd. 7. **Drugs; medical devices.** (a) Sales of the following drugs and medical  
134.8 devices for human use are exempt:

134.9 (1) drugs, including over-the-counter drugs;

134.10 (2) single-use finger-pricking devices for the extraction of blood and other single-use  
134.11 devices and single-use diagnostic agents used in diagnosing, monitoring, or treating  
134.12 diabetes;

134.13 (3) insulin and medical oxygen for human use, regardless of whether prescribed  
134.14 or sold over the counter;

134.15 (4) prosthetic devices;

134.16 (5) durable medical equipment for home use only;

134.17 (6) mobility enhancing equipment;

134.18 (7) prescription corrective eyeglasses; and

134.19 (8) kidney dialysis equipment, including repair and replacement parts.

134.20 (b) Items purchased in transactions covered by:

134.21 (1) Medicare as defined under title XVIII of the Social Security Act, United States  
134.22 Code, title 42, sections 1395, et seq.; or

134.23 (2) Medicaid as defined under title XIX of the Social Security Act, United States  
134.24 Code, title 42, sections 1396, et seq.

134.25 ~~(b)~~ (c) For purposes of this subdivision:

134.26 (1) "Drug" means a compound, substance, or preparation, and any component of  
134.27 a compound, substance, or preparation, other than food and food ingredients, dietary  
134.28 supplements, or alcoholic beverages that is:

134.29 (i) recognized in the official United States Pharmacopoeia, official Homeopathic  
134.30 Pharmacopoeia of the United States, or official National Formulary, and supplement  
134.31 to any of them;

134.32 (ii) intended for use in the diagnosis, cure, mitigation, treatment, or prevention  
134.33 of disease; or

134.34 (iii) intended to affect the structure or any function of the body.

135.1 (2) "Durable medical equipment" means equipment, including repair and  
135.2 replacement parts and all accessories and supplies, including single patient use items  
135.3 required for the effective use of the durable medical equipment device, but not including  
135.4 mobility enhancing equipment, that:

- 135.5 (i) can withstand repeated use;
- 135.6 (ii) is primarily and customarily used to serve a medical purpose;
- 135.7 (iii) generally is not useful to a person in the absence of illness or injury; and
- 135.8 (iv) is not worn in or on the body.

135.9 For purposes of this clause, "repair and replacement parts" includes all components  
135.10 or attachments used in conjunction with the durable medical equipment, ~~but does not~~  
135.11 ~~include~~ including repair and replacement parts which are for single patient use only.

135.12 (3) "Mobility enhancing equipment" means equipment, including repair and  
135.13 replacement parts, but not including durable medical equipment, that:

- 135.14 (i) is primarily and customarily used to provide or increase the ability to move from  
135.15 one place to another and that is appropriate for use either in a home or a motor vehicle;
- 135.16 (ii) is not generally used by persons with normal mobility; and
- 135.17 (iii) does not include any motor vehicle or equipment on a motor vehicle normally  
135.18 provided by a motor vehicle manufacturer.

135.19 (4) "Over-the-counter drug" means a drug that contains a label that identifies the  
135.20 product as a drug as required by Code of Federal Regulations, title 21, section 201.66. The  
135.21 label must include a "drug facts" panel or a statement of the active ingredients with a list of  
135.22 those ingredients contained in the compound, substance, or preparation. Over-the-counter  
135.23 drugs do not include grooming and hygiene products, regardless of whether they otherwise  
135.24 meet the definition. "Grooming and hygiene products" are soaps, cleaning solutions,  
135.25 shampoo, toothpaste, mouthwash, antiperspirants, and suntan lotions and sunscreens.

135.26 (5) "Prescribed" and "prescription" means a direction in the form of an order,  
135.27 formula, or recipe issued in any form of oral, written, electronic, or other means of  
135.28 transmission by a duly licensed health care professional.

135.29 (6) "Prosthetic device" means a replacement, corrective, or supportive device,  
135.30 including repair and replacement parts, and all necessary accessories, supplies, and items  
135.31 required for the effective use of the prosthetic device, worn on or in the body to:

- 135.32 (i) artificially replace a missing portion of the body;
- 135.33 (ii) prevent or correct physical deformity or malfunction; or
- 135.34 (iii) support a weak or deformed portion of the body.

135.35 Prosthetic device does not include corrective eyeglasses.

135.36 (7) "Kidney dialysis equipment" means equipment that:

136.1 (i) is used to remove waste products that build up in the blood when the kidneys are  
 136.2 not able to do so on their own; and

136.3 (ii) can withstand repeated use, including multiple use by a single patient,  
 136.4 notwithstanding the provisions of clause (2).

136.5 (8) A transaction is covered by Medicare or Medicaid if any portion of the cost of  
 136.6 the item purchased in the transaction is paid for or reimbursed by the federal government  
 136.7 or the state of Minnesota pursuant to the Medicare or Medicaid program, by a private  
 136.8 insurance company administering the Medicare or Medicaid program on behalf of the  
 136.9 federal government or the state of Minnesota, or by a managed care organization for the  
 136.10 benefit of a patient enrolled in a prepaid program that furnishes medical services in lieu  
 136.11 of conventional Medicare or Medicaid coverage pursuant to agreement with the federal  
 136.12 government or the state of Minnesota.

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

136.15 Sec. 9. Minnesota Statutes 2012, section 297A.70, subdivision 4, is amended to read:

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

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

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

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

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

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

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

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

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



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

137.4 (3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause  
137.5 (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section  
137.6 297A.67, subdivision 2, except wine purchased by an established religious organization  
137.7 for sacramental purposes or as allowed under subdivision 9a; and

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

137.10 (c) This exemption applies to the leasing of a motor vehicle as defined in section  
137.11 297B.01, subdivision 11, only if the vehicle is:

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

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

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

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

137.23 Sec. 10. Minnesota Statutes 2012, section 297A.70, subdivision 8, is amended to read:

137.24 Subd. 8. **Regionwide Public safety radio communication system systems;**  
137.25 **products and services.** (a) Products and services including, but not limited to, end user  
137.26 equipment used for construction, ownership, operation, maintenance, and enhancement  
137.27 of the backbone system of the regionwide public safety radio communication system  
137.28 established under sections 403.21 to 403.40, are exempt. For purposes of this subdivision,  
137.29 backbone system is defined in section 403.21, subdivision 9. This subdivision is effective  
137.30 for purchases, sales, storage, use, or consumption for use in the first and second phases of  
137.31 the system, as defined in section 403.21, subdivisions 3, 10, and 11, that portion of the  
137.32 third phase of the system that is located in the southeast district of the State Patrol and  
137.33 the counties of Benton, Sherburne, Stearns, and Wright, and that portion of the system  
137.34 that is located in Itasca County.

138.1 (b) Products and services, including, but not limited to, end-user equipment used  
138.2 for construction, ownership, operation, maintenance, and enhancement of public safety  
138.3 radio communication systems not already exempt under paragraph (a), including public  
138.4 safety radio dispatch centers, are exempt.

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

138.7 Sec. 11. Minnesota Statutes 2012, section 297A.70, is amended by adding a  
138.8 subdivision to read:

138.9 Subd. 9a. **Established religious orders.** (a) Sales of lodging, prepared food, candy,  
138.10 soft drinks, and alcoholic beverages at noncatered events between an established religious  
138.11 order and an affiliated institution of higher education are exempt.

138.12 (b) For purposes of this subdivision, "established religious order" means an  
138.13 organization directly or indirectly under the control or supervision of a church or  
138.14 convention or association of churches, where members of the organization:

138.15 (1) normally live together as part of a community;

138.16 (2) make long-term commitments to live under a strict set of moral and spiritual  
138.17 rules; and

138.18 (3) work or engage full time in a combination of prayer, religious study, church  
138.19 reform or renewal, or other religious, educational, or charitable goals of the organization.

138.20 (c) For purposes of this subdivision, an institution of higher education is "affiliated"  
138.21 with an established religious order if members of the religious order are represented  
138.22 on the governing board of the institution of higher education and the two organization  
138.23 share campus space and common facilities.

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

138.26 Sec. 12. Minnesota Statutes 2012, section 297A.70, is amended by adding a  
138.27 subdivision to read:

138.28 Subd. 18. **Nursing homes and boarding care homes.** (a) All sales, except those  
138.29 listed in paragraph (b), to a nursing home licensed under section 144A.02 or a boarding  
138.30 care home certified as a nursing facility under title 19 of the Social Security Act are  
138.31 exempt if the facility:

138.32 (1) is exempt from federal income taxation pursuant to section 501(c)(3) of the  
138.33 Internal Revenue Code; and

139.1 (2) is certified to participate in the medical assistance program under title 19 of the  
 139.2 Social Security Act, or certifies to the commissioner that it does not discharge residents  
 139.3 due to the inability to pay.

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

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

139.9 (2) construction materials purchased by tax-exempt entities or their contractors to  
 139.10 be used in constructing buildings or facilities that will not be used principally by the  
 139.11 tax-exempt entities;

139.12 (3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause  
 139.13 (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section  
 139.14 297A.67, subdivision 2; and

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

139.17 (c) This exemption applies to the leasing of a motor vehicle as defined in section  
 139.18 297B.01, subdivision 11, only if the vehicle is:

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

139.22 (2) intended to be used primarily to transport tangible personal property or residents  
 139.23 of the nursing home or boarding care home.

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

139.26 Sec. 13. Minnesota Statutes 2012, section 297A.71, is amended by adding a  
 139.27 subdivision to read:

139.28 **Subd. 45. Industrial measurement manufacturing and controls facility.** (a)  
 139.29 Materials and supplies used or consumed in, capital equipment incorporated into,  
 139.30 fixtures installed in, and privately owned infrastructure in support of the construction,  
 139.31 improvement, or expansion of an industrial measurement manufacturing and controls  
 139.32 facility are exempt if:

139.33 (1) the total capital investment made at the facility is at least \$60,000,000;

139.34 (2) the facility employs at least 250 full-time equivalent employees that are not  
 139.35 employees currently employed by the company in the state; and

140.1 (3) the Department of Employment and Economic Development determines that  
140.2 the expansion, remodeling, or improvement of the facility has a significant impact on  
140.3 the state economy.

140.4 (b) The tax must be imposed and collected as if the rate under section 297A.62,  
140.5 subdivisions 1 and 1a, applied and refunded in the manner provided in section 297A.75,  
140.6 only after the following criteria are met:

140.7 (1) a refund may not be issued until the owner of the facility has received  
140.8 certification from the Department of Employment and Economic Development that the  
140.9 company meets the requirements in paragraph (a); and

140.10 (2) to receive the refund, the owner of the industrial measurement manufacturing  
140.11 and controls facility must initially apply to the Department of Employment and Economic  
140.12 Development for certification no later than one year from the final completion date of  
140.13 construction, improvement, or expansion of the industrial measurement manufacturing  
140.14 and controls facility.

140.15 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
140.16 June 30, 2013, and before December 31, 2015.

140.17 Sec. 14. Minnesota Statutes 2012, section 297A.71, is amended by adding a  
140.18 subdivision to read:

140.19 Subd. 46. **Building materials; resorts and recreational camping areas.** Materials  
140.20 and supplies used or consumed in, and equipment incorporated into, the improvement of  
140.21 an existing structure located at a resort, as defined in section 157.15, subdivision 11, or  
140.22 recreational camping area, as defined in section 327.14, are exempt. The tax on purchases  
140.23 exempt under this provision must be imposed and collected as if the rate under section  
140.24 297A.62, subdivision 1, applied and then refunded in the manner provided in section  
140.25 297A.75. For purposes of this subdivision, a structure includes a cabin located on resort  
140.26 property and any other structure available for use by guests of the resort or recreational  
140.27 camping area.

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

140.30 Sec. 15. Minnesota Statutes 2012, section 297A.71, is amended by adding a  
140.31 subdivision to read:

140.32 Subd. 47. **Biopharmaceutical manufacturing facility.** (a) Materials and  
140.33 supplies used or consumed in, capital equipment incorporated into, and privately

141.1 owned infrastructure in support of the construction, improvement, or expansion of a  
141.2 biopharmaceutical manufacturing facility in the state are exempt if the following criteria  
141.3 are met:

141.4 (1) the facility is used for the manufacturing of biologics;

141.5 (2) the total capital investment made at the facility exceeds \$50,000,000; and

141.6 (3) the facility creates and maintains at least 190 full-time equivalent positions at the  
141.7 facility. These positions must be new jobs in Minnesota and not the result of relocating  
141.8 jobs that currently exist in Minnesota.

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

141.11 (c) To be eligible for a refund, the owner of the biopharmaceutical manufacturing  
141.12 facility must:

141.13 (1) initially apply to the Department of Employment and Economic Development  
141.14 for certification no later than one year from the final completion date of construction,  
141.15 improvement, or expansion of the facility; and

141.16 (2) for each year that the owner of the biopharmaceutical manufacturing facility  
141.17 applies for a refund, the owner must have received written certification from the  
141.18 Department of Employment and Economic Development that the facility has met the  
141.19 criteria of paragraph (a).

141.20 (d) The refund is to be paid annually at a rate of 25 percent of the total allowable  
141.21 refund payable to date, with the commissioner making annual payments of the remaining  
141.22 refund until all of the refund has been paid.

141.23 (e) For purposes of this subdivision, "biopharmaceutical" and "biologics" are  
141.24 interchangeable and mean medical drugs or medicinal preparations produced using  
141.25 technology that uses biological systems, living organisms or derivatives of living  
141.26 organisms, to make or modify products or processes for specific use. The medical drugs or  
141.27 medicinal preparations include but are not limited to proteins, antibodies, nucleic acids,  
141.28 and vaccines.

141.29 **EFFECTIVE DATE.** This section is effective retroactively to investments entered  
141.30 into and jobs created after December 31, 2012, and effective retroactively for sales and  
141.31 purchases made after December 31, 2012, and before July 1, 2019.

141.32 Sec. 16. Minnesota Statutes 2012, section 297A.75, subdivision 1, is amended to read:

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

- 142.1 (1) capital equipment exempt under section 297A.68, subdivision 5;
- 142.2 (2) building materials for an agricultural processing facility exempt under section  
142.3 297A.71, subdivision 13;
- 142.4 (3) building materials for mineral production facilities exempt under section  
142.5 297A.71, subdivision 14;
- 142.6 (4) building materials for correctional facilities under section 297A.71, subdivision 3;
- 142.7 (5) building materials used in a residence for disabled veterans exempt under section  
142.8 297A.71, subdivision 11;
- 142.9 (6) elevators and building materials exempt under section 297A.71, subdivision 12;
- 142.10 (7) building materials for the Long Lake Conservation Center exempt under section  
142.11 297A.71, subdivision 17;
- 142.12 (8) materials and supplies for qualified low-income housing under section 297A.71,  
142.13 subdivision 23;
- 142.14 (9) materials, supplies, and equipment for municipal electric utility facilities under  
142.15 section 297A.71, subdivision 35;
- 142.16 (10) equipment and materials used for the generation, transmission, and distribution  
142.17 of electrical energy and an aerial camera package exempt under section 297A.68,  
142.18 subdivision 37;
- 142.19 (11) commuter rail vehicle and repair parts under section 297A.70, subdivision 3,  
142.20 paragraph (a), clause (10);
- 142.21 (12) materials, supplies, and equipment for construction or improvement of projects  
142.22 and facilities under section 297A.71, subdivision 40;
- 142.23 (13) materials, supplies, and equipment for construction or improvement of a meat  
142.24 processing facility exempt under section 297A.71, subdivision 41;
- 142.25 (14) materials, supplies, and equipment for construction, improvement, or  
142.26 expansion of an aerospace defense manufacturing facility exempt under section 297A.71,  
142.27 subdivision 42, and construction, expansion, or improvement of an industrial measurement  
142.28 manufacturing and controls facility under section 297A.71, subdivision 45;
- 142.29 (15) enterprise information technology equipment and computer software for use in  
142.30 a qualified data center exempt under section 297A.68, subdivision 42; ~~and~~
- 142.31 (16) materials, supplies, and equipment for qualifying capital projects under section  
142.32 297A.71, subdivision 44;
- 142.33 (17) materials, supplies, and equipment for structure improvements at resort and  
142.34 camping areas under section 297A.71, subdivision 46; and

143.1 (18) materials, supplies, and equipment for construction, improvement, or expansion  
 143.2 of a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision  
 143.3 47.

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

143.5 Sec. 17. Minnesota Statutes 2012, section 297A.75, subdivision 2, is amended to read:

143.6 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the  
 143.7 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items  
 143.8 must be paid to the applicant. Only the following persons may apply for the refund:

143.9 (1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;

143.10 (2) for subdivision 1, clauses (4) and (7), the applicant must be the governmental  
 143.11 subdivision;

143.12 (3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits  
 143.13 provided in United States Code, title 38, chapter 21;

143.14 (4) for subdivision 1, clause (6), the applicant must be the owner of the homestead  
 143.15 property;

143.16 (5) for subdivision 1, clause (8), the owner of the qualified low-income housing  
 143.17 project;

143.18 (6) for subdivision 1, clause (9), the applicant must be a municipal electric utility or  
 143.19 a joint venture of municipal electric utilities;

143.20 (7) for subdivision 1, clauses (10), (13), (14), ~~and (15), and (18)~~, the owner of the  
 143.21 qualifying business; ~~and~~

143.22 (8) for subdivision 1, clauses (11), (12), and (16), the applicant must be the  
 143.23 governmental entity that owns or contracts for the project or facility; and

143.24 (9) for subdivision 1, clause (17), the applicant must be the owner of the resort  
 143.25 or recreational camping facility.

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

143.27 Sec. 18. Minnesota Statutes 2012, section 297A.75, subdivision 3, is amended to read:

143.28 Subd. 3. **Application.** (a) The application must include sufficient information  
 143.29 to permit the commissioner to verify the tax paid. If the tax was paid by a contractor,  
 143.30 subcontractor, or builder, under subdivision 1, clause (4), (5), (6), (7), (8), (9), (10), (11),  
 143.31 (12), (13), (14), (15), ~~or (16), (17), or (18)~~, the contractor, subcontractor, or builder must  
 143.32 furnish to the refund applicant a statement including the cost of the exempt items and the

144.1 taxes paid on the items unless otherwise specifically provided by this subdivision. The  
144.2 provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

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

144.5 (c) Total refunds for purchases of items in section 297A.71, subdivision 40, must not  
144.6 exceed \$5,000,000 in fiscal years 2010 and 2011. Applications for refunds for purchases  
144.7 of items in sections 297A.70, subdivision 3, paragraph (a), clause (11), and 297A.71,  
144.8 subdivision 40, must not be filed until after June 30, 2009. Applications for refunds for  
144.9 purchases of items in section 297A.71, subdivision 47, must not be filed until after June  
144.10 30, 2016, and only one refund may be filed annually thereafter.

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

144.12 Sec. 19. Minnesota Statutes 2012, section 297A.815, subdivision 3, is amended to read:

144.13 Subd. 3. **Motor vehicle lease sales tax revenue.** (a) For purposes of this  
144.14 subdivision, "net revenue" means an amount equal to:

144.15 (1) the revenues, including interest and penalties, collected under this section and  
144.16 on the leases under section 297A.61, subdivision 4, paragraph (k), clause (3), during  
144.17 the fiscal year; less

144.18 (2) in fiscal year 2011, \$30,100,000; in fiscal year 2012, \$31,100,000; and in fiscal  
144.19 year 2013 and following fiscal years, \$32,000,000.

144.20 (b) On or before June 30 of each fiscal year, the commissioner of revenue shall  
144.21 estimate the amount of the revenues and subtraction under paragraph (a) for the current  
144.22 fiscal year.

144.23 (c) On or after July 1 of the subsequent fiscal year, the commissioner of management  
144.24 and budget shall transfer the net revenue as estimated in paragraph (b) from the general  
144.25 fund, as follows:

144.26 (1) 50 percent to the greater Minnesota transit account; and

144.27 (2) 50 percent to the county state-aid highway fund. Notwithstanding any other law  
144.28 to the contrary, the commissioner of transportation shall allocate the funds transferred  
144.29 under this clause to the counties in the metropolitan area, as defined in section 473.121,  
144.30 subdivision 4, excluding the counties of Hennepin and Ramsey, so that each county shall  
144.31 receive of such amount the percentage that its population, as defined in section 477A.011,  
144.32 subdivision 3, estimated or established by July 15 of the year prior to the current calendar  
144.33 year, bears to the total population of the counties receiving funds under this clause.

144.34 (d) For fiscal years 2010 and 2011, the amount under paragraph (a), clause (1), must  
144.35 be calculated using the following percentages of the total revenues:



145.1 (1) for fiscal year 2010, 83.75 percent; and

145.2 (2) for fiscal year 2011, 93.75 percent.

145.3 **EFFECTIVE DATE.** This section is effective for leases entered into after June  
145.4 30, 2013.

145.5 Sec. 20. Minnesota Statutes 2012, section 297A.993, subdivision 1, is amended to read:

145.6 Subdivision 1. **Authorization; rates.** Notwithstanding section 297A.99,  
145.7 subdivisions 1, 2, 3, 5, and 13, or 477A.016, or any other law, the board of a county outside  
145.8 the metropolitan transportation area, as defined under section 297A.992, subdivision 1, or  
145.9 more than one county outside the metropolitan transportation area acting under a joint  
145.10 powers agreement, may by resolution of the county board, or each of the county boards,  
145.11 following a public hearing impose (1) a transportation sales tax at a rate of up to one-half  
145.12 of one percent on retail sales and uses taxable under this chapter, and (2) an excise tax  
145.13 of \$20 per motor vehicle, as defined in section 297B.01, subdivision 11, purchased or  
145.14 acquired from any person engaged in the business of selling motor vehicles at retail,  
145.15 occurring within the jurisdiction of the taxing authority. ~~The taxes imposed under this~~  
145.16 ~~section are subject to approval by a majority of the voters in each of the counties affected~~  
145.17 ~~at a general election who vote on the question to impose the taxes.~~

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

145.19 Sec. 21. Minnesota Statutes 2012, section 297A.993, subdivision 2, is amended to read:

145.20 Subd. 2. **Allocation; termination.** The proceeds of the taxes must be dedicated  
145.21 exclusively to: (1) payment of the capital cost of a specific transportation project or  
145.22 improvement; (2) payments of the costs, which may include both capital and operating  
145.23 costs, of a specific transit project or improvement; or (3) payment of transit operating  
145.24 costs. The ~~transportation~~ project or improvement must be designated by the board of the  
145.25 county, or more than one county acting under a joint powers agreement. Except for taxes  
145.26 for operating costs of a transit project or improvement, or for transit operations, the taxes  
145.27 must terminate after the project or improvement has been completed when revenues  
145.28 raised are sufficient to finance the project.

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

145.30 Sec. 22. Minnesota Statutes 2012, section 469.190, is amended by adding a subdivision  
145.31 to read:

146.1 Subd. 1a. **Tax base; locally collected taxes.** A tax imposed on the gross receipts  
146.2 from lodging under this section or under a special law applies to the same base as taxes  
146.3 collected by the commissioner of revenue under subdivision 7 and section 270C.171.

146.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.  
146.5 In enacting this section, the legislature confirms its original intent in enacting Minnesota  
146.6 Statutes, section 469.190, its predecessor provisions, and any special laws authorizing  
146.7 political subdivisions to impose lodging taxes, and that those taxes were and are intended  
146.8 to apply to the entire consideration paid to obtain access to transient lodging, including  
146.9 ancillary or related services, such as services provided by accommodation intermediaries  
146.10 as defined in Minnesota Statutes, section 297A.61, and similar services. The provisions of  
146.11 this section must not be interpreted to imply a narrower construction of the tax base under  
146.12 lodging tax provisions of Minnesota law prior to the enactment of this section.

146.13 Sec. 23. Minnesota Statutes 2012, section 469.190, subdivision 7, is amended to read:

146.14 Subd. 7. **Collection.** (a) The statutory or home rule charter city may agree with the  
146.15 commissioner of revenue that a tax imposed pursuant to this section shall be collected  
146.16 by the commissioner together with the tax imposed by chapter 297A, and subject to the  
146.17 same interest, penalties, and other rules and that its proceeds, less the cost of collection,  
146.18 shall be remitted to the city.

146.19 (b) If a tax imposed under this section or under a special law is not collected by  
146.20 the commissioner of revenue, the local government imposing the tax may only require  
146.21 an accommodations intermediary, as defined in section 297A.61, subdivision 47, to file  
146.22 and remit the tax related to accommodations intermediary services once in every calendar  
146.23 year. The local government must inform the tax intermediary of the date when the return  
146.24 and remittance is due.

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

146.27 Sec. 24. Laws 1993, chapter 375, article 9, section 46, subdivision 2, as amended by  
146.28 Laws 1997, chapter 231, article 7, section 40, Laws 1998, chapter 389, article 8, section  
146.29 30, Laws 2003, First Special Session chapter 21, article 8, section 13, Laws 2005, First  
146.30 Special Session chapter 3, article 5, section 26, and Laws 2009, chapter 88, article 4,  
146.31 section 15, is amended to read:

146.32 Subd. 2. **Use of revenues.** Revenues received from the tax authorized by subdivision  
146.33 1 may only be used by the city to pay the cost of collecting the tax, and, except as provided in

147.1 paragraph (e), to pay for the following projects or to secure or pay any principal, premium,  
147.2 or interest on bonds issued in accordance with subdivision 3 for the following projects.

147.3 (a) To pay all or a portion of the capital expenses of construction, equipment and  
147.4 acquisition costs for the expansion and remodeling of the St. Paul Civic Center complex,  
147.5 including the demolition of the existing arena and the construction and equipping of a  
147.6 new arena.

147.7 (b) Except as provided in paragraphs (e) and (f), the remainder of the funds must be  
147.8 spent for:

147.9 (1) capital projects to further residential, cultural, commercial, and economic  
147.10 development in both downtown St. Paul and St. Paul neighborhoods; and

147.11 (2) capital and operating expenses of cultural organizations in the city, provided  
147.12 that the amount spent under this clause must equal ten percent of the total amount spent  
147.13 under this paragraph in any year.

147.14 (c) The amount apportioned under paragraph (b) shall be no less than 60 percent  
147.15 of the revenues derived from the tax each year, except to the extent that a portion of that  
147.16 amount is required to pay debt service on (1) bonds issued for the purposes of paragraph (a)  
147.17 prior to March 1, 1998; or (2) bonds issued for the purposes of paragraph (a) after March 1,  
147.18 1998, but only if the city council determines that 40 percent of the revenues derived from  
147.19 the tax together with other revenues pledged to the payment of the bonds, including the  
147.20 proceeds of definitive bonds, is expected to exceed the annual debt service on the bonds.

147.21 (d) If in any year more than 40 percent of the revenue derived from the tax authorized  
147.22 by subdivision 1 is used to pay debt service on the bonds issued for the purposes of  
147.23 paragraph (a) and to fund a reserve for the bonds, the amount of the debt service payment  
147.24 that exceeds 40 percent of the revenue must be determined for that year. In any year when  
147.25 40 percent of the revenue produced by the sales tax exceeds the amount required to pay  
147.26 debt service on the bonds and to fund a reserve for the bonds under paragraph (a), the  
147.27 amount of the excess must be made available for capital projects to further residential,  
147.28 cultural, commercial, and economic development in the neighborhoods and downtown  
147.29 until the cumulative amounts determined for all years under the preceding sentence have  
147.30 been made available under this sentence. The amount made available as reimbursement in  
147.31 the preceding sentence is not included in the 60 percent determined under paragraph (c).

147.32 (e) ~~In each of calendar years 2006 to 2014, revenue not to exceed \$3,500,000 may be~~  
147.33 ~~used to pay the principal of bonds issued for capital projects of the city. After December~~  
147.34 ~~31, 2014, revenue from the tax imposed under subdivision 1 may not be used for this~~  
147.35 ~~purpose. If the amount necessary to meet obligations under paragraphs (a) and (d) are less~~  
147.36 ~~than 40 percent of the revenue from the tax in any year, the city may place the difference~~

148.1 between 40 percent of the revenue and the amounts allocated under paragraphs (a) and (d)  
148.2 in an economic development fund to be used for any economic development purposes.

148.3 (f) By January 15 of each year, the mayor and the city council must report to the  
148.4 legislature on the use of sales tax revenues during the preceding one-year period.

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

148.8 Sec. 25. Laws 1993, chapter 375, article 9, section 46, subdivision 5, as amended by  
148.9 Laws 1998, chapter 389, article 8, section 32, is amended to read:

148.10 Subd. 5. **Expiration of taxing authority.** The authority granted by subdivision 1 to  
148.11 the city to impose a sales tax shall expire on December 31, ~~2030~~ 2042, or at an earlier  
148.12 time as the city shall, by ordinance, determine. Any funds remaining after completion of  
148.13 projects approved under subdivision 2, paragraph (a) and retirement or redemption of any  
148.14 bonds or other obligations may be placed in the general fund of the city.

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

148.18 Sec. 26. Laws 2002, chapter 377, article 3, section 25, as amended by Laws 2009,  
148.19 chapter 88, article 4, section 19, and Laws 2010, chapter 389, article 5, section 3, is  
148.20 amended to read:

148.21 Sec. 25. **ROCHESTER LODGING TAX.**

148.22 Subdivision 1. **Authorization.** Notwithstanding Minnesota Statutes, section  
148.23 469.190 or 477A.016, or any other law, the city of Rochester may impose an additional  
148.24 tax of one percent on the gross receipts from the furnishing for consideration of lodging at  
148.25 a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it  
148.26 for a continuous period of 30 days or more.

148.27 Subd. 1a. **Authorization.** Notwithstanding Minnesota Statutes, section 469.190 or  
148.28 477A.016, or any other law, and in addition to the tax authorized by subdivision 1, the city  
148.29 of Rochester may impose an additional tax of ~~one~~ three percent on the gross receipts from  
148.30 the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or  
148.31 resort, other than the renting or leasing of it for a continuous period of 30 days or more only  
148.32 upon the approval of the city governing body of a total financial package for the project.

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

149.4 (b) The gross proceeds from the ~~one~~ three percent tax imposed under subdivision  
149.5 1a shall be used to pay for (1) design, construction, renovation, improvement, and  
149.6 expansion of the Mayo Civic Center Complex and related infrastructure, including but not  
149.7 limited to, skyway access, lighting, parking, or landscaping; and (2) for payment of any  
149.8 principal, interest, or premium on bonds issued to finance the construction, renovation,  
149.9 improvement, and expansion of the Mayo Civic Center Complex.

149.10 Subd. 2a. **Bonds.** The city of Rochester may issue, without an election, general  
149.11 obligation bonds of the city, in one or more series, in the aggregate principal amount not to  
149.12 exceed ~~\$43,500,000~~ \$50,000,000, to pay for capital and administrative costs for the design,  
149.13 construction, renovation, improvement, and expansion of the Mayo Civic Center Complex,  
149.14 and related infrastructure, including but not limited to, skyway, access, lighting, parking,  
149.15 and landscaping. The city may pledge the lodging tax authorized by subdivision 1a ~~and the~~  
149.16 ~~food and beverage tax authorized under Laws 2009, chapter 88, article 4, section 23,~~ to the  
149.17 payment of the bonds. The debt represented by the bonds is not included in computing any  
149.18 debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes,  
149.19 section 475.61, to pay the principal of and interest on the bonds is not subject to any levy  
149.20 limitation or included in computing or applying any levy limitation applicable to the city.

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

149.30 (1) the revenues raised before the repeal are sufficient to meet all bond or other  
149.31 obligations backed by revenues of the tax; and

149.32 (2) the repeal date meets the requirements of section 297A.99, subdivision 12.

149.33 **EFFECTIVE DATE.** This section is effective the day after the governing body of  
149.34 the city of Rochester and its chief fiscal officer comply with Minnesota Statutes, section  
149.35 645.021, subdivisions 2 and 3.

150.1 Sec. 27. Laws 2005, First Special Session chapter 3, article 5, section 37, subdivision  
150.2 2, is amended to read:

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

150.10 (1) St. Cloud Regional Airport;

150.11 (2) regional transportation improvements;

150.12 (3) regional community and aquatics and recreation centers and facilities;

150.13 (4) regional public libraries; and

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

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

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

150.26 **EFFECTIVE DATE.** This section is effective for a city that approves it the day  
150.27 after compliance by the governing body of that city with Minnesota Statutes, section  
150.28 645.021, subdivision 3.

150.29 Sec. 28. Laws 2005, First Special Session chapter 3, article 5, section 37, subdivision  
150.30 4, is amended to read:

150.31 Subd. 4. **Termination of tax.** The tax imposed in the cities of St. Joseph, St. Cloud,  
150.32 St. Augusta, Sartell, Sauk Rapids, and Waite Park under subdivision 1 expires when the  
150.33 city council determines that sufficient funds have been collected from the tax to retire or  
150.34 redeem the bonds and obligations authorized under subdivision 2, paragraph (a), but no  
150.35 later than December 31, 2018. Notwithstanding Minnesota Statutes, section 297A.99,

151.1 subdivision 3, paragraphs (a), (c), and (d), a city may extend the tax imposed under  
151.2 subdivision 1 through December 31, 2038, if approved under the referendum authorizing  
151.3 the tax under subdivision 1 or if approved by voters of the city at a general election held  
151.4 no later than November 6, 2018.

151.5 **EFFECTIVE DATE.** This section is effective for a city that approves it the day  
151.6 after compliance by the governing body of that city with Minnesota Statutes, section  
151.7 645.021, subdivision 3.

151.8 Sec. 29. Laws 2008, chapter 366, article 7, section 19, subdivision 3, as amended by  
151.9 Laws 2011, First Special Session chapter 7, article 4, section 8, is amended to read:

151.10 Subd. 3. **Use of revenues.** Notwithstanding Minnesota Statutes, section 297A.99,  
151.11 subdivision 3, paragraph (b), the proceeds of the tax imposed under this section shall be  
151.12 used to pay for the costs of improvements to the Sportsman Park/Ballfields, Riverside  
151.13 Park, Lions Park/Pavilion, Cedar South Park also known as Eldorado Park, and Spring  
151.14 Street Park; improvements to and extension of the River County Bike Trail; acquisition;  
151.15 and construction, improvement, and development of regional parks, bicycle trails, park  
151.16 land, open space, and of a pedestrian walkways, as described in the city improvement  
151.17 plan adopted by the city council by resolution on December 12, 2006, and walkway  
151.18 over Interstate 94 and State Highway 24; and the acquisition of land and construction of  
151.19 buildings for a community and recreation center. The total amount of revenues from the  
151.20 taxes in subdivisions 1 and 2 that may be used to fund these projects is \$12,000,000  
151.21 plus any associated bond costs.

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

151.25 Sec. 30. Laws 2010, chapter 389, article 5, section 6, subdivision 4, is amended to read:

151.26 Subd. 4. **Use of lodging tax revenues.** The revenues derived from the tax imposed  
151.27 under subdivision 3 must be used by the city of Marshall to pay the costs of collecting  
151.28 and administering the lodging tax, to pay all or part of the operating costs of the new and  
151.29 existing facilities of the Minnesota Emergency Response and Industry Training Center,  
151.30 including the payment of debt service on bonds issued under subdivision 2, and to pay  
151.31 all or part of the operating costs of the facilities of the Southwest Minnesota Regional  
151.32 Amateur Sports Center, including the payment of debt service on bonds issued under  
151.33 subdivision 2. Authorized expenses include, but are not limited to, acquiring property;

152.1 predesign; design; and paying construction, furnishing, and equipment costs related to  
 152.2 these facilities and paying debt service on bonds or other obligations issued by the city.

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

152.4 Sec. 31. Laws 2010, chapter 389, article 5, section 6, subdivision 6, is amended to read:

152.5 Subd. 6. **Use of food and beverages tax.** The revenues derived from the tax  
 152.6 imposed under subdivision 5 must be used by the city of Marshall to pay the costs of  
 152.7 collecting and administering the food and beverages tax, to pay all or part of the operating  
 152.8 costs of the new and existing facilities of the Minnesota Emergency Response and  
 152.9 Industry Training Center, including the payment of debt service on bonds issued under  
 152.10 subdivision 2, and to pay all or part of the operating costs of the facilities of the Southwest  
 152.11 Minnesota Regional Amateur Sports Center, including the payment of debt service on  
 152.12 bonds issued under subdivision 2. Authorized expenses for each organization include,  
 152.13 but are not limited to, acquiring property; predesign; design; and paying construction,  
 152.14 furnishing, and equipment costs related to these facilities and paying debt service on  
 152.15 bonds or other obligations issued by the city.

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

152.17 Sec. 32. **CITY OF MARSHALL; VALIDATION OF PRIOR ACT.**

152.18 (a) Notwithstanding the time limits in Minnesota Statutes, section 645.021, the city  
 152.19 of Marshall may approve Laws 2010, chapter 389, article 5, section 6, as amended by  
 152.20 Laws 2011, First Special Session chapter 7, article 4, section 9, and file its approval with  
 152.21 the secretary of state by June 15, 2013. If approved as authorized under this paragraph,  
 152.22 actions undertaken by the city pursuant to the approval of the voters on November 6, 2012,  
 152.23 and otherwise in accordance with Laws 2010, chapter 389, article 5, section 6, as amended  
 152.24 by Laws 2011, First Special Session chapter 7, article 4, section 9, are validated.

152.25 (b) Notwithstanding the time limit on the imposition of tax under Laws 2010,  
 152.26 chapter 389, article 5, section 6, subdivision 1, as amended by Laws 2011, First Special  
 152.27 Session chapter 7, article 4, section 9, and subject to local approval under paragraph (a),  
 152.28 the city of Marshall may impose the tax on or before July 1, 2013.

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

152.30 Sec. 33. **CITY OF PROCTOR; VALIDATION OF PRIOR ACT.**

152.31 Notwithstanding the time limits in Minnesota Statutes, section 645.021, the city of  
 152.32 Proctor may approve, by resolution, Laws 2008, chapter 366, article 7, section 13, and



153.1 Laws 2010, chapter 389, article 5, sections 1 and 2, and file its approval with the secretary  
153.2 of state by January 1, 2014. If approved under this paragraph, actions undertaken by  
153.3 the city pursuant to the approval of the voters on November 2, 2010, and otherwise in  
153.4 accordance with those laws are validated.

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

153.6 **Sec. 34. CITY OF BEMIDJI; LOCAL TAXES AUTHORIZED.**

153.7 Subdivision 1. **Food and beverage tax authorized.** Notwithstanding Minnesota  
153.8 Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the  
153.9 city of Bemidji may, by ordinance, impose a sales tax of up to one percent on the gross  
153.10 receipts of all food and beverages sold by a restaurant or place of refreshment located  
153.11 within the city. For purposes of this section, "food and beverages" include retail on-sale of  
153.12 intoxicating liquor and fermented malt beverages.

153.13 Subd. 2. **Lodging tax.** Notwithstanding Minnesota Statutes, section 469.190 or  
153.14 477A.016, or any other provision of law, ordinance, or city charter, the city of Bemidji  
153.15 may impose, by ordinance, a tax of up to one percent on the gross receipts for the  
153.16 furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or  
153.17 resort, other than for the renting or leasing of it for a continuous period of 30 days or more.

153.18 Subd. 3. **Use of proceeds from authorized taxes.** The proceeds of the taxes  
153.19 imposed under subdivisions 1 and 2 must only be used by the city to fund the costs of  
153.20 operation, maintenance, and capital replacement costs for the Sanford Center.

153.21 Subd. 4. **Collection, administration, and enforcement.** The city may enter into  
153.22 an agreement with the commissioner of revenue to administer, collect, and enforce the  
153.23 taxes under subdivisions 1 and 2. If the commissioner agrees to collect the tax, the  
153.24 provisions of Minnesota Statutes, section 297A.99, related to collection, administration,  
153.25 and enforcement, and Minnesota Statutes, section 270C.171, apply.

153.26 **EFFECTIVE DATE.** This section is effective the day after the governing body of  
153.27 the city of Bemidji and its chief clerical officer comply with Minnesota Statutes, section  
153.28 645.021, subdivisions 2 and 3.

153.29 **Sec. 35. ROCHESTER SALES TAX SHARING.**

153.30 The city council may, after holding a public hearing and passing a resolution, use  
153.31 \$5,000,000 of the \$10,000,000 allocated to an economic development fund in Laws 1998,  
153.32 chapter 389, article 8, section 43, subdivision 3, as amended by Laws 2005, First Special  
153.33 Session chapter 3, article 5, section 28, and Laws 2011, First Special Session chapter 7,

154.1 article 4, section 5, paragraph (c), clause (9), for grants to any or all of the cities of Altura,  
154.2 Byron, Chatfield, Dodge Center, Dover, Elgin, Eyota, Grand Meadow, Hayfield, Kasson,  
154.3 Mantorville, Mazeppa, Oronoco, Pine Island, Plainview, Spring Valley, St. Charles,  
154.4 Stewartville, Wanamingo, West Concord, and Zumbrota for economic development  
154.5 projects that these communities would fund through their economic development authority  
154.6 or housing and redevelopment authority. The public hearing may be part of a regular city  
154.7 council meeting. If the council does not pass the resolution by September 1, 2013, the  
154.8 \$5,000,000 may not be used for grants to the other cities but shall instead be used to  
154.9 fund public infrastructure projects contained in the development plan under Minnesota  
154.10 Statutes, section 469.42.

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

154.12 Sec. 36. **REPEALER.**

154.13 Laws 2009, chapter 88, article 4, section 23, as amended by Laws 2010, chapter 389,  
154.14 article 5, section 4, is repealed.

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

## 154.16 **ARTICLE 9**

### 154.17 **ECONOMIC DEVELOPMENT**

154.18 Section 1. Minnesota Statutes 2012, section 469.071, subdivision 5, is amended to read:

154.19 Subd. 5. **Exception; parking facilities.** Notwithstanding section 469.068, the  
154.20 Bloomington port authority need not require competitive bidding with respect to a  
154.21 structured parking facility or other public improvements constructed in conjunction with,  
154.22 and directly above or below, or adjacent and integrally related to, a development and  
154.23 financed with the proceeds of tax increment or revenue bonds, or other funds of the  
154.24 port authority and the city of Bloomington.

154.25 **EFFECTIVE DATE.** This section is effective upon compliance of the governing  
154.26 body of the city of Bloomington with the requirements of Minnesota Statutes, section  
154.27 645.021, subdivision 3.

154.28 Sec. 2. Minnesota Statutes 2012, section 469.169, is amended by adding a subdivision  
154.29 to read:

154.30 Subd. 19. **Additional border city allocation; 2013.** (a) In addition to the tax  
154.31 reductions authorized in subdivisions 12 to 18, the commissioner shall allocate \$750,000

155.1 for tax reductions to border city enterprise zones in cities located on the western border  
 155.2 of the state. The commissioner shall allocate this amount among cities on a per capita  
 155.3 basis. Allocations made under this subdivision may be used for tax reductions under  
 155.4 section 469.171, or for other offsets of taxes imposed on or remitted by businesses located  
 155.5 in the enterprise zone, but only if the municipality determines that the granting of the tax  
 155.6 reduction or offset is necessary to retain a business within or attract a business to the zone.  
 155.7 The city alternatively may elect to use any portion of the allocation under this paragraph  
 155.8 for tax reductions under section 469.1732 or 469.1734.

155.9 (b) The commissioner shall allocate \$750,000 for tax reductions under section  
 155.10 469.1732 or 469.1734 to cities with border city enterprise zones located on the western  
 155.11 border of the state. The commissioner shall allocate this amount among the cities on a per  
 155.12 capita basis. The city alternatively may elect to use any portion of the allocation provided  
 155.13 in this paragraph for tax reductions under section 469.171.

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

155.15 Sec. 3. Minnesota Statutes 2012, section 469.176, subdivision 4c, is amended to read:

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

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

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

155.25 (3) research and development related to the activities listed in clause (1) or (2);

155.26 (4) telemarketing if that activity is the exclusive use of the property;

155.27 (5) tourism facilities; or

155.28 (6) ~~qualified border retail facilities; or~~

155.29 ~~(7) space necessary for and related to the activities listed in clauses (1) to (6)~~ (5).

155.30 (b) Notwithstanding the provisions of this subdivision, revenues derived from tax  
 155.31 increment from an economic development district may be used to provide improvements,  
 155.32 loans, subsidies, grants, interest rate subsidies, or assistance in any form for up to 15,000  
 155.33 square feet of any separately owned commercial facility located within the municipal  
 155.34 jurisdiction of a small city, if the revenues derived from increments are spent only to  
 155.35 assist the facility directly or for administrative expenses, the assistance is necessary to

156.1 develop the facility, and all of the increments, except those for administrative expenses,  
156.2 are spent only for activities within the district.

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

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

156.12 ~~(1) the municipality finds that the project will create or retain jobs in this state,~~  
156.13 ~~including construction jobs, and that construction of the project would not have~~  
156.14 ~~commenced before July 1, 2012, without the authority providing assistance under the~~  
156.15 ~~provisions of this paragraph;~~

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

156.17 ~~(3) the request for certification of the district is made no later than June 30, 2012; and~~

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

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

156.23 **EFFECTIVE DATE.** This section is effective for districts for which the request for  
156.24 certification was made after June 30, 2012.

156.25 Sec. 4. Minnesota Statutes 2012, section 469.176, subdivision 4g, is amended to read:

156.26 Subd. 4g. **General government use prohibited.** (a) Tax increments may not be  
156.27 used to circumvent existing levy limit law.

156.28 (b) No tax increment from any district may be used for the acquisition, construction,  
156.29 renovation, operation, or maintenance of a building to be used primarily and regularly  
156.30 for conducting the business of a municipality, county, school district, or any other local  
156.31 unit of government or the state or federal government. This provision does not prohibit  
156.32 the use of revenues derived from tax increments for the construction or renovation of  
156.33 a parking structure.

156.34 ~~(c)(1) Tax increments may not be used to pay for the cost of public improvements,~~  
156.35 ~~equipment, or other items, if:~~

157.1 ~~(i) the improvements, equipment, or other items are located outside of the area of the~~  
157.2 ~~tax increment financing district from which the increments were collected; and~~

157.3 ~~(ii) the improvements, equipment, or items that (A) primarily serve a decorative or~~  
157.4 ~~aesthetic purpose, or (B) serve a functional purpose, but their cost is increased by more than~~  
157.5 ~~100 percent as a result of the selection of materials, design, or type as compared with more~~  
157.6 ~~commonly used materials, designs, or types for similar improvements, equipment, or items.~~

157.7 ~~(2) The provisions of this paragraph do not apply to expenditures related to the~~  
157.8 ~~rehabilitation of historic structures that are:~~

157.9 ~~(i) individually listed on the National Register of Historic Places; or~~

157.10 ~~(ii) a contributing element to a historic district listed on the National Register~~  
157.11 ~~of Historic Places.~~

157.12 **EFFECTIVE DATE.** This section is effective the day following final enactment for  
157.13 all tax increment financing districts, regardless of when the request for certification was  
157.14 made, but applies only to amounts spent after final enactment.

157.15 Sec. 5. Minnesota Statutes 2012, section 469.176, subdivision 6, is amended to read:

157.16 Subd. 6. **Action required.** (a) If, after four years from the date of certification of  
157.17 the original net tax capacity of the tax increment financing district pursuant to section  
157.18 469.177, no demolition, rehabilitation, or renovation of property or other site preparation,  
157.19 including qualified improvement of a street adjacent to a parcel but not installation  
157.20 of utility service including sewer or water systems, has been commenced on a parcel  
157.21 located within a tax increment financing district by the authority or by the owner of the  
157.22 parcel in accordance with the tax increment financing plan, no additional tax increment  
157.23 may be taken from that parcel, and the original net tax capacity of that parcel shall be  
157.24 excluded from the original net tax capacity of the tax increment financing district. If the  
157.25 authority or the owner of the parcel subsequently commences demolition, rehabilitation,  
157.26 or renovation or other site preparation on that parcel including qualified improvement of  
157.27 a street adjacent to that parcel, in accordance with the tax increment financing plan, the  
157.28 authority shall certify to the county auditor that the activity has commenced, and the  
157.29 county auditor shall certify the net tax capacity thereof as most recently certified by the  
157.30 commissioner of revenue and add it to the original net tax capacity of the tax increment  
157.31 financing district. The county auditor must enforce the provisions of this subdivision. The  
157.32 authority must submit to the county auditor evidence that the required activity has taken  
157.33 place for each parcel in the district. The evidence for a parcel must be submitted by  
157.34 February 1 of the fifth year following the year in which the parcel was certified as included  
157.35 in the district. For purposes of this subdivision, qualified improvements of a street are

158.1 limited to (1) construction or opening of a new street, (2) relocation of a street, and (3)  
158.2 substantial reconstruction or rebuilding of an existing street.

158.3 (b) For districts which were certified on or after January 1, 2005, and before April  
158.4 20, 2009, the four-year period under paragraph (a) is ~~increased to six years~~ deemed to end  
158.5 on December 31, 2016.

158.6 **EFFECTIVE DATE.** This section is effective the day following final enactment  
158.7 and applies to districts certified on or after January 1, 2006, and before April 20, 2009.

158.8 Sec. 6. Minnesota Statutes 2012, section 469.177, is amended by adding a subdivision  
158.9 to read:

158.10 **Subd. 1d. Original net tax capacity adjustment; homestead market value**  
158.11 **exclusion.** (a) Upon approval by the municipality, by resolution, the authority may elect  
158.12 to reduce the net tax capacity of a qualified district by the amount of the tax capacity  
158.13 attributable to the market value exclusion under section 273.13, subdivision 35. The  
158.14 amount of the reduction may not reduce the original net tax capacity below zero.

158.15 (b) For purposes of this subdivision, a qualified district means a tax increment  
158.16 financing district that satisfies the following conditions:

158.17 (1) for taxes payable in 2011, the authority received a homestead market value credit  
158.18 reimbursement under section 273.1384 for the district of \$10,000 or more;

158.19 (2) for taxes payable in 2013, the reduction in captured tax capacity resulting from  
158.20 the market value exclusion for the district was equal to or greater than 1.75 percent of the  
158.21 district's captured tax capacity; and

158.22 (3) either (i) the authority is permitted to expend increments on activities under the  
158.23 provisions of section 469.1763, subdivision 3, or an equivalent provision of special law  
158.24 on July 1, 2013, or (ii) the district's tax increments received for taxes payable in 2012  
158.25 exceeded the amount of debt service payments due during calendar year 2012 on bonds  
158.26 issued under section 469.178 to which the district's increments are pledged.

158.27 The calculation of the amount under clause (2) must reflect any adjustments to original  
158.28 net tax capacity made under subdivision 1, paragraphs (d) and (e), for the homestead  
158.29 market value exclusion.

158.30 (c) The authority must notify the county auditor of its election under this section no  
158.31 later than July 1, 2014. Notifications made by July 1, 2013, are effective beginning for  
158.32 taxes payable in 2014, and notifications made after July 1, 2013, are effective beginning  
158.33 for taxes payable in 2015.

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

159.4 Sec. 7. Minnesota Statutes 2012, section 473F.08, is amended by adding a subdivision  
159.5 to read:

159.6 Subd. 3c. **Mall of America.** (a) When computing the net tax capacity under section  
159.7 473F.05, the Hennepin County auditor shall exclude the captured tax capacity of Tax  
159.8 Increment Financing Districts No. 1-C and No. 1-G in the city of Bloomington.

159.9 (b) Notwithstanding the provisions of subdivision 2, paragraph (a), the  
159.10 commercial-industrial contribution percentage for the city of Bloomington is the  
159.11 contribution net tax capacity divided by the total net tax capacity of commercial-industrial  
159.12 property in the city, excluding any commercial-industrial property that is captured tax  
159.13 capacity of Tax Increment Financing Districts No. 1-C and No. 1-G.

159.14 (c) The property taxes to be paid on commercial-industrial tax capacity that is  
159.15 included in the captured tax capacity of Tax Increment Financing Districts No. 1-C and  
159.16 No. 1-G in the city of Bloomington must be determined as described in subdivision 6,  
159.17 except that the portion of the tax that is based on the areawide tax rate is to be treated  
159.18 as tax increment under section 469.176.

159.19 (d) The provisions of this subdivision take effect only if the clerk of the city of  
159.20 Bloomington certifies to the Hennepin County auditor that the city has entered into a  
159.21 binding written agreement with the Metropolitan Council to repair and restore, or to  
159.22 replace, the old Cedar Avenue bridge for use by bicycle commuters and recreational users.

159.23 (e) This subdivision expires on the earliest of the following dates:

159.24 (1) when the tax increment financing districts have been decertified in 2024 or 2035,  
159.25 as provided by section 11, subdivision 2 or 4; or

159.26 (2) on January 1, 2014, if the city clerk fails to make the certification provided in  
159.27 paragraph (d) or if the city fails to file its local approval of section 18 with the secretary  
159.28 of state by December 31, 2013.

159.29 **EFFECTIVE DATE.** This section is effective beginning for property taxes payable  
159.30 in 2014.

159.31 Sec. 8. Laws 2008, chapter 366, article 5, section 26, is amended to read:

159.32 Sec. 26. **BLOOMINGTON TAX INCREMENT FINANCING; FIVE-YEAR**  
159.33 **RULE.**

160.1 (a) The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that  
 160.2 activities must be undertaken within a five-year period from the date of certification of  
 160.3 a tax increment financing district, are increased to a ~~ten-year~~ 15-year period for the  
 160.4 Port Authority of the City of Bloomington's Tax Increment Financing District No. 1-I,  
 160.5 Bloomington Central Station.

160.6 (b) Notwithstanding the provisions of Minnesota Statutes, section 469.176, or any  
 160.7 other law to the contrary, the city of Bloomington and its port authority may extend the  
 160.8 duration limits of the district for a period through December 31, 2039.

160.9 (c) Effective for taxes payable in 2014, tax increment for the district must be  
 160.10 computed using the current local tax rate, notwithstanding the provisions of Minnesota  
 160.11 Statutes, section 469.177, subdivision 1a.

160.12 **EFFECTIVE DATE.** Paragraphs (a) and (c) are effective upon compliance by  
 160.13 the governing body of the city of Bloomington with the requirements of Minnesota  
 160.14 Statutes, section 645.021, subdivision 3. Paragraph (b) is effective upon compliance by  
 160.15 the governing bodies of the city of Bloomington, Hennepin County, and Independent  
 160.16 School District No. 271 with the requirements of Minnesota Statutes, sections 469.1782,  
 160.17 subdivision 2, and 645.021, subdivision 3.

160.18 Sec. 9. Laws 2008, chapter 366, article 5, section 34, as amended by Laws 2009,  
 160.19 chapter 88, article 5, section 11, is amended to read:

160.20 Sec. 34. **CITY OF OAKDALE; ORIGINAL TAX CAPACITY PARCELS**  
 160.21 **DEEMED OCCUPIED.**

160.22 (a) The provisions of this section apply to redevelopment tax increment financing  
 160.23 districts created by the Housing and Redevelopment Authority in and for the city of  
 160.24 Oakdale in the areas comprised of the parcels with the following parcel identification  
 160.25 numbers: ~~(1) 3102921320053; 3102921320054; 3102921320055; 3102921320056;~~  
 160.26 ~~3102921320057; 3102921320058; 3102921320062; 3102921320063; 3102921320059;~~  
 160.27 ~~3102921320060; 3102921320061; 3102921330005; and 3102921330004; and (2)~~  
 160.28 ~~2902921330001 and 2902921330005.~~

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

160.33 (c) The authority to request certification of a district under this section expires on  
 160.34 July 1, 2013.



161.1 (a) Parcel numbers 3102921320054, 3102921320055, 3102921320056,  
161.2 3102921320057, 3102921320061, and 3102921330004 are deemed to meet the  
161.3 requirements of Minnesota Statutes, section 469.174, subdivision 10, paragraph (d),  
161.4 notwithstanding any contrary provisions of that paragraph, if the following conditions  
161.5 are met:

161.6 (1) a building located on any part of each of the specified parcels was demolished after  
161.7 the Housing and Redevelopment Authority for the city of Oakdale adopted a resolution  
161.8 under Minnesota Statutes, section 469.174, subdivision 10, paragraph (d), clause (3);

161.9 (2) the building was removed either by the authority, by a developer under a  
161.10 development agreement with the Housing and Redevelopment Authority for the city of  
161.11 Oakdale, or by the owner of the property without entering into a development agreement  
161.12 with the Housing and Redevelopment Authority for the city of Oakdale; and

161.13 (3) the request for certification of the parcel as part of a district is filed with the  
161.14 county auditor by December 31, 2017.

161.15 (b) The provisions of this section allow an election by the Housing and  
161.16 Redevelopment Authority for the city of Oakdale for the parcels deemed occupied under  
161.17 paragraph (a), notwithstanding the provisions of Minnesota Statutes, sections 469.174,  
161.18 subdivision 10, paragraph (d), and 469.177, subdivision 1, paragraph (f).

161.19 (c) The city may elect, in the tax increment financing plan, to collect increment from  
161.20 a redevelopment district created under the provisions of this section for an additional ten  
161.21 years beyond the limit in Minnesota Statutes, section 469.176, subdivision 1b.

161.22 **EFFECTIVE DATE.** This section is effective upon compliance by the governing  
161.23 body of the city of Oakdale with the requirements of Minnesota Statutes, section 645.021,  
161.24 subdivision 3, except that the provisions of paragraph (c) are effective only upon  
161.25 compliance with Minnesota Statutes, section 469.1782, subdivision 2, by Ramsey County  
161.26 and Independent School District No. 622.

161.27 Sec. 10. Laws 2010, chapter 216, section 55, is amended to read:

161.28 Sec. 55. **OAKDALE; TAX INCREMENT FINANCING DISTRICT.**

161.29 Subdivision 1. **Duration of district.** Notwithstanding the provisions of Minnesota  
161.30 Statutes, section 469.176, subdivision 1b, the city of Oakdale may collect tax increments  
161.31 from Tax Increment Financing District No. 6 (Bergen Plaza) through December 31, 2024  
161.32 2040, subject to the conditions described in subdivision 2.

161.33 Subd. 2. **Conditions for extension.** (a) Subdivision 1 applies only if the following  
161.34 conditions are met:

162.1 (1) by July 1, 2011, the city of Oakdale has entered into a development agreement  
 162.2 with a private developer for development or redevelopment of all or a substantial part of  
 162.3 the area parcels described in clause (2); and

162.4 (2) by November 1, 2011, the city of Oakdale or a private developer commences  
 162.5 construction of streets, traffic improvements, water, sewer, or related infrastructure that  
 162.6 serves one or both of the parcels with the following parcel identification numbers:  
 162.7 2902921330001 and 2902921330005. For the purposes of this section, construction  
 162.8 commences upon grading or other visible improvements that are part of the subject  
 162.9 infrastructure.

162.10 (b) All tax increments received by the city of Oakdale under subdivision 1 after  
 162.11 December 31, 2016, must be used only to pay costs that are both:

162.12 (1) related to redevelopment of the parcels specified in this subdivision or  
 162.13 parcel numbers 3102921320053, 3102921320054, 3102921320055, 3102921320056,  
 162.14 3102921320057, 3102921320058, 3102921320059, 3102921320060, 3102921320061,  
 162.15 3102921320062, 3102921320063, 3102921330004, and 3102921330005, including,  
 162.16 without limitation, any of the infrastructure refereneed in this subdivision that serves  
 162.17 any of the referenced parcels; and

162.18 (2) otherwise eligible under law to be paid with increments from the specified tax  
 162.19 increment financing district, ~~except the authority under this clause does not apply to~~  
 162.20 ~~increments collected after the conclusion of the duration limit under general law.~~

162.21 **EFFECTIVE DATE.** This section is effective upon compliance by the governing  
 162.22 body of the city of Oakdale with the requirements of Minnesota Statutes, section 645.021,  
 162.23 subdivision 3, except that the amendments to subdivision 1 are effective only upon  
 162.24 compliance with Minnesota Statutes, section 469.1782, subdivision 2, by Ramsey County  
 162.25 and Independent School District No. 622.

162.26 Sec. 11. **CITY OF BLOOMINGTON; TAX INCREMENT FINANCING.**

162.27 **Subdivision 1. Addition of property to Tax Increment Financing District**  
 162.28 **No. 1-G.** (a) Notwithstanding the provisions of Minnesota Statutes, section 469.175,  
 162.29 subdivision 4, or any other law to the contrary, the governing bodies of the Port Authority  
 162.30 of the city of Bloomington and the city of Bloomington may elect to eliminate the real  
 162.31 property north of the existing building line on Lot 1, Block 1, Mall of America 7th  
 162.32 Addition, exclusive of Lots 2 and 3 from Tax Increment Financing District No. 1-C  
 162.33 within Industrial Development District No. 1 Airport South in the city of Bloomington,  
 162.34 Minnesota, and expand the boundaries of Tax Increment Financing District No. 1-G  
 162.35 to include that property.

163.1 (b) If the city elects to transfer parcels under this authority, the county auditor shall  
163.2 transfer the original tax capacity of the affected parcels from Tax Increment Financing  
163.3 District No. 1-C to Tax Increment Financing District No. 1-G.

163.4 Subd. 2. **Authority to extend duration limit; computation of increment.** (a)  
163.5 Notwithstanding Minnesota Statutes, section 469.176, or Laws 1996, chapter 464, article  
163.6 1, section 8, or any other law to the contrary, the city of Bloomington and its port authority  
163.7 may extend the duration limits of Tax Increment Financing Districts No. 1-C and No.  
163.8 1-G through December 31, 2034.

163.9 (b) Effective for property taxes payable in 2017 through 2034, the captured tax  
163.10 capacity of Tax Increment Financing District No. 1-C must be included in computing the  
163.11 tax rates of each local taxing district and the tax increment equals only the amount of tax  
163.12 computed under Minnesota Statutes, section 473F.08, subdivision 3c, paragraph (c).

163.13 (c) Effective for property taxes payable in 2019 through 2034, the captured tax  
163.14 capacity of Tax Increment Financing District No. 1-G must be included in computing the  
163.15 tax rates of each local taxing district and the tax increment for the district equals only  
163.16 the amount of tax computed under Minnesota Statutes, section 473F.08, subdivision  
163.17 3c, paragraph (c).

163.18 Subd. 3. **Treatment of increment.** Increments received under the provisions  
163.19 of subdivision 2, paragraph (b) or (c), and Minnesota Statutes, section 473F.08,  
163.20 subdivision 3c, are deemed to be tax increments of Tax Increment Financing District No.  
163.21 1-G, notwithstanding any law to the contrary, and without regard to whether they are  
163.22 attributable to captured tax capacity of Tax Increment Financing District No. 1-C.

163.23 Subd. 4. **Condition.** The authority under this section expires and Tax Increment  
163.24 Financing Districts No. 1-C and No. 1-G must be decertified for taxes payable in 2024  
163.25 and thereafter, if the total estimated market value of improvements for parcels located in  
163.26 Tax Increment Financing District No. 1-G, as modified, do not exceed \$100,000,000  
163.27 by taxes payable in 2023.

163.28 **EFFECTIVE DATE.** This section is effective upon compliance of the governing  
163.29 body of the city of Bloomington with the requirements of Minnesota Statutes, section  
163.30 645.021, subdivision 3, but only if the city enters into a binding written agreement with  
163.31 the Metropolitan Council to repair and restore, or to replace, the old Cedar Avenue bridge  
163.32 for use by bicycle commuters and recreational users. This section is effective without  
163.33 approval of the county and school district under Minnesota Statutes, section 469.1782,  
163.34 subdivision 2. The legislature finds that the county and school district are not "affected  
163.35 local government units" within the meaning of Minnesota Statutes, section 469.1782,  
163.36 because the provision allowing extended collection of increment by the tax increment

164.1 financing districts does not affect their tax bases and tax rates dissimilarly to other counties  
164.2 and school districts in the metropolitan area.

164.3 **Sec. 12. ST. CLOUD; TAX INCREMENT FINANCING.**

164.4 The request for certification of Tax Increment Financing District No. 2, commonly  
164.5 referred to as the Norwest District, in the city of St. Cloud is deemed to have been made  
164.6 on or after August 1, 1979, and before July 1, 1982. Revenues derived from tax increment  
164.7 for that district must be treated for purposes of any law as revenue of a tax increment  
164.8 financing district for which the request for certification was made during that time period.

164.9 **EFFECTIVE DATE.** This section is effective upon approval by the governing  
164.10 body of the city of St. Cloud and compliance with Minnesota Statutes, section 645.021,  
164.11 subdivision 3.

164.12 **Sec. 13. DAKOTA COUNTY COMMUNITY DEVELOPMENT AGENCY; TAX**  
164.13 **INCREMENT FINANCING DISTRICT.**

164.14 Subdivision 1. **Authorization.** Notwithstanding the provisions of any other law,  
164.15 the Dakota County Community Development Agency may establish a redevelopment tax  
164.16 increment financing district comprised of the properties that were:

164.17 (1) included in the CDA 10 Robert and South Street district in the city of West  
164.18 St. Paul; and

164.19 (2) not decertified before July 1, 2012.

164.20 The district created under this section terminates no later than December 31, 2018.

164.21 Subd. 2. **Special rules.** The requirements for qualifying a redevelopment district  
164.22 under Minnesota Statutes, section 469.174, subdivision 10, do not apply to parcels located  
164.23 within the district. Minnesota Statutes, section 469.176, subdivision 4j, do not apply to the  
164.24 district. The original tax capacity of the district is \$93,239.

164.25 Subd. 3. **Authorized expenditures.** Tax increment from the district may be  
164.26 expended to pay for any eligible activities authorized by Minnesota Statutes, chapter 469,  
164.27 within the redevelopment area that includes the district, provided that the boundaries of  
164.28 the redevelopment area may not be expanded to add new area after April 1, 2013. All  
164.29 expenditures for eligible activities are deemed to be activities within the district under  
164.30 Minnesota Statutes, section 469.1763, subdivisions 2 to 4.

164.31 Subd. 4. **Adjusted net tax capacity.** The captured tax capacity of the district must  
164.32 be included in the adjusted net tax capacity of the city, county, and school district for the  
164.33 purposes of determining local government aid, education aid, and county program aid.

165.1 The county auditor shall report to the commissioner of revenue the amount of the captured  
165.2 tax capacity for the district at the time the assessment abstracts are filed.

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

165.6 Sec. 14. **CITY OF GLENCOE; TAX INCREMENT FINANCING DISTRICT**  
165.7 **EXTENSION.**

165.8 Subdivision 1. **Duration of district.** Notwithstanding the provisions of Minnesota  
165.9 Statutes, section 469.176, subdivision 1b, paragraph (a), clause (4), or any other law to the  
165.10 contrary, the city of Glencoe may collect tax increments from Tax Increment Financing  
165.11 District No. 4 (McLeod County District No. 007) through December 31, 2023, subject to  
165.12 the conditions in subdivision 2.

165.13 Subd. 2. **Exclusive use of revenues.** (a) All tax increments derived from Tax  
165.14 Increment Financing District No. 4 (McLeod County District No. 007) that are collected  
165.15 after December 31, 2013, must be used only to pay debt service on or to defease bonds that  
165.16 were outstanding on January 1, 2013 and that were issued to finance improvements serving:

165.17 (1) Tax Increment Financing District No. 14 (McLeod County District No. 033)  
165.18 (Downtown);

165.19 (2) Tax Increment Financing District No. 15 (McLeod County District No. 035)  
165.20 (Industrial Park); and

165.21 (3) benefited properties as further described in proceedings related to the city's series  
165.22 2007A bonds, dated September 1, 2007, and any bonds issued to refund those bonds.

165.23 (b) Increments may also be used to pay debt service on or to defease bonds issued to  
165.24 refund the bonds described in paragraph (a), if the refunding bonds do not increase the  
165.25 present value of debt service due on the refunded bonds when the refunding is closed.

165.26 (c) When the bonds described in paragraphs (a) and (b) have been paid or defeased,  
165.27 the district must be decertified and any remaining increment returned to the city, county,  
165.28 and school district as provided in Minnesota Statutes, section 469.176, subdivision 2,  
165.29 paragraph (c), clause (4).

165.30 **EFFECTIVE DATE.** This section is effective upon compliance by the governing  
165.31 bodies of the city of Glencoe, McLeod County, and Independent School District No.  
165.32 2859 with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and  
165.33 645.021, subdivision 3.

166.1       Sec. 15. **CITY OF ELY; TAX INCREMENT FINANCING.**

166.2           Subdivision 1. **Extension of district.** Notwithstanding Minnesota Statutes, section  
166.3 469.176, subdivision 1b, or any other law to the contrary, the city of Ely may collect  
166.4 tax increment from Tax Increment Financing District No. 1 through December 31,  
166.5 2021. Increments from the district may only be used to pay binding obligations and  
166.6 administrative expenses.

166.7           Subd. 2. **Binding obligations.** For purposes of this section, "binding obligations"  
166.8 means the binding contractual or debt obligation of Tax Increment Financing District  
166.9 No. 1 entered into before January 1, 2013.

166.10          Subd. 3. **Expenditures outside district.** Notwithstanding Minnesota Statutes,  
166.11 section 469.1763, subdivision 2, the governing body of the city of Ely may elect to  
166.12 transfer revenues derived from increments from its Tax Increment Financing District No.  
166.13 3 to the tax increment account established under Minnesota Statutes, section 469.177,  
166.14 subdivision 5, for Tax Increment Financing District No. 1. The amount that may be  
166.15 transferred is limited to the lesser of:

166.16           (1) \$168,000; or

166.17           (2) the total amount due on binding obligations and outstanding on that date, less the  
166.18 amount of increment collected by Tax Increment Financing District No. 1 after December  
166.19 31, 2012, and administrative expenses of Tax Increment Financing District No. 1 incurred  
166.20 after December 31, 2012.

166.21          **EFFECTIVE DATE.** This section is effective upon approval by the governing  
166.22 bodies of the city of Ely, St. Louis County, and Independent School District No. 696 with  
166.23 the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021,  
166.24 subdivision 3.

166.25       Sec. 16. **CITY OF MAPLEWOOD; TAX INCREMENT FINANCING**  
166.26 **DISTRICT; SPECIAL RULES.**

166.27           (a) If the city of Maplewood elects, upon the adoption of a tax increment financing  
166.28 plan for a district, the rules under this section apply to one or more redevelopment  
166.29 tax increment financing districts established by the city or the economic development  
166.30 authority of the city. The area within which the redevelopment tax increment districts may  
166.31 be created is parcel 362922240002 (the "parcel") or any replatted parcels constituting a  
166.32 part of the parcel and the adjacent rights-of-way. For purposes of this section, the parcel is  
166.33 the "3M Renovation and Retention Project Area" or "project area."

167.1 (b) The requirements for qualifying redevelopment tax increment districts under  
167.2 Minnesota Statutes, section 469.174, subdivision 10, do not apply to the parcel, which is  
167.3 deemed eligible for inclusion in a redevelopment tax increment district.

167.4 (c) The 90 percent rule under Minnesota Statutes, section 469.176, subdivision  
167.5 4j, does not apply to the parcel.

167.6 (d) The expenditures outside district rule under Minnesota Statutes, section  
167.7 469.1763, subdivision 2, does not apply; the five-year rule under Minnesota Statutes,  
167.8 section 469.1763, subdivision 3, is extended to ten years; and expenditures must only  
167.9 be made within the project area.

167.10 (e) If, after one year from the date of certification of the original net tax capacity  
167.11 of the tax increment district, no demolition, rehabilitation, or renovation of property has  
167.12 been commenced on a parcel located within the tax increment district, no additional tax  
167.13 increment may be taken from that parcel, and the original net tax capacity of the parcel  
167.14 shall be excluded from the original net tax capacity of the tax increment district. If 3M  
167.15 Company subsequently commences demolition, rehabilitation, or renovation, the authority  
167.16 shall certify to the county auditor that the activity has commenced, and the county auditor  
167.17 shall certify the net tax capacity thereof as most recently certified by the commissioner  
167.18 of revenue and add it to the original net tax capacity of the tax increment district. The  
167.19 authority must submit to the county auditor evidence that the required activity has taken  
167.20 place for each parcel in the district.

167.21 (f) The authority to approve a tax increment financing plan and to establish a tax  
167.22 increment financing district under this section expires December 31, 2018.

167.23 **EFFECTIVE DATE.** This section is effective upon approval by the governing  
167.24 body of the city of Maplewood and upon compliance with Minnesota Statutes, section  
167.25 645.021, subdivision 3.

167.26 **Sec. 17. CITY OF MINNEAPOLIS; STREETCAR FINANCING.**

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

167.29 (b) "City" means the city of Minneapolis.

167.30 (c) "County" means Hennepin County.

167.31 (d) "District" means the areas certified by the city under subdivision 2 for collection  
167.32 of value capture taxes.

167.33 (e) "Project area" means the area including one city block on either side of a streetcar  
167.34 line designated by the city to serve the downtown and adjacent neighborhoods of the city.

168.1 Subd. 2. Authority to establish district. (a) The governing body of the city may, by  
168.2 resolution, establish a value capture district consisting of some or all of the taxable parcels  
168.3 located within one or more of the following areas of the city, as described in the resolution:

168.4 (1) the area bounded by Nicollet Avenue on the west, 16th Street East on the south,  
168.5 First Avenue South on the east, and 14th Street East on the north;

168.6 (2) the area bounded by Spruce Place on the west, 14th Street West on the south,  
168.7 LaSalle Avenue on the east, and Grant Street West on the north;

168.8 (3) the area bounded by Nicollet Avenue or Mall on the west, Fifth Street South on  
168.9 the south, Marquette Avenue on the east, and Fourth Street South on the north; and

168.10 (4) the area bounded by First Avenue North on the west, Washington Avenue on the  
168.11 south, Hennepin Avenue on the east, and Second Street North on the north.

168.12 (b) The city may establish the district and the project area only after holding a public  
168.13 hearing on its proposed creation after publishing notice of the hearing and the proposal at  
168.14 least once not less than ten days nor more than 30 days before the date of the hearing.

168.15 Subd. 3. Calculation of value capture district; administrative provisions. (a) If  
168.16 the city establishes a value capture district under subdivision 2, the city shall request the  
168.17 county auditor to certify the district for calculation of the district's tax revenues.

168.18 (b) For purposes of calculating the tax revenues of the district, the county auditor  
168.19 shall treat the district as if it were a request for certification of a tax increment financing  
168.20 district under the provisions of Minnesota Statutes, section 469.177, subdivision 1,  
168.21 and shall calculate the tax revenues of the district for each year of its duration under  
168.22 subdivision 4 as equaling the amount of tax increment that would be computed by  
168.23 applying the provisions of Minnesota Statutes, section 469.177, subdivisions 1, 2, and  
168.24 3, to determine captured tax capacity and multiplying by the current tax rate, excluding  
168.25 the state general tax rate. The city shall provide the county auditor with the necessary  
168.26 information to certify the district, including the option for calculating revenues derived  
168.27 from the areawide tax rate under Minnesota Statutes, chapter 473F.

168.28 (c) The county auditor shall pay to the city at the same times provided for settlement  
168.29 of taxes and payment of tax increments the tax revenues of the district. The city must use  
168.30 the tax revenues as provided under subdivision 4.

168.31 Subd. 4. Permitted uses of district tax revenues. (a) In addition to paying for  
168.32 reasonable administrative costs of the district, the city may spend tax revenues of the  
168.33 district for property acquisition, improvements, and equipment to be used for operations  
168.34 within the project area, along with related costs, for:

168.35 (1) planning, design, and engineering services related to the construction of the  
168.36 streetcar line;



169.1 (2) acquiring property for, constructing, and installing a streetcar line;  
169.2 (3) acquiring and maintaining equipment and rolling stock and related facilities, such  
169.3 as maintenance facilities, which need not be located in the project area;  
169.4 (4) acquiring, constructing, or improving transit stations; and  
169.5 (5) acquiring or improving public space, including the construction and installation  
169.6 of improvements to streets and sidewalks, decorative lighting and surfaces, and plantings  
169.7 related to the streetcar line.

169.8 (b) The city may issue bonds or other obligations under Minnesota Statutes, chapter  
169.9 475, without an election, to fund acquisition or improvement of property of a capital  
169.10 nature authorized by this section, including any costs of issuance. The city may also issue  
169.11 bonds or other obligations to refund those bonds or obligations. Payment of principal  
169.12 and interest on the bonds or other obligations issued under this paragraph is a permitted  
169.13 use of the district's tax revenues.

169.14 (c) Tax revenues of the district may not be used for the operation of the streetcar line.

169.15 Subd. 5. **Duration of the district.** A district established under this section is limited  
169.16 to the lesser of (1) 25 years of tax revenues, or (2) the time necessary to collect tax revenues  
169.17 equal to the amount of the capital costs permitted under subdivision 4 or the amount needed  
169.18 to pay or defease bonds or other obligations issued under subdivision 4, whichever is later.

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

169.20 Sec. 18. **CITY OF BLOOMINGTON; OLD CEDAR AVENUE BRIDGE.**

169.21 (a) Notwithstanding any law to the contrary, the city of Bloomington shall transfer  
169.22 from the tax increment financing accounts for its Tax Increment Financing District No.  
169.23 1-C and Tax Increment Financing District No. 1-G an amount equal to the tax increment  
169.24 for each district that is computed under the provisions of Minnesota Statutes, section  
169.25 473F.08, subdivision 3c, for taxes payable in 2014 to an account or fund established for  
169.26 the repair, restoration, or replacement of the Old Cedar Avenue bridge for use by bicycle  
169.27 commuters and recreational users. The city is authorized to and must use the transferred  
169.28 funds to complete the repair, renovation, or replacement of the bridge.

169.29 (b) No signs, plaques, or markers acknowledging or crediting donations for,  
169.30 sponsorships of, or naming rights may be posted on or in the vicinity of the Old Cedar  
169.31 Avenue bridge.

169.32 **EFFECTIVE DATE.** This section is effective upon compliance by the city of  
169.33 Bloomington with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

170.1       Sec. 19. **LABOR PEACE AGREEMENTS.**

170.2           (a) The state recognizes the need to protect public investments made in certain  
170.3 capital projects which may involve hospitality operations such as hotels. The efficient and  
170.4 uninterrupted operation of these hospitality services, and the associated public investment,  
170.5 may be threatened by labor disputes. The state finds that labor peace agreements in which  
170.6 labor unions voluntarily agree not to engage in picketing, boycotts, work stoppages, or  
170.7 any other economic interference at a hospitality business are the most effective method of  
170.8 ensuring continuous operation of hospitality businesses receiving state or local government  
170.9 investment. It is the policy of the state that labor peace agreements are required as a  
170.10 prerequisite for receiving state or local government participation on any qualifying project  
170.11 in which the state or a local government has a proprietary interest, or acts as a market  
170.12 participant, if the project will result in the employment of hospitality workers.

170.13           (b) For the purposes of this section:

170.14           (1) the state or a local government has a proprietary interest in a project where  
170.15 it finances the project in whole or in part by any of the following: providing a grant,  
170.16 providing a loan, guaranteeing any payment under any loan, lease, or other obligation,  
170.17 providing tax increment financing, contributing revenue on general obligation bonds, or  
170.18 providing a tax abatement, reduction, deferral, or credit;

170.19           (2) the state or a local government acts as a market participant in a project when it is  
170.20 the owner of the project, is an equity investor in the project, or donates, sells, or leases real  
170.21 property, personal property, or infrastructure in support of the project;

170.22           (3) "qualifying project" means a project that is located in a county that contains a  
170.23 city of the first class as defined under Minnesota Statutes, section 410.01, and includes  
170.24 the construction or development of a hotel; a food and beverage operation that is integral  
170.25 to a hotel, a major league or minor league sports facility, a convention center, or a civic  
170.26 center; or a cultural venue with catering or cafeteria facilities;

170.27           (4) "hospitality workers" means all full-time or regular part-time employees of  
170.28 hotels and their integral food and beverage operations as well as all full-time or regular  
170.29 part-time employees providing food and beverage, concession, catering, cafeteria, or  
170.30 merchandise services at sports facilities, convention centers, civic centers, or cultural  
170.31 venues, excluding supervisors, managers, and guards;

170.32           (5) "employer of hospitality workers" means an employer of hospitality workers  
170.33 who will be employed as a result of a qualifying project, and includes a developer of a  
170.34 state or local government-owned facility that is all or part of a qualifying project and a  
170.35 developer of a facility benefiting from state or local government financial participation in  
170.36 a qualifying project;

171.1 (6) "labor peace agreement" means a valid contract that sets forth agreements by  
171.2 and between an employer of hospitality workers and any labor organization seeking to  
171.3 represent hospitality workers on the process the employer and union will follow as the  
171.4 hospitality workers who will be employed as a result of the project choose whether or not  
171.5 to organize as a unit for collective bargaining with the employer; and

171.6 (7) "local government" includes counties, cities, towns, and any development  
171.7 authority established under Minnesota Statutes, chapter 469.

171.8 (c) Any employer of hospitality workers on a qualifying project must have  
171.9 negotiated and executed a labor peace agreement with any interested labor organization  
171.10 prior to, and as a condition precedent of, the approval of financial assistance that causes  
171.11 the state or local government to hold a proprietary interest in the project. When the state or  
171.12 a local government acts as a market participant in the project, any employer of hospitality  
171.13 workers must have a signed labor peace agreement with any interested labor organization  
171.14 prior to, and as a condition precedent to, its contract with the state or local government.

171.15 (d) To fulfill the condition precedent to state or local government participation, a  
171.16 labor peace agreement must contain:

171.17 (1) a provision prohibiting the labor organization and its members from engaging  
171.18 in any picketing, work stoppages, boycotts, or any other economic interference with the  
171.19 employer's hospitality operations on the qualifying project for the duration of the state or  
171.20 local government's ongoing financial interest in the qualifying project or for five years,  
171.21 whichever is greater;

171.22 (2) a provision requiring that during the duration of the agreement all disputes  
171.23 relating to employment conditions or the negotiation thereof shall be submitted to final  
171.24 and binding arbitration; and

171.25 (3) a provision requiring the employer of hospitality workers to incorporate the  
171.26 terms of the labor peace agreement in any contract, subcontract, lease, sublease, operating  
171.27 agreement, concessionaire agreement, franchise agreement, or other agreement or  
171.28 instrument giving a right to any other employer of hospitality workers to own or operate  
171.29 the project or activities within the project.

171.30 (e) If an employer of hospitality workers has valid collective bargaining agreements  
171.31 with recognized unions that cover, or will cover, the hospitality workers that will be  
171.32 employed as a result of the qualifying project, those agreements satisfy the requirements  
171.33 of this section.

171.34 (f) This section shall not apply to projects that receive less than \$1,000,000 of the  
171.35 total cost of the project from state and local government sources.

172.1 (g) Nothing in this section requires an employer to recognize a particular labor  
172.2 organization. This section is not intended to enact or express any generally applicable  
172.3 policy regarding labor management relations or to regulate those relations in any way.  
172.4 This section is not intended to favor any particular outcome in the determination of  
172.5 employee preference regarding union representation.

172.6 (h) Nothing in this section denies any financial assistance approved prior to August  
172.7 1, 2013.

## 172.8 **ARTICLE 10**

### 172.9 **DESTINATION MEDICAL CENTER**

172.10 Section 1. Minnesota Statutes 2012, section 297A.71, is amended by adding a  
172.11 subdivision to read:

172.12 Subd. 48. **Construction materials, public infrastructure related to the**  
172.13 **Destination medical center.** Materials and supplies used in, and equipment incorporated  
172.14 into, the construction and improvement of publicly owned buildings and infrastructure  
172.15 included in the development plan adopted under section 469.42, and financed with public  
172.16 funds, are exempt.

172.17 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
172.18 June 30, 2015.

172.19 Sec. 2. **[469.40] DEFINITIONS.**

172.20 Subdivision 1. **Application.** For the purposes of section 469.40 to 469.46, the terms  
172.21 defined in this section have the meanings given them.

172.22 Subd. 2. **City.** "City" means the city of Rochester.

172.23 Subd. 3. **County.** "County" means Olmsted County.

172.24 Subd. 4. **Destination Medical Center Corporation, corporation, DMCC.**

172.25 "Destination Medical Center Corporation," "corporation," or "DMCC" means the  
172.26 nonprofit corporation created by the city as provided in section 469.41, and organized  
172.27 under chapter 317A.

172.28 Subd. 5. **Destination medical center development district.** "Destination medical  
172.29 center development district" or "development district" means a geographic area in the  
172.30 city identified in the adopted DMCC development plan in which public infrastructure  
172.31 projects are implemented.

172.32 Subd. 6. **Development plan.** "Development plan" means the plan adopted by  
172.33 the DMCC under section 469.42.

173.1 Subd. 7. **Medical business entity.** "Medical business entity" means a medical  
 173.2 business entity with its principal place of business in the city that, as of the effective date  
 173.3 of this section, together with all business entities of which it is the sole member or sole  
 173.4 shareholder, collectively employs more than 30,000 persons in the state.

173.5 Subd. 8. **Public infrastructure project.** (a) "Public infrastructure project" means  
 173.6 a project financed in part or whole with public money in order to support the medical  
 173.7 business entity's development plans, as identified in the adopted DMCC development  
 173.8 plan. A project may be to:

173.9 (1) acquire real property and other assets associated with the real property;

173.10 (2) demolish, repair, or rehabilitate buildings;

173.11 (3) remediate land and buildings as required to prepare the property for acquisition  
 173.12 or development;

173.13 (4) install, construct, or reconstruct elements of public infrastructure required to  
 173.14 support the overall development of the destination medical center development district,  
 173.15 including, but not limited to, streets, roadways, utilities systems and related facilities,  
 173.16 utility relocations and replacements, network and communication systems, streetscape  
 173.17 improvements, drainage systems, sewer and water systems, subgrade structures and  
 173.18 associated improvements, landscaping, façade construction and restoration, wayfinding  
 173.19 and signage, and other components of community infrastructure;

173.20 (5) acquire, construct or reconstruct, and equip parking facilities and other facilities  
 173.21 to encourage intermodal transportation and public transit;

173.22 (6) install, construct or reconstruct, furnish, and equip parks, cultural, and  
 173.23 recreational facilities, facilities to promote tourism and hospitality, conferencing and  
 173.24 conventions, broadcast and related multimedia infrastructure;

173.25 (7) make related site improvements, including, without limitation, excavation, earth  
 173.26 retention, soil stabilization and correction, site improvements to support the destination  
 173.27 medical center development district; and

173.28 (8) prepare land for private development and to sell or lease land.

173.29 (b) A public infrastructure project is not a business subsidy under section 116J.993.

173.30 Sec. 3. **[469.41] DESTINATION MEDICAL CENTER CORPORATION**  
 173.31 **ESTABLISHED.**

173.32 Subdivision 1. **DMCC created.** The city shall establish a destination medical  
 173.33 center corporation as a nonprofit corporation under chapter 317A to provide the city with  
 173.34 expertise in preparing and implementing the development plan to establish the city as a

174.1 destination medical center. Except as provided in this article, the nonprofit corporation  
174.2 is not subject to laws governing the city.

174.3 Subd. 2. **Membership.** (a) The corporation's governing board consists of nine  
174.4 voting members, as follows:

174.5 (1) the mayor of the city, or the mayor's designee, subject to approval by the city  
174.6 council;

174.7 (2) a member of the city council, selected by the city council;

174.8 (3) a member of the county board, selected by the county board;

174.9 (4) two representatives of the medical business entity defined in section 469.40,  
174.10 subdivision 7, appointed by the city council from among five candidates nominated by the  
174.11 medical business entity;

174.12 (5) one representative of labor, appointed by the city council from among three  
174.13 candidates nominated by the Southeast Minnesota Area Labor Council;

174.14 (6) one representative of the city business community other than the medical  
174.15 business entity, appointed by the city council from among three candidates nominated by  
174.16 the Rochester Area Chamber of Commerce; and

174.17 (7) two members, appointed by the governor.

174.18 (b) Appointing authorities must make their appointments as soon as practicable after  
174.19 the effective date of this section.

174.20 Subd. 3. **Bylaws.** The corporation shall adopt bylaws governing the terms of  
174.21 members, filling vacancies, removal of members, selection of officers and other personnel  
174.22 and contractors, and other matters of organization and operation of the corporation.

174.23 Subd. 4. **Open meeting law; data practices.** Meetings of the corporation and any  
174.24 committee or subcommittee of the corporation are subject to the open meeting law in  
174.25 chapter 13D. The corporation is a government entity for purposes of chapter 13.

174.26 Subd. 5. **Conflicts of interest.** Except for the members appointed under subdivision  
174.27 2, paragraph (a), clause (4), to represent the medical business entity, within one year  
174.28 prior to or at any time during a member's term of service on the corporation's governing  
174.29 board, a member must not be employed by, be a member of the board of directors of, or  
174.30 otherwise be a representative of the medical business entity. No member may serve as a  
174.31 lobbyist, as defined under section 10A.01, subdivision 21.

174.32 Subd. 6. **Powers; gifts.** The corporation may exercise any other powers that are  
174.33 granted by its articles of incorporation and bylaws to the extent that those powers are not  
174.34 inconsistent with the provisions of sections 469.40 to 469.46. Notwithstanding any law to  
174.35 the contrary, the corporation may accept and use gifts of money or in-kind and may use

175.1 any of its money or assets, other than money or assets received from the city, county, or  
175.2 state, to develop and implement the adopted development plan.

175.3 Subd. 7. **Dissolution.** The city shall provide for the terms for dissolution of the  
175.4 corporation in the articles of incorporation.

175.5 Sec. 4. **[469.42] DEVELOPMENT PLAN.**

175.6 Subdivision 1. **Development plan; adoption by DMCC; notice; findings.** (a)  
175.7 The corporation shall prepare and adopt a development plan. The corporation must  
175.8 hold a public hearing before adopting a development plan. At least 45 days before the  
175.9 hearing, the corporation shall make copies of the proposed plan available to the public at  
175.10 the corporation and city offices during normal business hours, on the corporation's and  
175.11 city's Web site, and as otherwise determined appropriate by the corporation. At least ten  
175.12 days before the hearing, the corporation shall publish notice of the hearing in a daily  
175.13 newspaper of general circulation in the city. The development plan may not be adopted  
175.14 unless the corporation finds by resolution that:

175.15 (1) the plan provides an outline for the development of the city as a destination  
175.16 medical center, and the plan is sufficiently complete, including the identification of planned  
175.17 and anticipated projects, to indicate its relationship to definite state and local objectives;

175.18 (2) the proposed development affords maximum opportunity, consistent with the  
175.19 needs of the city, county, and state, for the development of the city by private enterprise  
175.20 as a destination medical center;

175.21 (3) the proposed development conforms to the general plan for the development of  
175.22 the city and is consistent with the city comprehensive plan;

175.23 (4) the plan includes:

175.24 (i) strategic planning consistent with a destination medical center in the core areas of  
175.25 commercial research and technology, learning environment, hospitality and convention,  
175.26 sports and recreation, livable communities, including mixed-use urban development  
175.27 and neighborhood residential development, retail/dining/entertainment, and health and  
175.28 wellness;

175.29 (ii) estimates of short- and long-range fiscal and economic impacts;

175.30 (iii) a framework to identify and prioritize short- and long-term public investment  
175.31 and public infrastructure project development and to facilitate private investment and  
175.32 development;

175.33 (iv) land use planning;

175.34 (v) transportation and transit planning;

176.1 (vi) operational planning required to support the medical center development  
176.2 district; and

176.3 (vii) ongoing market research plans; and

176.4 (5) the city has approved the plan.

176.5 (b) The identification of planned and anticipated projects under paragraph (a), clause  
176.6 (1), must give priority to projects that will pay wages at least equal to the basic cost of  
176.7 living wage as calculated by the commissioner of employment and economic development  
176.8 for the county in which the project is located. The calculation of the basic cost of living  
176.9 wage shall be done as provided for under Minnesota Statutes, section 116J.013, if enacted  
176.10 by the 2013 legislature.

176.11 Subd. 2. **Modification of development plan.** The corporation may modify the  
176.12 development plan at any time. The corporation must update the development plan not less  
176.13 than every five years. A modification or update under this subdivision must be adopted by  
176.14 the corporation upon the notice and after the public hearing and findings required for the  
176.15 original adoption of the development plan.

176.16 Subd. 3. **Medical center development districts; creation; notice; findings.** As  
176.17 part of the development plan, the corporation may create and define the boundaries of  
176.18 medical center development districts and subdistricts at any place or places within the  
176.19 city. Projects may be undertaken within defined medical center development districts  
176.20 consistent with the development plan.

176.21 Subd. 4. **DMCC consultant.** (a) The corporation may engage a business entity  
176.22 consultant to provide experience and expertise in developing the destination medical  
176.23 center. The consultant may assist the corporation in preparing the development plan and  
176.24 provide services to assist the corporation or city in implementing, consistent with the  
176.25 development plan, the goals, objectives, and strategies in the development plan, including,  
176.26 but not limited to:

176.27 (1) developing and updating the criteria for evaluating and underwriting  
176.28 development proposals;

176.29 (2) implementing the development plan, including soliciting and evaluating  
176.30 proposals for development and evaluating and making recommendations to the corporation  
176.31 and the city regarding those proposals;

176.32 (3) providing transactional services in connection with approved projects;

176.33 (4) developing patient, visitor, and community outreach programs for a destination  
176.34 medical center development district;

176.35 (5) working with the corporation to acquire and facilitate the sale, lease, or other  
176.36 transactions involving land and real property;



- 177.1 (6) seeking financial support for the corporation, the city, and a project;  
177.2 (7) partnering with other development agencies and organizations and the county in  
177.3 joint efforts to promote economic development and establish a destination medical center;  
177.4 (8) supporting and administering the planning and development activities required to  
177.5 implement the development plan;  
177.6 (9) preparing and supporting the marketing and promotion of the medical center  
177.7 development district;  
177.8 (10) preparing and implementing a program for community and public relations in  
177.9 support of the medical center development district;  
177.10 (11) assisting the corporation or city and others in applications for federal grants, tax  
177.11 credits, and other sources of funding to aid both private and public development; and  
177.12 (12) making other general advisory recommendations to the corporation and the  
177.13 city, as requested.
- 177.14 (b) The corporation may contract with the consultant to provide administrative  
177.15 services to the corporation with regard to the destination medical center plan  
177.16 implementation. The corporation may pay for those services out of any revenue sources  
177.17 available to it.
- 177.18 Subd. 5. **Audit of consultant contracts.** Any contract for services between the  
177.19 corporation and a consultant paid, in whole or in part, with public money gives the  
177.20 corporation, the city, and the state auditor the right to audit the books and records of the  
177.21 consultant that are necessary to certify (1) the nature and extent of the services furnished  
177.22 pursuant to the contract, and (2) that the payment for services and related disbursements  
177.23 complies with all state laws, regulations, and the terms of the contract. Any contract for  
177.24 services between the corporation and the consultant paid, in whole or in part, with public  
177.25 money shall require the corporation to maintain for the life of the corporation accurate and  
177.26 complete books and records directly relating to the contract.
- 177.27 Subd. 6. **Report.** By January 15 of each year, the corporation and city must submit  
177.28 a report to the chairs and ranking minority members of the legislative committees with  
177.29 jurisdiction over local and state government operations, economic development, and taxes,  
177.30 and to the commissioners of revenue and employment and economic development, and  
177.31 the county. The corporation and city must also submit the report as provided in section  
177.32 3.195. The report must include:  
177.33 (1) the adopted development plan and any proposed changes to the development plan;  
177.34 (2) progress of projects identified in the development plan;

178.1 (3) actual costs and financing sources, including the amount paid with state aid under  
 178.2 section 469.46 and required local contributions, of projects completed in the previous two  
 178.3 years by the corporation, city, the county, and the medical business entity;

178.4 (4) estimated costs and financing sources for projects to be begun in the next two  
 178.5 years by the corporation, city, the county, and the medical business entity; and

178.6 (5) debt service schedules for all outstanding obligations of the city for debt issued  
 178.7 for projects identified in the plan.

178.8 **Sec. 5. [469.43] CITY POWERS, DUTIES; AUTHORITY TO ISSUE BONDS.**

178.9 Subdivision 1. **Port authority powers.** The city may exercise the powers of a  
 178.10 port authority under sections 469.048 to 469.068, for the purposes of implementing the  
 178.11 destination medical center development plan.

178.12 Subd. 2. **Support to the corporation.** The city may provide financial and  
 178.13 administrative support and office and other space to the corporation. The city may  
 178.14 appropriate money of the city to the corporation for its work.

178.15 Subd. 3. **City to issue debt.** The city may issue general obligation bonds, revenue  
 178.16 bonds, or other obligations, as it determines appropriate, to finance public infrastructure  
 178.17 projects, as provided by chapter 475. Notwithstanding section 475.53 obligations issued  
 178.18 under this section are not subject to the limits on net debt, regardless of their source of  
 178.19 security or payment. Notwithstanding section 475.58 or any other law or charter provision  
 178.20 to the contrary, issuance of obligations under the provisions of this section are not subject  
 178.21 to approval of the electors. The city may pledge any of its revenues, including property  
 178.22 taxes, the taxes authorized by sections 469.44 and 469.45, and the state aid under section  
 178.23 469.46, as security for and to pay the obligations. The city must not issue obligations that  
 178.24 are only payable from or secured by state aid under section 469.46.

178.25 Subd. 4. **American made steel.** The city must require that a public infrastructure  
 178.26 project use American steel products to the extent practicable. In determining whether it  
 178.27 is practicable, the city may consider the exceptions to the requirement in Public Law  
 178.28 111-5, section 1605.

178.29 **Sec. 6. [469.44] CITY TAX AUTHORITY.**

178.30 Subdivision 1. **Rochester, other local taxes authorized.** (a) Notwithstanding  
 178.31 section 477A.016, or any other contrary provision of law, ordinance, or city charter, and in  
 178.32 addition to any taxes the city may impose on these transactions under another statute or  
 178.33 law, the city of Rochester may, by ordinance impose at a rate or rates, determined by the  
 178.34 city, any of the following taxes:

179.1 (1) a tax on the gross receipts from the furnishing for consideration of lodging and  
179.2 related services as defined in section 297A.61, subdivision 3, paragraph (g), clause (2); the  
179.3 city may choose to impose a differential tax based on the number of rooms in the facility;

179.4 (2) a tax on the gross receipts of food and beverages sold primarily for consumption  
179.5 on the premises by restaurants and places of refreshment that occur in the city of  
179.6 Rochester; the city may elect to impose the tax in a defined district of the city; and

179.7 (3) a tax on the admission receipts to entertainment and recreational facilities, as  
179.8 defined by ordinance, in the city of Rochester.

179.9 (b) The provisions of section 297A.99, subdivisions 4 to 13, govern the  
179.10 administration, collection, and enforcement of any tax imposed by the city under  
179.11 paragraph (a).

179.12 (c) The proceeds of any taxes imposed under this subdivision, less refunds and costs  
179.13 of collection, must be used by the city to fund obligations related to public infrastructure  
179.14 projects contained in the development plan, including any associated financing costs. Any  
179.15 tax imposed under paragraph (a) expires at the earlier of December 31, 2041, or when the  
179.16 city council determines that sufficient funds have been raised from the tax plus all other  
179.17 local funding sources authorized in this article to meet the city obligation for financing a  
179.18 public infrastructure project contained in the development plan, including any associated  
179.19 financing costs.

179.20 Subd. 2. **General sales tax authority.** The city may elect to extend the existing  
179.21 local sales and use tax under section 11 or to impose an additional rate of up to one-half of  
179.22 one percent tax on sales and use under section 9.

179.23 Subd. 3. **Special abatement rules.** (a) If the city or the county elects to use tax  
179.24 abatement under sections 469.1812 to 469.1815 to finance costs of public infrastructure  
179.25 projects, the special rules under this subdivision apply.

179.26 (b) The limitations under section 469.1813, subdivision 6, do not apply to the city  
179.27 or the county.

179.28 (c) The limitations under section 469.1813, subdivision 8, do not apply and property  
179.29 taxes abated by the city or the county to finance costs of public infrastructure projects are  
179.30 not included for purposes of applying section 469.1813, subdivision 8, to the use of tax  
179.31 abatement for other purposes of the city or the county; however, the total amount of property  
179.32 taxes abated by the city and the county under this authority must not exceed \$87,750,000.

179.33 Subd. 4. **Special tax increment financing rules.** If the city elects to establish  
179.34 a redevelopment tax increment financing district or districts within the area of the  
179.35 destination medical center development district, the requirements of section 469.174,  
179.36 subdivision 10, restricting the geographic areas that may be designated as a district do not

180.1 apply and increments from the district are not required to be spent in accordance with the  
180.2 requirements of section 469.176, subdivision 4j.

180.3 **Sec. 7. [469.45] COUNTY TAX AUTHORITY.**

180.4 (a) Notwithstanding sections 297A.99, 297A.993, and 477A.016, or any other  
180.5 contrary provision of law, ordinance, or charter, and in addition to any taxes the county  
180.6 may impose under another law or statute, the board of commissioners of Olmsted County  
180.7 may, by resolution, impose a transit tax of up to one quarter of one percent on retail sales  
180.8 and uses taxable under chapter 297A. The provisions of section 297A.99, subdivisions  
180.9 4 to 13, govern the imposition, administration, collection, and enforcement of the tax  
180.10 authorized under this paragraph.

180.11 (b) The board of commissioners of Olmsted County may, by resolution, levy an  
180.12 annual wheelage tax of up to \$10 on each motor vehicle kept in the county when not in  
180.13 operation which is subject to annual registration and taxation under chapter 168. The  
180.14 wheelage tax shall not be imposed on the vehicles exempt from wheelage tax under  
180.15 section 163.051, subdivision 1. The board by resolution may provide for collection of the  
180.16 wheelage tax by county officials or it may request that the tax be collected by the state  
180.17 registrar on behalf of the county. The provisions of section 163.051, subdivisions 2, 2a, 3,  
180.18 and 7, shall govern the administration, collection, and enforcement of the tax authorized  
180.19 under this paragraph. The tax authorized under this section is in addition to any tax the  
180.20 county may be authorized to impose under section 163.051, but until January 1, 2018,  
180.21 the county tax imposed under this paragraph, in combination with any tax imposed under  
180.22 section 163.051, must equal the specified rate under section 163.051.

180.23 (c) The proceeds of any taxes imposed under this subdivision, less refunds and  
180.24 costs of collection, must be first used by the county to meet its share of obligations for  
180.25 financing transit infrastructure related to the public infrastructure projects contained in  
180.26 the development plan, including any associated financing costs. Revenues collected in  
180.27 any calendar year in excess of the county obligation to pay for projects contained in the  
180.28 development plan may be retained by the county and used for funding other transportation  
180.29 projects, including roads and bridges, airport and transit improvements.

180.30 (d) Any taxes imposed under paragraph (a), expire December 31, 2041, or at an  
180.31 earlier time if approved by resolution of the county board of commissioners. However,  
180.32 the taxes may not terminate before the county board of commissioners determines that  
180.33 revenues from these taxes and any other revenue source the county dedicates are sufficient  
180.34 to pay the county share of transit project costs and associated financing costs under the  
180.35 adopted development plan.

181.1 Sec. 8. [469.46] STATE INFRASTRUCTURE AID.

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

181.4 (b) "Commissioner" means the commissioner of employment and economic  
181.5 development.

181.6 (c) "Construction projects" means construction of buildings in the city for which the  
181.7 building permit was issued after June 30, 2013.

181.8 (d) "Expenditures" means expenditures made by a medical business entity, including  
181.9 any affiliated entities, on construction projects for the capital cost of the project, including  
181.10 but not limited to:

181.11 (1) design and predesign, including architectural, engineering, and similar services;

181.12 (2) legal, regulatory, and other compliance costs of the project;

181.13 (3) land acquisition, demolition of existing improvements, and other site preparation  
181.14 costs;

181.15 (4) construction costs including all materials and supplies of the project; and

181.16 (5) equipment and furnishings that are attached to or become part of the real property.

181.17 Expenditures exclude supplies and other items with a useful life of less than a year that  
181.18 are not used or consumed in constructing improvements to real property or are otherwise  
181.19 chargeable to capital costs.

181.20 (e) "Qualified expenditures" has the following meaning. In the first year in which  
181.21 aid is paid under this section "qualified expenditures" mean the total certified expenditures  
181.22 since June 30, 2013, through the end of the previous calendar year minus \$200,000,000.

181.23 For subsequent years "qualified expenditures" mean the certified expenditures for the  
181.24 previous calendar year.

181.25 (f) "Transit costs" means the portions of a public infrastructure project that are for  
181.26 public transit intended primarily to serve the district, such as transit stations, equipment,  
181.27 right-of-way, and similar costs.

181.28 Subd. 2. Certification of expenditures. By April 1 of each year, the medical  
181.29 business entity must certify to the commissioner the amount of expenditures made in the  
181.30 prior calendar year. The certification must be made in the form that the commissioner  
181.31 prescribes and include any documentation of and supporting information regarding the  
181.32 expenditures that the commissioner requires. By August 1 of each year, the commissioner  
181.33 shall determine the amount of the expenditures for the prior calendar year.

181.34 Subd. 3. General state infrastructure aid. (a) General state infrastructure aid may  
181.35 not be paid out under this section until total expenditures exceed \$200,000,000.

182.1 (b) The amount of the general state infrastructure aid for a fiscal year equals the sum  
182.2 of qualified expenditures, multiplied by 2.75 percent. The maximum amount of general  
182.3 state aid payable in any year is limited to no more than \$30,000,000. If the aid entitlement  
182.4 for the year exceeds the maximum annual limit, the excess is an aid carryover to later  
182.5 years. The carryover aid must be paid in the first year in which the aid entitlement for the  
182.6 current year is less than the maximum annual limit, but only to the extent the carryover,  
182.7 when added to the current year aid, is less than the maximum annual limit.

182.8 (c) If the commissioner determines that the city has made the required matching  
182.9 local contribution under subdivision 4, the commissioner shall pay to the city the amount  
182.10 of general state infrastructure aid for the year by September 1.

182.11 (d) The city must use general state infrastructure aid it receives under this  
182.12 subdivision for improvements and other capital costs related to the public infrastructure  
182.13 project, other than transit costs. The city shall maintain appropriate records to document  
182.14 the use of the funds under this requirement.

182.15 (e) The commissioner, in consultation with the commissioner of management and  
182.16 budget and representatives of the city and the corporation, shall establish a total limit on  
182.17 the amount of state aid payable under this subdivision that is sufficient, in combination  
182.18 with the local contribution, to pay for \$455,000,000 of general public infrastructure  
182.19 projects, plus financing costs.

182.20 Subd. 4. **General aid; local matching contribution.** In order to qualify for general  
182.21 state infrastructure aid, the city must enter a written agreement with the commissioner that  
182.22 requires the city to make a qualifying local matching contribution to pay for \$128,000,000  
182.23 of the cost of public infrastructure projects, including associated financing costs, using  
182.24 funds other than state aid received under this section. This agreement must provide for the  
182.25 manner, timing, and amounts of the city contributions, including the city's commitment for  
182.26 each year. The commissioner and city may agree to amend the agreement at any time in  
182.27 light of new information or other appropriate factors. The city may enter arrangements  
182.28 with the county to pay for or otherwise meet the local matching contribution requirement.

182.29 Subd. 5. **State transit aid.** (a) The city qualifies for state transit aid under this  
182.30 section if:

182.31 (1) the county has elected to impose the transit sales tax under section 469.45 for a  
182.32 calendar year; and

182.33 (2) the county contributes the required local matching contribution under subdivision  
182.34 6 or the city or county have agreed to make an equivalent contribution out of other funds.

182.35 (b) The amount of the state transit aid for a fiscal year equals the sum of qualified  
182.36 expenditures, as certified by the commissioner for the prior calendar year, multiplied

183.1 by 0.75 percent, reduced by the amount of the local contribution under subdivision 6.  
183.2 The maximum amount of state transit aid payable in any year is limited to no more than  
183.3 \$7,500,000. If the aid entitlement for the year exceeds the maximum annual limit, the  
183.4 excess is an aid carryover to later years. The carryover aid must be paid in the first year  
183.5 in which the aid entitlement for the current year is less than the maximum annual limit,  
183.6 but only to the extent the carryover, when added to the current year aid, is less than the  
183.7 maximum annual limit.

183.8 (c) The commissioner, in consultation with the commissioner of management and  
183.9 budget and representatives of the city and the corporation, shall establish a total limit on  
183.10 the amount of state aid payable under this subdivision that is sufficient, in combination  
183.11 with the local contribution, to pay for \$116,000,000 of general public infrastructure  
183.12 projects, plus financing costs.

183.13 Subd. 6. **Transit aid; local matching contribution.** (a) The required local matching  
183.14 contribution for state transit aid equals the lesser of (1) 40 percent of the state transit aid  
183.15 under subdivision 5, or (2) the amount that would be raised by a 0.15 percent sales tax  
183.16 imposed by the county in the prior calendar year. The county may impose the sales tax or  
183.17 the wheelage tax under section 469.45 to meet this obligation.

183.18 (b) If the county elects not to impose any of the taxes authorized under section 469.45,  
183.19 the county or city or both may agree to make the local contribution out of other available  
183.20 funds, other than state aid payable under this section. The commissioner of revenue shall  
183.21 estimate the required amount and certify it to the commissioner, city, and county.

183.22 Subd. 7. **Termination.** No aid may be paid under this section after fiscal year 2041.

183.23 Subd. 8. **Appropriation.** An amount sufficient to pay the state general infrastructure  
183.24 and state transit aid authorized under this section is appropriated to the commissioner  
183.25 from the general fund.

183.26 Sec. 9. Laws 1998, chapter 389, article 8, section 43, subdivision 1, is amended to read:

183.27 Subdivision 1. **Sales and use taxes authorized.** (a) Notwithstanding Minnesota  
183.28 Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city  
183.29 charter, upon termination of the taxes authorized under Laws 1992, chapter 511, article  
183.30 8, section 33, subdivision 1, and if approved by the voters of the city at a general or  
183.31 special election held within one year of the date of final enactment of this act, the city of  
183.32 Rochester may, by ordinance, impose an additional sales and use tax of up to one-half  
183.33 of one percent. The provisions of Minnesota Statutes, section ~~297A.48~~, ~~297A.99~~ govern  
183.34 the imposition, administration, collection, and enforcement of the tax authorized under  
183.35 this subdivision paragraph.

184.1 (b) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any  
184.2 other contrary provision of law, ordinance, or charter, the city of Rochester may, by  
184.3 ordinance, impose an additional sales and use tax of up to one half of one percent. The  
184.4 provisions of Minnesota Statutes, section 297A.99, subdivisions 1 and 4 to 13, govern  
184.5 the imposition, administration, collection, and enforcement of the tax authorized under  
184.6 this paragraph.

184.7 Sec. 10. Laws 1998, chapter 389, article 8, section 43, subdivision 3, as amended by  
184.8 Laws 2005, First Special Session chapter 3, article 5, section 28, and Laws 2011, First  
184.9 Special Session chapter 7, article 4, section 5, is amended to read:

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

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

184.15 (2) improvements to the civic center complex;

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

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

184.20 (b) The total amount of capital expenditures or bonds for projects listed in paragraph  
184.21 (a) that may be paid from the revenues raised from the taxes authorized in this section  
184.22 may not exceed \$111,500,000. The total amount of capital expenditures or bonds for the  
184.23 project in clause (4) that may be paid from the revenues raised from the taxes authorized  
184.24 in this section may not exceed \$28,000,000.

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

184.29 (1) \$17,000,000 for capital expenditures and bonds for the following Olmsted  
184.30 County transportation infrastructure improvements:

184.31 (i) County State Aid Highway 34 reconstruction;

184.32 (ii) Trunk Highway 63 and County State Aid Highway 16 interchange;

184.33 (iii) phase II of the Trunk Highway 52 and County State Aid Highway 22 interchange;

184.34 (iv) widening of County State Aid Highway 22 West Circle Drive; and

184.35 (v) 60th Avenue Northwest corridor preservation;



- 185.1 (2) \$30,000,000 for city transportation projects including:
- 185.2 (i) Trunk Highway 52 and 65th Street interchange;
- 185.3 (ii) NW transportation corridor acquisition;
- 185.4 (iii) Phase I of the Trunk Highway 52 and County State Aid Highway 22 interchange;
- 185.5 (iv) Trunk Highway 14 and Trunk Highway 63 intersection;
- 185.6 (v) Southeast transportation corridor acquisition;
- 185.7 (vi) Rochester International Airport expansion; and
- 185.8 (vii) a transit operations center bus facility;
- 185.9 (3) \$14,000,000 for the University of Minnesota Rochester academic and
- 185.10 complementary facilities;
- 185.11 (4) \$6,500,000 for the Rochester Community and Technical College/Winona State
- 185.12 University career technical education and science and math facilities;
- 185.13 (5) \$6,000,000 for the Rochester Community and Technical College regional
- 185.14 recreation facilities at University Center Rochester;
- 185.15 (6) \$20,000,000 for the Destination Medical Community Initiative;
- 185.16 (7) \$8,000,000 for the regional public safety and 911 dispatch center facilities;
- 185.17 (8) \$20,000,000 for a regional recreation/senior center;
- 185.18 (9) \$10,000,000 for an economic development fund; and
- 185.19 (10) \$8,000,000 for downtown infrastructure.
- 185.20 (d) No revenues from the taxes raised from the taxes authorized in subdivisions 1
- 185.21 and 2 may be used to fund transportation improvements related to a railroad bypass that
- 185.22 would divert traffic from the city of Rochester.
- 185.23 ~~(e) The city shall use \$5,000,000 of the money allocated to the purpose in paragraph~~
- 185.24 ~~(e), clause (9), for grants to the cities of Byron, Chatfield, Dodge Center, Dover, Elgin,~~
- 185.25 ~~Eyota, Kasson, Mantorville, Oronoco, Pine Island, Plainview, St. Charles, Stewartville,~~
- 185.26 ~~Zumbrota, Spring Valley, West Concord, and Hayfield for economic development projects~~
- 185.27 ~~that these communities would fund through their economic development authority or~~
- 185.28 ~~housing and redevelopment authority.~~
- 185.29 (e) Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 2 and 3, if
- 185.30 the city decides to extend the taxes in subdivisions 1, paragraph (a), and 2, as allowed
- 185.31 under subdivision 5, paragraph (c), the city must use any amount in excess of the amount
- 185.32 necessary to meet obligations under paragraphs (a) to (c) from those taxes to fund
- 185.33 obligations, including associated financing costs, related to public infrastructure projects
- 185.34 in the development plan adopted under Minnesota Statutes, section 469.42.
- 185.35 (f) Revenues from the tax under subdivision 1, paragraph (b), must be used to fund
- 185.36 obligations, including associated financing costs, related to the public infrastructure

186.1 projects contained in the development plan adopted by the city under Minnesota Statutes,  
186.2 section 469.42.

186.3 Sec. 11. Laws 1998, chapter 389, article 8, section 43, subdivision 5, as amended by  
186.4 Laws 2005, First Special Session chapter 3, article 5, section 30, and Laws 2011, First  
186.5 Special Session chapter 7, article 4, section 7, is amended to read:

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

186.15 (b) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any  
186.16 other contrary provision of law, ordinance, or city charter, the city of Rochester may, by  
186.17 ordinance, extend the taxes authorized in subdivisions 1 and 2 beyond December 31, 2009,  
186.18 if approved by the voters of the city at a special election in 2005 or the general election in  
186.19 2006. The question put to the voters must indicate that an affirmative vote would allow  
186.20 up to an additional \$40,000,000 of sales tax revenues be raised and up to \$40,000,000  
186.21 of bonds to be issued above the amount authorized in the June 23, 1998, referendum for  
186.22 the projects specified in subdivision 3. If the taxes authorized in subdivisions 1 and 2 are  
186.23 extended under this paragraph, the taxes expire when the city council determines that  
186.24 sufficient funds have been received from the taxes to finance the projects and to prepay  
186.25 or retire at maturity the principal, interest, and premium due on any bonds issued for the  
186.26 projects under subdivision 4. Any funds remaining after completion of the project and  
186.27 retirement or redemption of the bonds may be placed in the general fund of the city.

186.28 (c) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any  
186.29 other contrary provision of law, ordinance, or city charter, the city of Rochester may,  
186.30 by ordinance, extend the taxes authorized in subdivisions 1, paragraph (a), and 2 up to  
186.31 December 31, 2041, provided that all additional revenues above those necessary to fund  
186.32 the projects and associated financing costs listed in subdivision 3, paragraphs (a) to (e),  
186.33 are committed to fund public infrastructure projects contained in the development plan  
186.34 adopted under Minnesota Statutes, section 469.42, including all associated financing  
186.35 costs; otherwise the taxes terminate when ~~beyond the date~~ the city council determines

187.1 that sufficient funds have been received from the taxes to finance \$111,500,000 of the  
 187.2 expenditures and bonds for the projects authorized in subdivision 3, ~~paragraph (a)~~  
 187.3 paragraphs (a) to (e), plus an amount equal to the costs of issuance of the bonds and  
 187.4 including the amount to prepay or retire at maturity the principal, interest, and premiums  
 187.5 due on any bonds issued for the projects under subdivision 4, ~~paragraph (a)~~, if approved  
 187.6 by the voters of the city at the general election in 2012. If the election to authorize the  
 187.7 additional \$139,500,000 of bonds plus an amount equal to the costs of the issuance of the  
 187.8 bonds is placed on the general election ballot in 2012, the city may continue to collect the  
 187.9 taxes authorized in subdivisions 1 and 2 until December 31, 2012. The question put to  
 187.10 the voters must indicate that an affirmative vote would allow sales tax revenues be raised  
 187.11 for an extended period of time and an additional \$139,500,000 of bonds plus an amount  
 187.12 equal to the costs of issuance of the bonds, to be issued above the amount authorized in  
 187.13 the previous elections required under paragraphs (a) and (b) for the projects and amounts  
 187.14 specified in subdivision 3. If the taxes authorized in subdivisions 1 and 2 are extended  
 187.15 under this paragraph, the taxes expire when the city council determines that \$139,500,000  
 187.16 has been received from the taxes to finance the projects plus an amount sufficient to  
 187.17 prepay or retire at maturity the principal, interest, and premium due on any bonds issued  
 187.18 for the projects under subdivision 4, including any bonds issued to refund the bonds. Any  
 187.19 funds remaining after completion of the projects and retirement or redemption of the  
 187.20 bonds may be placed in the general fund of the city.

187.21 (d) The tax imposed under subdivision 1, paragraph (b), expires at the earlier of  
 187.22 2041, or when the city council determines that sufficient funds have been raised from the  
 187.23 tax plus all other city funding sources authorized in this article to meet the city obligation  
 187.24 for financing the public infrastructure projects contained in the development plan adopted  
 187.25 under Minnesota Statutes, section 469.42, including all associated financing costs.

187.26 Sec. 12. **ROCHESTER AREA DEVELOPMENT AND TRANSPORTATION**  
 187.27 **IMPACTS STUDY.**

187.28 (a) From funds appropriated by law for the purposes of this section, the commissioner  
 187.29 of transportation shall in consultation with the Rochester-Olmsted Council of Governments  
 187.30 enter into an agreement with a consultant to perform a study of economic development  
 187.31 and transportation impacts in the Rochester metropolitan area, including the feasibility of  
 187.32 high-speed rail between Rochester and the seven-county metropolitan area. To be eligible,  
 187.33 a consultant must have experience and expertise in a majority of the following: economics,  
 187.34 economic development, demography, urban planning, engineering, and transportation.

187.35 (b) At a minimum, the study under this section must:

- 188.1 (1) utilize at least a 20-year planning horizon;  
188.2 (2) perform a comprehensive planning assessment of key transportation  
188.3 infrastructure throughout the Rochester metropolitan area based on (i) long-range  
188.4 transportation plans developed by the Rochester-Olmsted Council of Governments, and  
188.5 (ii) expected and potential economic development patterns;  
188.6 (3) analyze major roadways across all jurisdictions including, but not limited to,  
188.7 trunk highways; county highways; and arterial city streets; and interconnections with other  
188.8 modes in conjunction with ongoing rail and airports studies;  
188.9 (4) analyze the feasibility of a high-speed rail connection between Rochester and the  
188.10 Mall of America via Minnesota State Highway 77 with connections to the Minneapolis-St.  
188.11 Paul International Airport and the Union Depot in St. Paul;  
188.12 (5) to the extent feasible, take into account available data, forecasts, available  
188.13 transportation demand modeling information, and transportation impacts of major  
188.14 economic initiatives and proposals including, but not limited to, expansion of the Mayo  
188.15 Clinic; and  
188.16 (6) provide scenarios and identify revenue shortfalls to address both short-term and  
188.17 long-term deficiencies in safety, mobility, congestion, and transportation infrastructure  
188.18 condition.  
188.19 (c) By January 15, 2014, the commissioner shall provide an electronic copy of the  
188.20 study to the chairs and ranking minority members of the legislative committees with  
188.21 jurisdiction over transportation policy and finance, as provided in Minnesota Statutes,  
188.22 section 174.02, subdivision 8.

188.23 **Sec. 13. EFFECTIVE DATE.**

188.24 Except as otherwise provided, this article is effective the day after the governing  
188.25 body of the city of Rochester and its chief clerical officer timely comply with Minnesota  
188.26 Statutes, section 645.021, subdivisions 2 and 3.

188.27 **ARTICLE 11**

188.28 **MINING TAXES**

188.29 **Section 1. [116C.992] SILICA SAND MINING ACCOUNT.**

188.30 A silica sand mining account is created in the special revenue fund. Money in the  
188.31 account is available for development of model standards, technical assistance to counties  
188.32 and other governments, other assistance to counties, and other purposes as appropriated  
188.33 by law.

189.1 Sec. 2. Minnesota Statutes 2012, section 126C.48, subdivision 8, is amended to read:

189.2 Subd. 8. **Taconite payment and other reductions.** (1) Reductions in levies  
189.3 pursuant to subdivision 1 must be made prior to the reductions in clause (2).

189.4 (2) Notwithstanding any other law to the contrary, districts that have revenue  
189.5 pursuant to sections 298.018; 298.225; 298.24 to 298.28, except an amount distributed  
189.6 under sections 298.26; 298.28, subdivision 4, paragraphs (c), clause (ii), and (d); 298.34  
189.7 to 298.39; 298.391 to 298.396; 298.405; 477A.15; and any law imposing a tax upon  
189.8 severed mineral values must reduce the levies authorized by this chapter and chapters  
189.9 120B, 122A, 123A, 123B, 124A, 124D, 125A, and 127A by 95 percent of the sum of the  
189.10 previous year's revenue specified under this clause and the amount attributable to the same  
189.11 production year distributed to the cities and townships within the school district under  
189.12 section 298.28, subdivision 2, paragraph (c).

189.13 (3) The amount of any voter approved referendum, facilities down payment, and  
189.14 debt levies shall not be reduced by more than 50 percent under this subdivision. In  
189.15 administering this paragraph, the commissioner shall first reduce the nonvoter approved  
189.16 levies of a district; then, if any payments, severed mineral value tax revenue or recognized  
189.17 revenue under paragraph (2) remains, the commissioner shall reduce any voter approved  
189.18 referendum levies authorized under section 126C.17; then, if any payments, severed  
189.19 mineral value tax revenue or recognized revenue under paragraph (2) remains, the  
189.20 commissioner shall reduce any voter approved facilities down payment levies authorized  
189.21 under section 123B.63 and then, if any payments, severed mineral value tax revenue or  
189.22 recognized revenue under paragraph (2) remains, the commissioner shall reduce any  
189.23 voter approved debt levies.

189.24 (4) Before computing the reduction pursuant to this subdivision of the health and  
189.25 safety levy authorized by sections 123B.57 and 126C.40, subdivision 5, the commissioner  
189.26 shall ascertain from each affected school district the amount it proposes to levy under  
189.27 each section or subdivision. The reduction shall be computed on the basis of the amount  
189.28 so ascertained.

189.29 (5) To the extent the levy reduction calculated under paragraph (2) exceeds the  
189.30 limitation in paragraph (3), an amount equal to the excess must be distributed from the  
189.31 school district's distribution under sections 298.225, 298.28, and 477A.15 in the following  
189.32 year to the cities and townships within the school district in the proportion that their  
189.33 taxable net tax capacity within the school district bears to the taxable net tax capacity of  
189.34 the school district for property taxes payable in the year prior to distribution. No city or  
189.35 township shall receive a distribution greater than its levy for taxes payable in the year prior  
189.36 to distribution. The commissioner of revenue shall certify the distributions of cities and

190.1 towns under this paragraph to the county auditor by September 30 of the year preceding  
190.2 distribution. The county auditor shall reduce the proposed and final levies of cities and  
190.3 towns receiving distributions by the amount of their distribution. Distributions to the cities  
190.4 and towns shall be made at the times provided under section 298.27.

190.5 **EFFECTIVE DATE.** This section is effective for levies certified in 2013 and later.

190.6 Sec. 3. **[297J.01] DEFINITIONS.**

190.7 **Subdivision 1. Scope.** Unless otherwise defined in this chapter, or unless the  
190.8 context clearly indicates otherwise, the terms used in this chapter have the meaning given  
190.9 them in this section. The definitions in this section are for tax administration purposes  
190.10 and apply to this chapter.

190.11 **Subd. 2. Commissioner.** "Commissioner" means the commissioner of revenue or a  
190.12 person to whom the commissioner has delegated functions.

190.13 **Subd. 3. Mining.** "Mining" means excavating and mining of silica sand by any  
190.14 process, including digging, excavating, drilling, blasting, tunneling, dredging, stripping,  
190.15 or by shaft.

190.16 **Subd. 4. Person.** "Person" means an individual, fiduciary, estate, trust, partnership,  
190.17 or corporation.

190.18 **Subd. 5. Processing.** "Processing" means washing, cleaning, screening, crushing,  
190.19 filtering, sorting, stockpiling, and storing silica sand at the mining site or at any other site.

190.20 **Subd. 6. Qualified processor.** "Qualified processor" means any person who  
190.21 operates a mining and processing facility at the same location and uses means to  
190.22 reasonably prevent silica sand particles from becoming airborne. These methods include,  
190.23 but are not limited to, prohibiting outdoor storage piles, the use of a slurry pipeline to  
190.24 carry aggregate material into the washing facility, completely enclosing the washing  
190.25 facility, and any other means necessary or reasonable to significantly prevent silica sand  
190.26 particles from becoming airborne.

190.27 **Subd. 7. Silica sand.** "Silica sand" means well-rounded, sand-sized grains of quartz  
190.28 (silica dioxide) with very few impurities in terms of other minerals. Specifically, silica  
190.29 sand for the purpose of this section is commercially valuable for use in the hydraulic  
190.30 fracturing of shale to obtain oil and natural gas. Silica sand does not include common  
190.31 rock, stone, aggregate, gravel, sand with a low quartz level, or silica compounds recovered  
190.32 as a by-product of metallic mining.

190.33 **Subd. 8. Temporary storage.** "Temporary storage" means the storage of stockpiles  
190.34 of silica sand that have been transported and are awaiting further transport or processing.

190.35 **Subd. 9. Ton.** "Ton" means 2,000 pounds.

191.1 Subd. 10. **Transporting.** "Transporting" means hauling silica sand, by any carrier:  
191.2 (1) from the mining site to a processing or transfer site; or  
191.3 (2) from a processing or storage site to a rail, barge, or transfer site for shipment.

191.4 Subd. 11. **Year.** "Year" means a calendar year.

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

191.6 Sec. 4. **[297J.02] TAX IMPOSED.**

191.7 Subdivision 1. **Mining and storage tax; rate.** A tax is hereby imposed on any  
191.8 person who: (1) mines silica sand from within the state; or (2) transports silica sand into  
191.9 and stores the sand in the state. The rate of tax imposed is 55 cents per cubic yard of silica  
191.10 sand mined or stored. The volume includes any material removed from the extraction site  
191.11 prior to washing. For any person mining silica sand in a county that imposes the aggregate  
191.12 tax authorized under section 298.75, subdivisions 2 and 3, a credit equal to the amount of  
191.13 aggregate tax paid to the county is applied against the tax due under this section.

191.14 Subd. 2. **Processing tax; rate.** (a) A tax is hereby imposed on any person engaged  
191.15 in washing or processing silica sand within the state. The rate of tax imposed is three  
191.16 percent of the market value of the silica sand processed. Market value is determined based  
191.17 on the sale price of the processed silica sand.

191.18 (b) Notwithstanding paragraph (a), the rate of tax imposed on a qualified processor  
191.19 is one percent of the market value of the silica sand processed in the state.

191.20 Subd. 3. **Exemption.** A person is exempt from the mining tax in subdivision 1 if the  
191.21 person transports less than ten percent of the finished product on public roads.

191.22 Subd. 4. **Report and remittance.** Taxes imposed by this section are due and  
191.23 payable to the commissioner when the fracturing sand return is required to be filed.  
191.24 Persons mining or processing fracturing sand must file their monthly fracturing sand  
191.25 reports showing the amount of fracturing sand extracted or processed during the month  
191.26 reported on a form prescribed by the commissioner. Reports of extraction and processing  
191.27 fracturing sand and taxes imposed under this section must be filed with the commissioner  
191.28 on or before the 20th day of the month following the close of the previous calendar month.

191.29 Subd. 5. **Proceeds of taxes.** Revenue received from taxes under this chapter, as  
191.30 well as all related penalties, interest, fees, and miscellaneous sources of revenue, must be  
191.31 deposited by the commissioner in the state treasury and credited as follows:

191.32 (1) \$2,000,000 in fiscal year 2014, \$2,690,000 in fiscal year 2015, and \$2,000,000 in  
191.33 each fiscal year thereafter must be credited to the silica sand mining account in the special  
191.34 revenue fund under section 116C.992; and

192.1 (2) the balance of revenues derived from taxes, penalties, interest, fees, and  
192.2 miscellaneous sources of income are credited to the general fund.

192.3 Subd. 6. **Personal debt.** The tax imposed by this section, and interest and penalties  
192.4 imposed with respect to it, are a personal debt of the person required to file a return from  
192.5 the time the liability for it arises, irrespective of when the time for payment of the liability  
192.6 occurs. The debt must, in the case of the executor or administrator of the estate of a  
192.7 decedent and in the case of a fiduciary, be that of the person in the person's official or  
192.8 fiduciary capacity only unless the person has voluntarily distributed the assets held in that  
192.9 capacity without reserving sufficient assets to pay the tax, interest, and penalties, in which  
192.10 event the person is personally liable for any deficiency.

192.11 Subd. 7. **Refunds; appropriation.** A person who has, under this chapter, paid  
192.12 to the commissioner an amount of tax for a period in excess of the amount legally due  
192.13 for that period, may file with the commissioner a claim for a refund of the excess. The  
192.14 amount necessary to pay the refunds under this subdivision is appropriated from the  
192.15 general fund to the commissioner.

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

192.17 Sec. 5. **[297J.03] REGISTRATION; REPORTING; FILING REQUIREMENTS.**

192.18 Subdivision 1. **Registration.** A person who extracts or processes silica sand within  
192.19 the state must register with the commissioner, on a form prescribed by the commissioner,  
192.20 for a silica sand identification number. The commissioner shall issue the applicant a  
192.21 registration number. A registration number is not assignable and is valid only for the  
192.22 person in whose name it is issued.

192.23 Subd. 2. **Reporting.** (a) A person who extracts or processes silica sand in this state  
192.24 must file a report showing the amount of silica sand extracted or processed monthly on or  
192.25 before the 20th day of the month following the month in which the silica sand was extracted  
192.26 or processed. The commissioner may inspect the premises, books, and records, of a person  
192.27 subject to the silica sand tax during the normal business hours of the person extracting or  
192.28 processing silica sand. A person violating this section is guilty of a misdemeanor.

192.29 (b) A person shall keep at each place of business complete and accurate records  
192.30 for that place of business, including records of silica sand extracted or processed in the  
192.31 state. Scale records, sales records, or any other records of tons of silica sand extracted  
192.32 or processed in this state, produced or maintained by the person extracting or processing  
192.33 silica sand, must be retained by the person extracting or processing silica sand in this  
192.34 state. Books, records, invoices, and other papers and documents required by this section  
192.35 must be kept for a period of at least 3-1/2 years after the date of the monthly silica sand



193.1 report unless the commissioner of revenue authorizes, in writing, their destruction or  
193.2 disposal at an earlier date.

193.3 Subd. 3. **Extensions.** If, in the commissioner's judgment, good cause exists, the  
193.4 commissioner may extend the time for filing reports under this section and silica sand  
193.5 returns under section 297J.02 and for paying taxes under section 297J.02 for not more  
193.6 than six months.

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

193.8 Sec. 6. **[297J.04] LIMITATIONS ON TIME FOR ASSESSMENT OF TAX.**

193.9 Subdivision 1. **Assessment.** Except as otherwise provided in this chapter, the  
193.10 amount of taxes assessable must be assessed within 3-1/2 years after the date the return is  
193.11 filed, whether or not the return is filed on or after the date prescribed. A return must not be  
193.12 treated as filed until it is in processible form. A return is in processible form if it is filed  
193.13 on a permitted form and contains sufficient data to identify the taxpayer and permit the  
193.14 mathematical verification of the tax liability shown on the return. For purposes of this  
193.15 section, a return filed before the last day prescribed by law for filing is considered to  
193.16 be filed on the last day.

193.17 Subd. 2. **False or fraudulent return.** Notwithstanding subdivision 1, the tax may be  
193.18 assessed at any time if a false or fraudulent return is filed or if a taxpayer fails to file a return.

193.19 Subd. 3. **Omission in excess of 25 percent.** Additional taxes may be assessed  
193.20 within 6-1/2 years after the due date of the return or the date the return was filed,  
193.21 whichever is later, if the taxpayer omits from a return taxes in excess of 25 percent of  
193.22 the taxes reported in the return.

193.23 Subd. 4. **Time limit on refunds.** Unless otherwise provided in this chapter, a claim  
193.24 for a refund of an overpayment of tax must be filed within 3-1/2 years from the date  
193.25 prescribed for filing the silica sand tax return. Interest on refunds must be computed at  
193.26 the rate specified in section 270C.405 from the date of payment to the date the refund is  
193.27 paid or credited. For purposes of this subdivision, the date of payment is the later of the  
193.28 date the tax was finally due or was paid.

193.29 Subd. 5. **Bankruptcy; suspension of time.** The time during which a tax must be  
193.30 assessed or collection proceedings begun is suspended during the period from the date of a  
193.31 filing of a petition in bankruptcy until 30 days after either: (1) notice to the commissioner  
193.32 that the bankruptcy proceedings have been closed or dismissed; or (2) the automatic stay  
193.33 has been ended or has expired, whichever occurs first. The suspension of the statute of  
193.34 limitations under this subdivision applies to the person the petition in bankruptcy is filed  
193.35 against, and all other persons who may also be wholly or partially liable for the tax.

194.1 Subd. 6. **Extension agreement.** If, before the expiration of time prescribed in  
194.2 subdivisions 1 and 4 for the assessment of tax or the filing of a claim for refund, both the  
194.3 commissioner and the taxpayer have consented in writing to the assessment or filing of a  
194.4 claim for refund after that time, the tax may be assessed or the claim for refund filed at any  
194.5 time before the expiration of the agreed upon period. The period may be extended by later  
194.6 agreements in writing before the expiration of the period previously agreed upon.

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

194.8 Sec. 7. **[297J.05] CIVIL PENALTIES.**

194.9 Subdivision 1. **Penalty for failure to pay tax.** If a tax is not paid within the time  
194.10 specified for payment, a penalty is added to the amount required to be shown as tax. The  
194.11 penalty is five percent of the unpaid tax if the failure is for not more than 30 days, with  
194.12 an additional penalty of five percent of the amount of tax remaining unpaid during each  
194.13 additional 30 days or fraction of 30 days during which the failure continues, not exceeding  
194.14 15 percent in the aggregate. For purposes of this subdivision, if the taxpayer has not filed  
194.15 a return, the time specified for payment is the final date a return should have been filed.

194.16 Subd. 2. **Penalty for failure to make and file return.** If a taxpayer fails to make  
194.17 and file a return within the time prescribed or an extension, a penalty is added to the tax.  
194.18 The penalty is five percent of the amount of tax not paid on or before the date prescribed  
194.19 for payment of the tax.

194.20 Subd. 3. **Penalty for intentional disregard of law or rules.** If part of an additional  
194.21 assessment is due to negligence or intentional disregard of the provisions of this chapter or  
194.22 rules of the commissioner of revenue (but without intent to defraud), there is added to the  
194.23 tax an amount equal to ten percent of the additional assessment.

194.24 Subd. 4. **Penalty for false or fraudulent return; evasion.** If a person files a false  
194.25 or fraudulent return, or attempts in any manner to evade or defeat a tax or payment of  
194.26 tax, there is imposed on the person a penalty equal to 50 percent of the tax found due  
194.27 for the period to which the return related, less amounts paid by the person on the basis  
194.28 of the false or fraudulent return.

194.29 Subd. 5. **Penalty for repeated failures to file returns or pay taxes.** If there is a  
194.30 pattern by a person of repeated failures to timely file returns or timely pay taxes, and  
194.31 written notice is given that a penalty will be imposed if such failures continue, a penalty  
194.32 of 25 percent of the amount of tax not timely paid as a result of each such subsequent  
194.33 failure is added to the tax. The penalty can be abated under the abatement authority in  
194.34 section 270C.34.

195.1 Subd. 6. **Payment of penalties.** The penalties imposed by this section must be  
195.2 collected and paid in the same manner as taxes. These penalties are in addition to criminal  
195.3 penalties imposed by this chapter.

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

195.5 Sec. 8. **[297J.07] INTEREST.**

195.6 Subdivision 1. **Rate.** If an interest assessment is required under this section, interest  
195.7 is computed at the rate specified in section 270C.40.

195.8 Subd. 2. **Late payment.** If a tax is not paid within the time specified by law for  
195.9 payment, the unpaid tax bears interest from the date the tax should have been paid until  
195.10 the date the tax is paid.

195.11 Subd. 3. **Extensions.** If an extension of time for payment has been granted, interest  
195.12 must be paid from the date the payment should have been made if no extension had been  
195.13 granted, until the date the tax is paid.

195.14 Subd. 4. **Additional assessments.** If a taxpayer is liable for additional taxes because  
195.15 of a redetermination by the commissioner, or for any other reason, the additional taxes  
195.16 bear interest from the time the tax should have been paid, without regard to any extension  
195.17 allowed, until the date the tax is paid.

195.18 Subd. 5. **Erroneous refunds.** In the case of an erroneous refund, interest accrues  
195.19 from the date the refund was paid unless the erroneous refund results from a mistake of  
195.20 the department, then no interest or penalty is imposed unless the deficiency assessment is  
195.21 not satisfied within 60 days of the order.

195.22 Subd. 6. **Interest on judgments.** Notwithstanding section 549.09, if judgment is  
195.23 entered in favor of the commissioner with regard to any tax, the judgment bears interest  
195.24 at the rate specified in section 270C.40 from the date the judgment is entered until the  
195.25 date of payment.

195.26 Subd. 7. **Interest on penalties.** A penalty imposed under section 297J.05,  
195.27 subdivision 1, 2, 3, 4, or 5, bears interest from the date the return or payment was required  
195.28 to be filed or paid, including any extensions, to the date of payment of the penalty.

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

195.30 Sec. 9. Minnesota Statutes 2012, section 298.01, subdivision 3, is amended to read:

195.31 Subd. 3. **Occupation tax; other ores.** Every person engaged in the business of  
195.32 mining, refining, or producing ores, metals, or minerals in this state, except iron ore or  
195.33 taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided

196.1 in this subdivision. For purposes of this subdivision, mining includes the application  
196.2 of hydrometallurgical processes. The tax is determined in the same manner as the tax  
196.3 imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.17,  
196.4 subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax must be  
196.5 computed by applying to taxable income the rate of ~~2.45 percent~~ equal to one-half of  
196.6 the rate that applies under section 290.06, subdivision 1, for the taxable year. A person  
196.7 subject to occupation tax under this section shall apportion its net income on the basis of  
196.8 the percentage obtained by taking the sum of:

196.9 (1) 75 percent of the percentage which the sales made within this state in connection  
196.10 with the trade or business during the tax period are of the total sales wherever made in  
196.11 connection with the trade or business during the tax period;

196.12 (2) 12.5 percent of the percentage which the total tangible property used by the  
196.13 taxpayer in this state in connection with the trade or business during the tax period is of  
196.14 the total tangible property, wherever located, used by the taxpayer in connection with the  
196.15 trade or business during the tax period; and

196.16 (3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred  
196.17 in this state or paid in respect to labor performed in this state in connection with the trade  
196.18 or business during the tax period are of the taxpayer's total payrolls paid or incurred in  
196.19 connection with the trade or business during the tax period.

196.20 The tax is in addition to all other taxes.

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

196.22 Sec. 10. Minnesota Statutes 2012, section 298.01, subdivision 4, is amended to read:

196.23 Subd. 4. **Occupation tax; iron ore; taconite concentrates.** A person engaged in  
196.24 the business of mining or producing of iron ore, taconite concentrates or direct reduced ore  
196.25 in this state shall pay an occupation tax to the state of Minnesota. The tax is determined  
196.26 in the same manner as the tax imposed by section 290.02, except that sections 290.05,  
196.27 subdivision 1, clause (a), 290.17, subdivision 4, and 290.191, subdivision 2, do not apply,  
196.28 and the occupation tax shall be computed by applying to taxable income the rate of ~~2.45~~  
196.29 ~~percent~~ equal to one-half of the rate that applies under section 290.06, subdivision 1, for  
196.30 the taxable year. A person subject to occupation tax under this section shall apportion its  
196.31 net income on the basis of the percentage obtained by taking the sum of:

196.32 (1) 75 percent of the percentage which the sales made within this state in connection  
196.33 with the trade or business during the tax period are of the total sales wherever made in  
196.34 connection with the trade or business during the tax period;

197.1 (2) 12.5 percent of the percentage which the total tangible property used by the  
197.2 taxpayer in this state in connection with the trade or business during the tax period is of  
197.3 the total tangible property, wherever located, used by the taxpayer in connection with the  
197.4 trade or business during the tax period; and

197.5 (3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred  
197.6 in this state or paid in respect to labor performed in this state in connection with the trade  
197.7 or business during the tax period are of the taxpayer's total payrolls paid or incurred in  
197.8 connection with the trade or business during the tax period.

197.9 The tax is in addition to all other taxes.

197.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
197.11 December 31, 2012.

197.12 Sec. 11. Minnesota Statutes 2012, section 298.227, as amended by Laws 2013, chapter  
197.13 3, section 17, is amended to read:

197.14 **298.227 TACONITE ECONOMIC DEVELOPMENT FUND.**

197.15 (a) An amount equal to that distributed pursuant to each taconite producer's taxable  
197.16 production and qualifying sales under section 298.28, subdivision 9a, shall be held by  
197.17 the Iron Range Resources and Rehabilitation Board in a separate taconite economic  
197.18 development fund for each taconite and direct reduced ore producer. Money from the  
197.19 fund for each producer shall be released by the commissioner after review by a joint  
197.20 committee consisting of an equal number of representatives of the salaried employees and  
197.21 the nonsalaried production and maintenance employees of that producer. The District 11  
197.22 director of the United States Steelworkers of America, on advice of each local employee  
197.23 president, shall select the employee members. In nonorganized operations, the employee  
197.24 committee shall be elected by the nonsalaried production and maintenance employees. The  
197.25 review must be completed no later than six months after the producer presents a proposal  
197.26 for expenditure of the funds to the committee. The funds held pursuant to this section may  
197.27 be released only for workforce development and associated public facility improvement,  
197.28 or for acquisition of plant and stationary mining equipment and facilities for the producer  
197.29 or for research and development in Minnesota on new mining, or taconite, iron, or steel  
197.30 production technology, but only if the producer provides a matching expenditure equal to  
197.31 the amount of the distribution to be used for the same purpose ~~of at least 50 percent of~~  
197.32 ~~the distribution based on 14.7 cents per ton~~ beginning with distributions in ~~2002~~ 2014.  
197.33 Effective for proposals for expenditures of money from the fund beginning May 26, 2007,  
197.34 the commissioner may not release the funds before the next scheduled meeting of the

198.1 board. If a proposed expenditure is not approved by the board, the funds must be deposited  
198.2 in the Taconite Environmental Protection Fund under sections 298.222 to 298.225. If a  
198.3 producer uses money which has been released from the fund prior to May 26, 2007 to  
198.4 procure haulage trucks, mobile equipment, or mining shovels, and the producer removes  
198.5 the piece of equipment from the taconite tax relief area defined in section 273.134 within  
198.6 ten years from the date of receipt of the money from the fund, a portion of the money  
198.7 granted from the fund must be repaid to the taconite economic development fund. The  
198.8 portion of the money to be repaid is 100 percent of the grant if the equipment is removed  
198.9 from the taconite tax relief area within 12 months after receipt of the money from the fund,  
198.10 declining by ten percent for each of the subsequent nine years during which the equipment  
198.11 remains within the taconite tax relief area. If a taconite production facility is sold after  
198.12 operations at the facility had ceased, any money remaining in the fund for the former  
198.13 producer may be released to the purchaser of the facility on the terms otherwise applicable  
198.14 to the former producer under this section. If a producer fails to provide matching funds  
198.15 for a proposed expenditure within six months after the commissioner approves release  
198.16 of the funds, the funds are available for release to another producer in proportion to the  
198.17 distribution provided and under the conditions of this section. Any portion of the fund  
198.18 which is not released by the commissioner within one year of its deposit in the fund shall  
198.19 be divided between the taconite environmental protection fund created in section 298.223  
198.20 and the Douglas J. Johnson economic protection trust fund created in section 298.292 for  
198.21 placement in their respective special accounts. Two-thirds of the unreleased funds shall be  
198.22 distributed to the taconite environmental protection fund and one-third to the Douglas J.  
198.23 Johnson economic protection trust fund.

198.24 (b)(i) Notwithstanding the requirements of paragraph (a), setting the amount of  
198.25 distributions and the review process, an amount equal to ten cents per taxable ton of  
198.26 production in 2007, for distribution in 2008 only, that would otherwise be distributed  
198.27 under paragraph (a), may be used for a loan or grant for the cost of providing for a  
198.28 value-added wood product facility located in the taconite tax relief area and in a county  
198.29 that contains a city of the first class. This amount must be deducted from the distribution  
198.30 under paragraph (a) for which a matching expenditure by the producer is not required. The  
198.31 granting of the loan or grant is subject to approval by the board. If the money is provided  
198.32 as a loan, interest must be payable on the loan at the rate prescribed in section 298.2213,  
198.33 subdivision 3. (ii) Repayments of the loan and interest, if any, must be deposited in the  
198.34 taconite environment protection fund under sections 298.222 to 298.225. If a loan or  
198.35 grant is not made under this paragraph by July 1, 2012, the amount that had been made  
198.36 available for the loan under this paragraph must be transferred to the taconite environment

199.1 protection fund under sections 298.222 to 298.225. (iii) Money distributed in 2008 to the  
199.2 fund established under this section that exceeds ten cents per ton is available to qualifying  
199.3 producers under paragraph (a) on a pro rata basis.

199.4 (c) Repayment or transfer of money to the taconite environmental protection fund  
199.5 under paragraph (b), item (ii), must be allocated by the Iron Range Resources and  
199.6 Rehabilitation Board for public works projects in house legislative districts in the same  
199.7 proportion as taxable tonnage of production in 2007 in each house legislative district, for  
199.8 distribution in 2008, bears to total taxable tonnage of production in 2007, for distribution  
199.9 in 2008. Notwithstanding any other law to the contrary, expenditures under this paragraph  
199.10 do not require approval by the governor. For purposes of this paragraph, "house legislative  
199.11 districts" means the legislative districts in existence on May 15, 2009.

199.12 **EFFECTIVE DATE.** This section is effective beginning for the 2014 distribution.

199.13 Sec. 12. Minnesota Statutes 2012, section 298.24, subdivision 1, is amended to read:

199.14 Subdivision 1. **Imposed; calculation.** (a) For concentrate produced in ~~2001, 2002,~~  
199.15 ~~and 2003~~ 2013, there is imposed upon taconite and iron sulphides, and upon the mining  
199.16 and quarrying thereof, and upon the production of iron ore concentrate therefrom, and  
199.17 upon the concentrate so produced, a tax of ~~\$2.103~~ \$2.56 per gross ton of merchantable  
199.18 iron ore concentrate produced therefrom. ~~For concentrates produced in 2005, the tax rate~~  
199.19 ~~is the same rate imposed for concentrates produced in 2004. For concentrates produced in~~  
199.20 ~~2009 and subsequent years,~~ The tax is also imposed upon other iron-bearing material.

199.21 (b) For concentrates produced in ~~2006~~ 2014 and subsequent years, the tax rate shall  
199.22 be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax  
199.23 rate multiplied by the percentage increase in the implicit price deflator from the fourth  
199.24 quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit  
199.25 price deflator" means the implicit price deflator for the gross domestic product prepared by  
199.26 the Bureau of Economic Analysis of the United States Department of Commerce.

199.27 (c) An additional tax is imposed equal to three cents per gross ton of merchantable  
199.28 iron ore concentrate for each one percent that the iron content of the product exceeds 72  
199.29 percent, when dried at 212 degrees Fahrenheit.

199.30 (d) The tax on taconite and iron sulphides shall be imposed on the average of the  
199.31 production for the current year and the previous two years. The rate of the tax imposed  
199.32 will be the current year's tax rate. This clause shall not apply in the case of the closing  
199.33 of a taconite facility if the property taxes on the facility would be higher if this clause  
199.34 and section 298.25 were not applicable. The tax on other iron-bearing material shall be  
199.35 imposed on the current year production.

200.1 (e) If the tax or any part of the tax imposed by this subdivision is held to be  
200.2 unconstitutional, a tax of ~~\$2.103~~ \$2.56 per gross ton of merchantable iron ore concentrate  
200.3 produced shall be imposed.

200.4 (f) Consistent with the intent of this subdivision to impose a tax based upon the  
200.5 weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly  
200.6 determine the weight of merchantable iron ore concentrate included in fluxed pellets by  
200.7 subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic  
200.8 flux additives included in the pellets from the weight of the pellets. For purposes of this  
200.9 paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite,  
200.10 olivine, or other basic flux additives are combined with merchantable iron ore concentrate.  
200.11 No subtraction from the weight of the pellets shall be allowed for binders, mineral and  
200.12 chemical additives other than basic flux additives, or moisture.

200.13 (g)(1) Notwithstanding any other provision of this subdivision, for the first two years  
200.14 of a plant's commercial production of direct reduced ore from ore mined in this state, no  
200.15 tax is imposed under this section. As used in this paragraph, "commercial production" is  
200.16 production of more than 50,000 tons of direct reduced ore in the current year or in any prior  
200.17 year, "noncommercial production" is production of 50,000 tons or less of direct reduced ore  
200.18 in any year, and "direct reduced ore" is ore that results in a product that has an iron content  
200.19 of at least 75 percent. For the third year of a plant's commercial production of direct  
200.20 reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate otherwise  
200.21 determined under this subdivision. For the fourth commercial production year, the rate is  
200.22 50 percent of the rate otherwise determined under this subdivision; for the fifth commercial  
200.23 production year, the rate is 75 percent of the rate otherwise determined under this  
200.24 subdivision; and for all subsequent commercial production years, the full rate is imposed.

200.25 (2) Subject to clause (1), production of direct reduced ore in this state is subject to  
200.26 the tax imposed by this section, but if that production is not produced by a producer of  
200.27 taconite, iron sulfides, or other iron-bearing material, the production of taconite, iron  
200.28 sulfides, or other iron-bearing material, that is consumed in the production of direct  
200.29 reduced iron in this state is not subject to the tax imposed by this section on taconite,  
200.30 iron sulfides, or other iron-bearing material.

200.31 (3) Notwithstanding any other provision of this subdivision, no tax is imposed  
200.32 on direct reduced ore under this section during the facility's noncommercial production  
200.33 of direct reduced ore. The taconite or iron sulphides consumed in the noncommercial  
200.34 production of direct reduced ore is subject to the tax imposed by this section on taconite  
200.35 and iron sulphides. Three-year average production of direct reduced ore does not  
200.36 include production of direct reduced ore in any noncommercial year. Three-year average



201.1 production for a direct reduced ore facility that has noncommercial production is the  
201.2 average of the commercial production of direct reduced ore for the current year and the  
201.3 previous two commercial years.

201.4 (4) This paragraph applies only to plants for which all environmental permits have  
201.5 been obtained and construction has begun before July 1, 2008.

201.6 **EFFECTIVE DATE.** This section is effective beginning for the 2013 production  
201.7 year.

201.8 Sec. 13. Minnesota Statutes 2012, section 298.28, subdivision 4, is amended to read:

201.9 Subd. 4. **School districts.** (a) ~~23.15~~ 32.15 cents per taxable ton, plus the increase  
201.10 provided in paragraph (d), less the amount that would have been computed under  
201.11 Minnesota Statutes 2008, section 126C.21, subdivision 4, for the current year for that  
201.12 district, must be allocated to qualifying school districts to be distributed, based upon the  
201.13 certification of the commissioner of revenue, under paragraphs (b), (c), and (f).

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

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

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

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

201.27 (3) proceeds from the Mittal Steel Company and Minntac or their successors are  
201.28 distributed to Independent School Districts Nos. 712, Mountain Iron-Buhl, 706, Virginia,  
201.29 2711, Mesabi East, and 2154, Eveleth-Gilbert, or their successor districts;

201.30 (4) proceeds from the Northshore Mining Company or its successor are distributed  
201.31 to Independent School Districts Nos. 2142, St. Louis County, and 381, Lake Superior,  
201.32 or their successor districts; and

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

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

202.4 (c)(i) ~~15.72~~ 24.72 cents per taxable ton, less any amount distributed under paragraph  
202.5 (e), shall be distributed to a group of school districts comprised of those school districts  
202.6 which qualify as a tax relief area under section 273.134, paragraph (b), or in which there is  
202.7 a qualifying municipality as defined by section 273.134, paragraph (a), in direct proportion  
202.8 to school district indexes as follows: for each school district, its pupil units determined  
202.9 under section 126C.05 for the prior school year shall be multiplied by the ratio of the  
202.10 average adjusted net tax capacity per pupil unit for school districts receiving aid under  
202.11 this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year  
202.12 ending prior to distribution to the adjusted net tax capacity per pupil unit of the district.  
202.13 Each district shall receive that portion of the distribution which its index bears to the sum  
202.14 of the indices for all school districts that receive the distributions.

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

202.27 (d)(1) Any school district described in paragraph (c) where a levy increase pursuant  
202.28 to section 126C.17, subdivision 9, was authorized by referendum for taxes payable in  
202.29 2001, shall receive a distribution of 21.3 cents per ton. Each district shall receive \$175  
202.30 times the pupil units identified in section 126C.05, subdivision 1, enrolled in the second  
202.31 previous year or the 1983-1984 school year, whichever is greater, less the product of 1.8  
202.32 percent times the district's taxable net tax capacity in ~~the second previous year~~ 2011.

202.33 (2) Districts qualifying under paragraph (c) must receive additional taconite aid each  
202.34 year equal to 22.5 percent of the amount obtained by subtracting:

202.35 (i) 1.8 percent of the district's net tax capacity for 2011, from:

203.1 (ii) the district's weighted average daily membership for fiscal year 2012 multiplied  
 203.2 by the sum of:

203.3 (A) \$415, plus

203.4 (B) the district's referendum revenue allowance for fiscal year 2013.

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

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

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

203.21 (f) Four cents per taxable ton must be distributed to qualifying school districts  
 203.22 according to the distribution specified in paragraph (b), clause (ii), and ~~two~~ 11 cents  
 203.23 per taxable ton must be distributed according to the distribution specified in paragraph  
 203.24 (c). These amounts are not subject to sections 126C.21, subdivision 4, and 126C.48,  
 203.25 subdivision 8.

203.26 **EFFECTIVE DATE.** This section is effective beginning for the 2014 distribution.

203.27 Sec. 14. Minnesota Statutes 2012, section 298.28, subdivision 6, is amended to read:

203.28 Subd. 6. **Property tax relief.** (a) In ~~2002~~ 2014 and thereafter, ~~33.9~~ 34.8 cents per  
 203.29 taxable ton, less any amount required to be distributed under paragraphs (b) and (c), or  
 203.30 section 298.2961, subdivision 5, must be allocated to St. Louis County acting as the  
 203.31 counties' fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

203.32 (b) If an electric power plant owned by and providing the primary source of power  
 203.33 for a taxpayer mining and concentrating taconite is located in a county other than the  
 203.34 county in which the mining and the concentrating processes are conducted, .1875 cent per  
 203.35 taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county.

204.1 (c) If an electric power plant owned by and providing the primary source of power  
204.2 for a taxpayer mining and concentrating taconite is located in a school district other than  
204.3 a school district in which the mining and concentrating processes are conducted, .4541  
204.4 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to  
204.5 the school district.

204.6 **EFFECTIVE DATE.** This section is effective beginning for the 2014 distribution.

204.7 Sec. 15. Minnesota Statutes 2012, section 298.28, subdivision 10, is amended to read:

204.8 Subd. 10. **Increase.** (a) Except as provided in paragraph (b), beginning with  
204.9 distributions in 2000, the amount determined under subdivision 9 shall be increased in the  
204.10 same proportion as the increase in the implicit price deflator as provided in section 298.24,  
204.11 subdivision 1. Beginning with distributions in ~~2003~~ 2015, the amount determined under  
204.12 subdivision 6, paragraph (a), shall be increased in the same proportion as the increase in  
204.13 the implicit price deflator as provided in section 298.24, subdivision 1.

204.14 (b) For distributions in 2005 and subsequent years, an amount equal to the increased  
204.15 tax proceeds attributable to the increase in the implicit price deflator as provided in  
204.16 section 298.24, subdivision 1, for taxes paid in 2005, except for the amount of revenue  
204.17 increases provided in subdivision 4, paragraph (d), is distributed to the grant and loan fund  
204.18 established in section 298.2961, subdivision 4.

204.19 **EFFECTIVE DATE.** This section is effective beginning for the 2014 distribution.

204.20 Sec. 16. Minnesota Statutes 2012, section 298.75, subdivision 2, is amended to read:

204.21 Subd. 2. **Tax imposed.** (a) Except as provided in paragraph (e), a county that  
204.22 imposes the aggregate production tax shall impose upon every operator a production tax  
204.23 of 21.5 cents per cubic yard or 15 cents per ton of aggregate material excavated in the  
204.24 county except that the county board may decide not to impose this tax if it determines  
204.25 that in the previous year operators removed less than 20,000 tons or 14,000 cubic yards of  
204.26 aggregate material from that county. A county board may authorize an additional tax on  
204.27 aggregate material excavated in the county of up to 43 cents per cubic yard or 30 cents  
204.28 per ton of aggregate material excavated in the county. The tax shall not be imposed on  
204.29 aggregate material excavated in the county until the aggregate material is transported from  
204.30 the extraction site or sold, whichever occurs first. When aggregate material is stored in a  
204.31 stockpile within the state of Minnesota and a public highway, road or street is not used  
204.32 for transporting the aggregate material, the tax shall not be imposed until either when the

205.1 aggregate material is sold, or when it is transported from the stockpile site, or when it is  
205.2 used from the stockpile, whichever occurs first.

205.3 (b) Except as provided in paragraph (e), a county that imposes the aggregate  
205.4 production tax under paragraph (a) shall impose upon every importer a production tax  
205.5 of 21.5 cents per cubic yard or 15 cents per ton of aggregate material imported into the  
205.6 county. A county board may authorize an additional tax on every importer of up to 43  
205.7 cents per cubic yard or 30 cents per ton of aggregate material imported into the county.

205.8 The tax shall be imposed when the aggregate material is imported from the extraction site  
205.9 or sold. When imported aggregate material is stored in a stockpile within the state of  
205.10 Minnesota and a public highway, road, or street is not used for transporting the aggregate  
205.11 material, the tax shall be imposed either when the aggregate material is sold, when it is  
205.12 transported from the stockpile site, or when it is used from the stockpile, whichever occurs  
205.13 first. The tax shall be imposed on an importer when the aggregate material is imported  
205.14 into the county that imposes the tax.

205.15 (c) If the aggregate material is transported directly from the extraction site to a  
205.16 waterway, railway, or another mode of transportation other than a highway, road or street,  
205.17 the tax imposed by this section shall be apportioned equally between the county where the  
205.18 aggregate material is extracted and the county to which the aggregate material is originally  
205.19 transported. If that destination is not located in Minnesota, then the county where the  
205.20 aggregate material was extracted shall receive all of the proceeds of the tax.

205.21 (d) A county, city, or town that receives revenue under this section is prohibited  
205.22 from imposing any additional host community fees on aggregate production within that  
205.23 county, city, or town.

205.24 (e) A county that borders two other states and that is not contiguous to a county  
205.25 that imposes a tax under this section may impose the taxes under paragraphs (a) and (b)  
205.26 at the rate of ten cents per cubic yard or seven cents per ton. This paragraph expires  
205.27 December 31, 2014.

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

205.29 Sec. 17. **2013 DISTRIBUTION ONLY.**

205.30 For the 2013 distribution, a special fund is established to receive \$4,700,000 of the  
205.31 amount that otherwise would be distributed under Minnesota Statutes, section 298.28,  
205.32 subdivision 6, and this amount must be paid as follows:

205.33 (1) \$2,000,000 to the city of Hibbing for improvements to the city's water supply  
205.34 system;

206.1 (2) \$1,700,000 to the city of Mountain Iron for the cost of moving utilities required  
206.2 as a result of actions undertaken by United States Steel Corporation; and  
206.3 (3) \$1,000,000 to the city of Tower for improvements to a marina.

206.4 **EFFECTIVE DATE.** This section is effective for the 2013 distribution, all of which  
206.5 must be made in the August 2013 payment.

206.6 Sec. 18. **IRON RANGE RESOURCES AND REHABILITATION**  
206.7 **COMMISSIONER; BONDS AUTHORIZED.**

206.8 Subdivision 1. **Issuance; purpose.** Notwithstanding any provision of Minnesota  
206.9 Statutes, chapter 298, to the contrary, the commissioner of Iron Range resources and  
206.10 rehabilitation may issue revenue bonds in a principal amount of \$38,000,000 in one or more  
206.11 series, and bonds to refund those bonds. The proceeds of the bonds must be used to make  
206.12 grants to school districts located in the taconite tax relief area defined in Minnesota Statutes,  
206.13 section 273.134, or the taconite assistance area defined in Minnesota Statutes, section  
206.14 273.1341, to be used by the school districts to pay for building projects, such as energy  
206.15 efficiency, technology, infrastructure, health, safety, and maintenance improvements.

206.16 Subd. 2. **Appropriation.** (a) There is annually appropriated from the distribution of  
206.17 taconite production tax revenues under Minnesota Statutes, section 298.28, prior to the  
206.18 calculation of the amount of the remainder under Minnesota Statutes, section 298.28,  
206.19 subdivision 11, an amount sufficient to pay when due the principal and interest on the  
206.20 bonds issued pursuant to subdivision 1. The appropriation under this section must not  
206.21 exceed an amount equal to ten cents per taxable ton.

206.22 (b) If in any year the amount available under paragraph (a) is insufficient to pay  
206.23 principal and interest due on the bonds in that year, an additional amount is appropriated  
206.24 from the Douglas J. Johnson fund to make up the deficiency.

206.25 (c) The appropriation under this subdivision terminates upon payment or maturity of  
206.26 the last of the bonds issued under this section.

206.27 Subd. 3. **Credit enhancement.** The bonds issued under this section are "debt  
206.28 obligations" and the commissioner of Iron Range resources and rehabilitation is a "district"  
206.29 for purposes of Minnesota Statutes, section 126C.55, provided that advances made under  
206.30 Minnesota Statutes, section 126C.55, subdivision 2, are not subject to Minnesota Statutes,  
206.31 section 126C.55, subdivisions 4 to 7.

206.32 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
206.33 applies beginning with the 2014 distribution under Minnesota Statutes, section 298.28.

207.1 **ARTICLE 12**207.2 **PUBLIC FINANCE**

207.3 Section 1. Minnesota Statutes 2012, section 118A.04, subdivision 3, is amended to read:

207.4 Subd. 3. **State and local securities.** Funds may be invested in the following:

207.5 (1) any security which is a general obligation of any state or local government with  
207.6 taxing powers which is rated "A" or better by a national bond rating service;

207.7 (2) any security which is a revenue obligation of any state or local government ~~with~~  
207.8 ~~taxing powers~~ which is rated "AA" or better by a national bond rating service; ~~and~~

207.9 (3) a general obligation of the Minnesota housing finance agency which is a moral  
207.10 obligation of the state of Minnesota and is rated "A" or better by a national bond rating  
207.11 agency-; and

207.12 (4) any security which is an obligation of a school district with an original maturity  
207.13 not exceeding 13 months and (i) rated in the highest category by a national bond rating  
207.14 service or (ii) enrolled in the credit enhancement program pursuant to section 126C.55.

207.15 Sec. 2. Minnesota Statutes 2012, section 118A.05, subdivision 5, is amended to read:

207.16 Subd. 5. **Guaranteed investment contracts.** Agreements or contracts for  
207.17 guaranteed investment contracts may be entered into if they are issued or guaranteed  
207.18 by United States commercial banks, domestic branches of foreign banks, United States  
207.19 insurance companies, or their Canadian subsidiaries, or the domestic affiliates of any  
207.20 of the foregoing. The credit quality of the issuer's or guarantor's short- and long-term  
207.21 unsecured debt must be rated in one of the two highest categories by a nationally  
207.22 recognized rating agency. Agreements or contracts for guaranteed investment contracts  
207.23 with a term of 18 months or less may be entered into regardless of the credit quality of  
207.24 the issuer's or guarantor's long-term unsecured debt, provided that the credit quality of  
207.25 the issuer's short-term unsecured debt is rated in the highest category by a nationally  
207.26 recognized rating agency. Should the issuer's or guarantor's credit quality be downgraded  
207.27 below "A", the government entity must have withdrawal rights.

207.28 Sec. 3. Minnesota Statutes 2012, section 216C.436, subdivision 7, is amended to read:

207.29 Subd. 7. **Repayment.** An implementing entity that finances an energy improvement  
207.30 under this section must:

207.31 (1) secure payment with a lien against the ~~benefited~~ qualifying real property; and

208.1 (2) collect repayments as a special assessment as provided for in section 429.101  
208.2 or by charter, provided that special assessments may be made payable in up to 20 equal  
208.3 annual installments.

208.4 If the implementing entity is an authority, the local government that authorized  
208.5 the authority to act as implementing entity shall impose and collect special assessments  
208.6 necessary to pay debt service on bonds issued by the implementing entity under subdivision  
208.7 8, and shall transfer all collections of the assessments upon receipt to the authority.

208.8 Sec. 4. Minnesota Statutes 2012, section 373.01, subdivision 3, is amended to read:

208.9 Subd. 3. **Capital notes.** (a) A county board may, by resolution and without  
208.10 referendum, issue capital notes subject to the county debt limit to purchase capital  
208.11 equipment useful for county purposes that has an expected useful life at least equal to the  
208.12 term of the notes. The notes shall be payable in not more than ten years and shall be  
208.13 issued on terms and in a manner the board determines. A tax levy shall be made for  
208.14 payment of the principal and interest on the notes, in accordance with section 475.61,  
208.15 as in the case of bonds.

208.16 (b) For purposes of this subdivision, "capital equipment" means:

208.17 (1) public safety, ambulance, road construction or maintenance, and medical  
208.18 equipment; and

208.19 (2) computer hardware and software, without regard to its expected useful life,  
208.20 whether bundled with machinery or equipment or unbundled-, together with application  
208.21 development services and training related to the use of the computer hardware or software.

208.22 Sec. 5. Minnesota Statutes 2012, section 373.40, subdivision 1, is amended to read:

208.23 Subdivision 1. **Definitions.** For purposes of this section, the following terms have  
208.24 the meanings given.

208.25 (a) "Bonds" means an obligation as defined under section 475.51.

208.26 (b) "Capital improvement" means acquisition or betterment of public lands,  
208.27 buildings, or other improvements within the county for the purpose of a county courthouse,  
208.28 administrative building, health or social service facility, correctional facility, jail, law  
208.29 enforcement center, hospital, morgue, library, park, qualified indoor ice arena, roads  
208.30 and bridges, public works facilities, fairground buildings, and records and data storage  
208.31 facilities, and the acquisition of development rights in the form of conservation easements  
208.32 under chapter 84C. An improvement must have an expected useful life of five years or more  
208.33 to qualify. "Capital improvement" does not include a recreation or sports facility building  
208.34 (such as, but not limited to, a gymnasium, ice arena, racquet sports facility, swimming



209.1 pool, exercise room or health spa), unless the building is part of an outdoor park facility  
209.2 and is incidental to the primary purpose of outdoor recreation. For purposes of this section,  
209.3 "capital improvement" includes expenditures for purposes described in this paragraph that  
209.4 have been incurred by a county before approval of a capital improvement plan, if such  
209.5 expenditures are included in a capital improvement plan approved on or before the date of  
209.6 the public hearing under subdivision 2 regarding issuance of bonds for such expenditures.

209.7 (c) "Metropolitan county" means a county located in the seven-county metropolitan  
209.8 area as defined in section 473.121 or a county with a population of 90,000 or more.

209.9 (d) "Population" means the population established by the most recent of the  
209.10 following (determined as of the date the resolution authorizing the bonds was adopted):

209.11 (1) the federal decennial census,

209.12 (2) a special census conducted under contract by the United States Bureau of the  
209.13 Census, or

209.14 (3) a population estimate made either by the Metropolitan Council or by the state  
209.15 demographer under section 4A.02.

209.16 (e) "Qualified indoor ice arena" means a facility that meets the requirements of  
209.17 section 373.43.

209.18 (f) "Tax capacity" means total taxable market value, but does not include captured  
209.19 market value.

209.20 Sec. 6. Minnesota Statutes 2012, section 373.40, subdivision 2, is amended to read:

209.21 Subd. 2. **Application of election requirement.** (a) Bonds issued by a county  
209.22 to finance capital improvements under an approved capital improvement plan are not  
209.23 subject to the election requirements of section 375.18 or 475.58. The bonds must be  
209.24 approved by vote of at least three-fifths of the members of the county board. In the case  
209.25 of a metropolitan county, the bonds must be approved by vote of at least two-thirds of  
209.26 the members of the county board.

209.27 (b) Before issuance of bonds qualifying under this section, the county must publish  
209.28 a notice of its intention to issue the bonds and the date and time of a hearing to obtain  
209.29 public comment on the matter. The notice must be published in the official newspaper  
209.30 of the county or in a newspaper of general circulation in the county. The notice must be  
209.31 published at least 14, but not more than 28, days before the date of the hearing.

209.32 (c) A county may issue the bonds only upon obtaining the approval of a majority of  
209.33 the voters voting on the question of issuing the obligations, if a petition requesting a vote  
209.34 on the issuance is signed by voters equal to five percent of the votes cast in the county in  
209.35 the last county general election and is filed with the county auditor within 30 days after

210.1 the public hearing. ~~The commissioner of revenue shall prepare a suggested form of the~~  
210.2 ~~question to be presented at the election.~~ If the county elects not to submit the question to  
210.3 the voters, the county shall not propose the issuance of bonds under this section for the  
210.4 same purpose and in the same amount for a period of 365 days from the date of receipt  
210.5 of the petition. If the question of issuing the bonds is submitted and not approved by the  
210.6 voters, the provisions of section 475.58, subdivision 1a, shall apply.

210.7 Sec. 7. Minnesota Statutes 2012, section 383D.41, is amended by adding a subdivision  
210.8 to read:

210.9 Subd. 10. **Housing improvement areas.** (a) The Dakota County Community  
210.10 Development Agency has all powers of a city, in addition to its existing powers as an  
210.11 implementing entity, under sections 428A.11 to 428A.21, in connection with housing  
210.12 improvement areas in Dakota County. For purposes of the Dakota County Community  
210.13 Development Agency's exercise of those powers the provisions of this subdivision apply.

210.14 (b) References in sections 428A.11 to 428A.21 to:

210.15 (1) a "mayor" are references to the executive director of the Dakota County  
210.16 Community Development Agency;

210.17 (2) a "council" are references to the board of commissioners of the Dakota County  
210.18 Community Development Agency; and

210.19 (3) a "city clerk" are references to an official of the Dakota County Community  
210.20 Development Agency designated from time to time by the executive director of the Dakota  
210.21 County Community Development Agency.

210.22 (c) Notwithstanding section 428A.11, subdivision 3, and 428A.13, subdivision 1,  
210.23 the governing body of the Dakota County Community Development Agency may adopt  
210.24 a resolution, rather than an ordinance, establishing one or more housing improvement  
210.25 areas, and "enabling ordinance" means a resolution so adopted for purposes of sections  
210.26 428A.11 to 428A.21.

210.27 (d) As long as the governing body of the Dakota County Community Development  
210.28 Agency and the Dakota County Board of Commissioners consists of identical membership,  
210.29 the Dakota County Community Development Agency may pledge the full faith, credit and  
210.30 taxing power of Dakota County to obligations issued by the Dakota County Community  
210.31 Development Agency under section 428A.16.

210.32 (e) Notwithstanding the provisions of section 428A.21, the establishment by the  
210.33 Dakota County Community Development Agency of a new housing improvement area  
210.34 after June 30, 2016, requires enactment of a special law authorizing establishment of the  
210.35 area. Any extensions of the deadline for housing improvement districts under general law

211.1 beyond that date or repeal of the deadline also applies to housing improvement areas  
 211.2 established by the Dakota County Community Development Agency.

211.3 Sec. 8. Minnesota Statutes 2012, section 410.32, is amended to read:

211.4 **410.32 CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL EQUIPMENT.**

211.5 (a) Notwithstanding any contrary provision of other law or charter, a home rule  
 211.6 charter city may, by resolution and without public referendum, issue capital notes subject  
 211.7 to the city debt limit to purchase capital equipment.

211.8 (b) For purposes of this section, "capital equipment" means:

211.9 (1) public safety equipment, ambulance and other medical equipment, road  
 211.10 construction and maintenance equipment, and other capital equipment; and

211.11 (2) computer hardware and software, without regard to its expected useful life,  
 211.12 whether bundled with machinery or equipment or unbundled-, together with application  
 211.13 development services and training related to the use of the computer hardware and software.

211.14 (c) The equipment or software must have an expected useful life at least as long  
 211.15 as the term of the notes.

211.16 (d) The notes shall be payable in not more than ten years and be issued on terms and  
 211.17 in the manner the city determines. The total principal amount of the capital notes issued  
 211.18 in a fiscal year shall not exceed 0.03 percent of the market value of taxable property  
 211.19 in the city for that year.

211.20 (e) A tax levy shall be made for the payment of the principal and interest on the  
 211.21 notes, in accordance with section 475.61, as in the case of bonds.

211.22 (f) Notes issued under this section shall require an affirmative vote of two-thirds of  
 211.23 the governing body of the city.

211.24 (g) Notwithstanding a contrary provision of other law or charter, a home rule charter  
 211.25 city may also issue capital notes subject to its debt limit in the manner and subject to the  
 211.26 limitations applicable to statutory cities pursuant to section 412.301.

211.27 Sec. 9. Minnesota Statutes 2012, section 412.301, is amended to read:

211.28 **412.301 FINANCING PURCHASE OF CERTAIN EQUIPMENT.**

211.29 (a) The council may issue certificates of indebtedness or capital notes subject to the  
 211.30 city debt limits to purchase capital equipment.

211.31 (b) For purposes of this section, "capital equipment" means:

211.32 (1) public safety equipment, ambulance and other medical equipment, road  
 211.33 construction and maintenance equipment, and other capital equipment; and

212.1 (2) computer hardware and software, without regard to its expected useful life,  
212.2 whether bundled with machinery or equipment or unbundled-, together with application  
212.3 development services and training related to the use of the computer hardware or software.

212.4 (c) The equipment or software must have an expected useful life at least as long as  
212.5 the terms of the certificates or notes.

212.6 (d) Such certificates or notes shall be payable in not more than ten years and shall be  
212.7 issued on such terms and in such manner as the council may determine.

212.8 (e) If the amount of the certificates or notes to be issued to finance any such purchase  
212.9 exceeds 0.25 percent of the market value of taxable property in the city, they shall not  
212.10 be issued for at least ten days after publication in the official newspaper of a council  
212.11 resolution determining to issue them; and if before the end of that time, a petition asking  
212.12 for an election on the proposition signed by voters equal to ten percent of the number of  
212.13 voters at the last regular municipal election is filed with the clerk, such certificates or notes  
212.14 shall not be issued until the proposition of their issuance has been approved by a majority  
212.15 of the votes cast on the question at a regular or special election.

212.16 (f) A tax levy shall be made for the payment of the principal and interest on such  
212.17 certificates or notes, in accordance with section 475.61, as in the case of bonds.

212.18 Sec. 10. **[435.39] MUNICIPAL STREET IMPROVEMENT DISTRICTS.**

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

212.21 (b) "Governing body" means the city council of a municipality.

212.22 (c) "Improvements" means construction, reconstruction, and facility upgrades  
212.23 involving: right-of-way acquisition; paving; curbs and gutters; bridges and culverts and  
212.24 their repair; milling; overlaying; drainage and storm sewers; excavation; base work;  
212.25 subgrade corrections; street lighting; traffic signals; signage; sidewalks; pavement  
212.26 markings; boulevard and easement restoration; impact mitigation; connection and  
212.27 reconnection of utilities; turn lanes; medians; street and alley returns; retaining walls;  
212.28 fences; lane additions; and fixed transit infrastructure, trails, or pathways. "Fixed transit  
212.29 infrastructure" does not include commuter rail rolling stock, light rail vehicles, or  
212.30 transit way buses; capital costs for park-and-ride facilities; feasibility studies, planning,  
212.31 alternative analyses, environmental studies, engineering, or construction of transit ways;  
212.32 or operating assistance for transit ways.

212.33 (d) "Maintenance" means striping, seal coating, crack sealing, pavement repair,  
212.34 sidewalk maintenance, signal maintenance, street light maintenance, and signage.

213.1 (e) "Municipal street" means a street, alley, or public way in which the municipality  
 213.2 is the road authority with powers conferred by section 429.021.

213.3 (f) "Municipality" means a home rule charter or statutory city.

213.4 (g) "Street improvement district" means a geographic area designated by a  
 213.5 municipality and located within the municipality within which street improvements and  
 213.6 maintenance may be undertaken and financed according to this section.

213.7 (h) "Unimproved parcel" means a parcel of land that abuts an:

213.8 (1) unimproved municipal street and that is not served by municipal sewer or water  
 213.9 utilities; or

213.10 (2) improved municipal street and served by municipal sewer or water utilities  
 213.11 and that:

213.12 (i) is not improved by construction of an authorized structure; or

213.13 (ii) contains a structure that has not previously been occupied.

213.14 Subd. 2. **Authorization.** A municipality may establish by ordinance municipal  
 213.15 street improvement districts and may defray all or part of the total costs of municipal street  
 213.16 improvements and maintenance by apportioning street improvement fees to all of the  
 213.17 developed parcels located in the district. A street improvement district must not include  
 213.18 any property already located in another street improvement district.

213.19 Subd. 3. **Uniformity.** (a) The total costs of municipal street improvements and  
 213.20 maintenance must be apportioned to all developed parcels or developed tracts of land  
 213.21 located in the established street improvement district on a uniform basis within each  
 213.22 classification of real estate. Apportionment must be made on the basis of one of the  
 213.23 following:

213.24 (1) estimated market value;

213.25 (2) tax capacity;

213.26 (3) front footage;

213.27 (4) land or building area; or

213.28 (5) some combination of clauses (1) to (4).

213.29 (b) Costs must not be apportioned in such a way that the cost borne by any  
 213.30 classification of property is more than twice the cost that would be borne by that  
 213.31 classification if costs were apportioned uniformly to all classifications of property under  
 213.32 the method selected in paragraph (a), clauses (1) to (5).

213.33 Subd. 4. **Adoption of plan.** Before establishing a municipal street improvement  
 213.34 district or authorizing a street improvement fee, a municipality must propose and adopt a  
 213.35 street improvement plan that identifies the location of the municipal street improvement  
 213.36 district and identifies and estimates the costs of the proposed improvements during the

214.1 proposed period of collection of municipal street improvement fees, which must be for  
214.2 a period of at least five years and at most 20 years. Notice of a public hearing on the  
214.3 proposed plan must be given by mail to all affected landowners at least 30 days before  
214.4 the hearing and posted for at least 30 days before the hearing. At the public hearing, the  
214.5 governing body must present the plan and all affected landowners in attendance must have  
214.6 the opportunity to comment before the governing body considers adoption of the plan.

214.7 Subd. 5. **Use of fees.** Revenues from street improvement fees must be placed in  
214.8 a separate account and used only for projects located within the district and identified  
214.9 in the municipal street improvement plan.

214.10 Subd. 6. **Collection; up to 20 years.** (a) An ordinance adopted under this section  
214.11 must provide for billing and payment of the fee on a monthly, quarterly, or other basis  
214.12 as directed by the governing body. The governing body may collect municipal street  
214.13 improvement fees within a street improvement district for a maximum of 20 years.

214.14 (b) Fees that, as of October 15 of each year, have remained unpaid for at least 30  
214.15 days may be certified to the county auditor for collection as a special assessment payable  
214.16 in the following calendar year against the affected property.

214.17 Subd. 7. **Improvement fee.** A municipality may impose a municipal street  
214.18 improvement fee by ordinance. The ordinance must not be voted on or adopted until after  
214.19 public notice is provided and a public hearing is held in the same manner as provided in  
214.20 subdivision 4.

214.21 Subd. 8. **Not exclusive means of financing improvements.** The use of the  
214.22 municipal street improvement fee by a municipality does not restrict the municipality from  
214.23 imposing other measures to pay the costs of local street improvements or maintenance,  
214.24 except that a municipality must not impose special assessments for projects funded with  
214.25 street improvement fees.

214.26 Subd. 9. **Unimproved parcels; fees.** A municipality may not impose a street  
214.27 improvement fee on any unimproved parcel located within an established street  
214.28 improvement district until at least three years after either the date of substantial completion  
214.29 of the paving of the previous unimproved municipal street or the date which a structure is  
214.30 built and first occupied pursuant to a certificate of occupancy, whichever is later.

214.31 Subd. 10. **Exempt property.** A municipality must not impose a municipal street  
214.32 improvement fee on property that is exempt from taxation under the provisions of the  
214.33 Minnesota Constitution, article X, section 1.

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

215.1 Sec. 11. Minnesota Statutes 2012, section 473.39, is amended by adding a subdivision  
215.2 to read:

215.3 Subd. 1s. **Obligations.** After July 1, 2013, in addition to other authority in this  
215.4 section, the council may issue certificates of indebtedness, bonds, or other obligations  
215.5 under this section in an amount not exceeding \$35,800,000 for capital expenditures as  
215.6 prescribed in the council's transit capital improvement program and for related costs,  
215.7 including the costs of issuance and sale of the obligations.

215.8 **EFFECTIVE DATE.** This section is effective the day following final enactment  
215.9 and applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and  
215.10 Washington.

215.11 Sec. 12. Minnesota Statutes 2012, section 474A.04, subdivision 1a, is amended to read:

215.12 Subd. 1a. **Entitlement reservations; carryforward; deduction.** Any amount  
215.13 returned by an entitlement issuer before July 15 shall be reallocated through the housing  
215.14 pool. Any amount returned on or after July 15 shall be reallocated through the unified  
215.15 pool. An amount returned after the last Monday in November shall be reallocated to the  
215.16 Minnesota Housing Finance Agency. ~~Any amount of bonding authority that an entitlement~~  
215.17 ~~issuer carries forward under federal tax law that is not permanently issued or for which~~  
215.18 ~~the governing body of the entitlement issuer has not enacted a resolution electing to use~~  
215.19 ~~the authority for mortgage credit certificates and has not provided a notice of issue to the~~  
215.20 ~~commissioner before 4:30 p.m. on the last business day in December of the succeeding~~  
215.21 ~~calendar year shall be deducted from the entitlement allocation for that entitlement issuer~~  
215.22 ~~in the next succeeding calendar year. Any amount deducted from an entitlement issuer's~~  
215.23 ~~allocation under this subdivision shall be reallocated to other entitlement issuers, the~~  
215.24 ~~housing pool, the small issue pool, and the public facilities pool on a proportional basis~~  
215.25 ~~consistent with section 474A.03.~~

215.26 **EFFECTIVE DATE.** This section is effective the day following final enactment  
215.27 and applies to any bonding authority allocated in 2012 and subsequent years.

215.28 Sec. 13. Minnesota Statutes 2012, section 474A.062, is amended to read:

215.29 **474A.062 MINNESOTA OFFICE OF HIGHER EDUCATION 120-DAY**  
215.30 **ISSUANCE EXEMPTION.**

215.31 The Minnesota Office of Higher Education is exempt from the 120-day issuance  
215.32 requirements in this chapter and may carry forward allocations for student loan bonds into

216.1 ~~one successive calendar year~~, subject to carryforward notice requirements of section  
216.2 474A.131, subdivision 2.

216.3 **EFFECTIVE DATE.** This section is effective the day following final enactment  
216.4 and applies to any bonding authority allocated in 2012 and subsequent years.

216.5 Sec. 14. Minnesota Statutes 2012, section 474A.091, subdivision 3a, is amended to read:

216.6 Subd. 3a. **Mortgage bonds.** (a) Bonding authority remaining in the unified pool on  
216.7 October 1 is available for single-family housing programs for cities that applied in January  
216.8 and received an allocation under section 474A.061, subdivision 2a, in the same calendar  
216.9 year. The Minnesota Housing Finance Agency shall receive an allocation for mortgage  
216.10 bonds pursuant to this section, minus any amounts for a city or consortium that intends to  
216.11 issue bonds on its own behalf under paragraph (c).

216.12 (b) The agency may issue bonds on behalf of participating cities. The agency shall  
216.13 request an allocation from the commissioner for all applicants who choose to have the  
216.14 agency issue bonds on their behalf and the commissioner shall allocate the requested  
216.15 amount to the agency. Allocations shall be awarded by the commissioner each Monday  
216.16 commencing on the first Monday in October through the last Monday in November for  
216.17 applications received by 4:30 p.m. on the Monday of the week preceding an allocation.

216.18 For cities who choose to have the agency issue bonds on their behalf, allocations  
216.19 will be made loan by loan, on a first-come, first-served basis among the cities. The  
216.20 agency shall submit an application fee pursuant to section 474A.03, subdivision 4, and an  
216.21 application deposit equal to two percent of the requested allocation to the commissioner  
216.22 when requesting an allocation from the unified pool. After awarding an allocation and  
216.23 receiving a notice of issuance for mortgage bonds issued on behalf of the participating  
216.24 cities, the commissioner shall transfer the application deposit to the Minnesota Housing  
216.25 Finance Agency.

216.26 For purposes of paragraphs (a) to (d), "city" means a county or a consortium of  
216.27 local government units that agree through a joint powers agreement to apply together  
216.28 for single-family housing programs, and has the meaning given it in section 462C.02,  
216.29 subdivision 6. "Agency" means the Minnesota Housing Finance Agency.

216.30 (c) Any city that received an allocation pursuant to section 474A.061, subdivision  
216.31 2a, paragraph (f), in the current year that wishes to receive an additional allocation from  
216.32 the unified pool and issue bonds on its own behalf or pursuant to a joint powers agreement  
216.33 shall notify the Minnesota Housing Finance Agency by the third Monday in September.  
216.34 The total amount of allocation for mortgage bonds for a city choosing to issue bonds on its  
216.35 own behalf or through a joint powers agreement is limited to the lesser of: (i) the amount



217.1 requested, or (ii) the product of the total amount available for mortgage bonds from the  
217.2 unified pool, multiplied by the ratio of the population of each city that applied in January  
217.3 and received an allocation under section 474A.061, subdivision 2a, in the same calendar  
217.4 year, as determined by the most recent estimate of the city's population released by the  
217.5 state demographer's office to the total of the population of all the cities that applied in  
217.6 January and received an allocation under section 474A.061, subdivision 2a, in the same  
217.7 calendar year. If a city choosing to issue bonds on its own behalf or through a joint powers  
217.8 agreement is located within a county that has also chosen to issue bonds on its own behalf  
217.9 or through a joint powers agreement, the city's population will be deducted from the  
217.10 county's population in calculating the amount of allocations under this paragraph.

217.11 The Minnesota Housing Finance Agency shall notify each city choosing to issue  
217.12 bonds on its own behalf or pursuant to a joint powers agreement of the amount of its  
217.13 allocation by October 15. Upon determining the amount of the allocation of each choosing  
217.14 to issue bonds on its own behalf or through a joint powers agreement, the agency shall  
217.15 forward a list specifying the amounts allotted to each city.

217.16 A city that chooses to issue bonds on its own behalf or through a joint powers  
217.17 agreement may request an allocation from the commissioner by forwarding an application  
217.18 with an application fee pursuant to section 474A.03, subdivision 4, and an application  
217.19 deposit equal to two percent of the requested amount to the commissioner no later than  
217.20 4:30 p.m. on the Monday of the week preceding an allocation. Allocations to cities that  
217.21 choose to issue bonds on their own behalf shall be awarded by the commissioner on  
217.22 the first Monday after October 15 through the last Monday in November. No city may  
217.23 receive an allocation from the commissioner after the last Monday in November. The  
217.24 commissioner shall allocate the requested amount to the city or cities subject to the  
217.25 limitations under this subdivision.

217.26 If a city issues mortgage bonds from an allocation received under this paragraph,  
217.27 the issuer must provide for the recycling of funds into new loans. If the issuer is not  
217.28 able to provide for recycling, the issuer must notify the commissioner in writing of the  
217.29 reason that recycling was not possible and the reason the issuer elected not to have the  
217.30 Minnesota Housing Finance Agency issue the bonds. "Recycling" means the use of money  
217.31 generated from the repayment and prepayment of loans for further eligible loans or for the  
217.32 redemption of bonds and the issuance of current refunding bonds.

217.33 (d) No entitlement city or county or city in an entitlement county may apply for or  
217.34 be allocated authority to issue mortgage bonds or use mortgage credit certificates from  
217.35 the unified pool.

218.1 (e) An allocation awarded to the agency for mortgage bonds under this section  
218.2 may be carried forward by the agency ~~into the next succeeding calendar year~~ subject to  
218.3 notice requirements under section 474A.131 ~~and is available until the last business day in~~  
218.4 ~~December of that succeeding calendar year.~~

218.5 **EFFECTIVE DATE.** This section is effective the day following final enactment  
218.6 and applies to any bonding authority allocated in 2012 and subsequent years.

218.7 Sec. 15. Minnesota Statutes 2012, section 475.521, subdivision 1, is amended to read:

218.8 Subdivision 1. **Definitions.** For purposes of this section, the following terms have  
218.9 the meanings given.

218.10 (a) "Bonds" mean an obligation defined under section 475.51.

218.11 (b) "Capital improvement" means acquisition or betterment of public lands,  
218.12 buildings or other improvements for the purpose of a city hall, town hall, library, public  
218.13 safety facility, and public works facility. An improvement must have an expected useful  
218.14 life of five years or more to qualify. Capital improvement does not include light rail transit  
218.15 or any activity related to it, or a park, road, bridge, administrative building other than a  
218.16 city or town hall, or land for any of those facilities. For purposes of this section, "capital  
218.17 improvement" includes expenditures for purposes described in this paragraph that have  
218.18 been incurred by a municipality before approval of a capital improvement plan, if such  
218.19 expenditures are included in a capital improvement plan approved on or before the date of  
218.20 the public hearing under subdivision 2 regarding issuance of bonds for such expenditures.

218.21 (c) "Municipality" means a home rule charter or statutory city or a town described in  
218.22 section 368.01, subdivision 1 or 1a.

218.23 Sec. 16. Minnesota Statutes 2012, section 475.521, subdivision 2, is amended to read:

218.24 Subd. 2. **Election requirement.** (a) Bonds issued by a municipality to finance  
218.25 capital improvements under an approved capital improvements plan are not subject to the  
218.26 election requirements of section 475.58. The bonds must be approved by an affirmative  
218.27 vote of three-fifths of the members of a five-member governing body. In the case of a  
218.28 governing body having more or less than five members, the bonds must be approved by a  
218.29 vote of at least two-thirds of the members of the governing body.

218.30 (b) Before the issuance of bonds qualifying under this section, the municipality  
218.31 must publish a notice of its intention to issue the bonds and the date and time of the  
218.32 hearing to obtain public comment on the matter. The notice must be published in the  
218.33 official newspaper of the municipality or in a newspaper of general circulation in the  
218.34 municipality. Additionally, the notice may be posted on the official Web site, if any, of the

219.1 municipality. The notice must be published at least 14 but not more than 28 days before  
219.2 the date of the hearing.

219.3 (c) A municipality may issue the bonds only after obtaining the approval of a  
219.4 majority of the voters voting on the question of issuing the obligations, if a petition  
219.5 requesting a vote on the issuance is signed by voters equal to five percent of the votes cast  
219.6 in the municipality in the last municipal general election and is filed with the clerk within  
219.7 30 days after the public hearing. ~~The commissioner of revenue shall prepare a suggested~~  
219.8 ~~form of the question to be presented at the election.~~ If the municipality elects not to submit  
219.9 the question to the voters, the municipality shall not propose the issuance of bonds under  
219.10 this section for the same purpose and in the same amount for a period of 365 days from the  
219.11 date of receipt of the petition. If the question of issuing the bonds is submitted and not  
219.12 approved by the voters, the provisions of section 475.58, subdivision 1a, shall apply.

219.13 Sec. 17. Minnesota Statutes 2012, section 475.58, subdivision 3b, is amended to read:

219.14 Subd. 3b. **Street reconstruction and bituminous overlays.** (a) A municipality may,  
219.15 without regard to the election requirement under subdivision 1, issue and sell obligations  
219.16 for street reconstruction or bituminous overlays, if the following conditions are met:

219.17 (1) the streets are reconstructed or overlaid under a street reconstruction or overlay  
219.18 plan that describes the street reconstruction or overlay to be financed, the estimated costs,  
219.19 and any planned reconstruction or overlay of other streets in the municipality over the  
219.20 next five years, and the plan and issuance of the obligations has been approved by a vote  
219.21 of all of the members of the governing body present at the meeting following a public  
219.22 hearing for which notice has been published in the official newspaper at least ten days but  
219.23 not more than 28 days prior to the hearing; and

219.24 (2) if a petition requesting a vote on the issuance is signed by voters equal to  
219.25 five percent of the votes cast in the last municipal general election and is filed with the  
219.26 municipal clerk within 30 days of the public hearing, the municipality may issue the bonds  
219.27 only after obtaining the approval of a majority of the voters voting on the question of the  
219.28 issuance of the obligations. If the municipality elects not to submit the question to the  
219.29 voters, the municipality shall not propose the issuance of bonds under this section for the  
219.30 same purpose and in the same amount for a period of 365 days from the date of receipt  
219.31 of the petition. If the question of issuing the bonds is submitted and not approved by the  
219.32 voters, the provisions of section 475.58, subdivision 1a, shall apply.

219.33 (b) Obligations issued under this subdivision are subject to the debt limit of the  
219.34 municipality and are not excluded from net debt under section 475.51, subdivision 4.

220.1 (c) For purposes of this subdivision, street reconstruction and bituminous overlays  
220.2 includes utility replacement and relocation and other activities incidental to the street  
220.3 reconstruction, turn lanes and other improvements having a substantial public safety  
220.4 function, realignments, other modifications to intersect with state and county roads, and  
220.5 the local share of state and county road projects. For purposes of this subdivision, "street  
220.6 reconstruction" includes expenditures for street reconstruction that have been incurred  
220.7 by a municipality before approval of a street reconstruction plan, if such expenditures  
220.8 are included in a street reconstruction plan approved on or before the date of the public  
220.9 hearing under paragraph (a), clause (1) regarding issuance of bonds for such expenditures.

220.10 (d) Except in the case of turn lanes, safety improvements, realignments, intersection  
220.11 modifications, and the local share of state and county road projects, street reconstruction  
220.12 and bituminous overlays does not include the portion of project cost allocable to widening  
220.13 a street or adding curbs and gutters where none previously existed.

220.14 Sec. 18. Laws 1971, chapter 773, section 1, subdivision 2, as amended by Laws 1974,  
220.15 chapter 351, section 5, Laws 1976, chapter 234, sections 1 and 7, Laws 1978, chapter 788,  
220.16 section 1, Laws 1981, chapter 369, section 1, Laws 1983, chapter 302, section 1, Laws  
220.17 1988, chapter 513, section 1, Laws 1992, chapter 511, article 9, section 23, Laws 1998,  
220.18 chapter 389, article 3, section 27, and Laws 2002, chapter 390, section 23, is amended to  
220.19 read:

220.20 Subd. 2. For each of the years ~~2003 to 2013~~ to 2024, the city of St. Paul is  
220.21 authorized to issue bonds in the aggregate principal amount of \$20,000,000 for each year.

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

220.25 Sec. 19. **CARRYFORWARD OF BONDING AUTHORITY FOR 2011; NO**  
220.26 **DEDUCTION FROM ENTITLEMENT ALLOCATION.**

220.27 Notwithstanding Minnesota Statutes, section 474A.04, subdivision 1a, bonding  
220.28 authority that was allocated to an entitlement issuer in 2011 and that was carried forward  
220.29 under federal tax law, but for which the entitlement issuer did not provide a notice of issue  
220.30 to the commissioner of management and budget before 4:30 p.m. on the last business  
220.31 day of December 2012 must not be deducted from the entitlement allocation for that  
220.32 entitlement issuer in 2013.

221.1 **EFFECTIVE DATE.** This section is effective the day following final enactment  
221.2 and applies retroactively to rescind any reallocation by the commissioner of management  
221.3 and budget under Minnesota Statutes, section 474A.04, subdivision 1a, of any amounts so  
221.4 deducted.

## 221.5 **ARTICLE 13**

### 221.6 **MISCELLANEOUS PROVISIONS**

221.7 Section 1. Minnesota Statutes 2012, section 163.051, is amended to read:

#### 221.8 **163.051 METROPOLITAN COUNTY WHEELAGE TAX.**

221.9 Subdivision 1. **Tax authorized.** (a) Except as provided in paragraph ~~(b)~~ (c), the  
221.10 board of commissioners of each metropolitan county is authorized to levy by resolution a  
221.11 wheelage tax of \$5 for the year 1972 and each subsequent year thereafter by resolution  
221.12 at the rate specified in paragraph (b), on each motor vehicle that is kept in such county  
221.13 when not in operation and that is subject to annual registration and taxation under chapter  
221.14 168. The board may provide by resolution for collection of the wheelage tax by county  
221.15 officials or it may request that the tax be collected by the state registrar of motor vehicles;  
221.16 ~~and.~~ The state registrar of motor vehicles shall collect such tax on behalf of the county if  
221.17 requested, as provided in subdivision 2.

221.18 (b) The wheelage tax under this section is at the rate of:

221.19 (1) from January 1, 2014, through December 31, 2017, \$10 per year for each county  
221.20 that authorizes the tax; and

221.21 (2) on and after January 1, 2018, up to \$20 per year, in any increment of a whole  
221.22 dollar, as specified by each county that authorizes the tax.

221.23 (c) The following vehicles are exempt from the wheelage tax:

221.24 (1) motorcycles, as defined in section 169.011, subdivision 44;

221.25 (2) motorized bicycles, as defined in section 169.011, subdivision 45; and

221.26 ~~(3) electric-assisted bicycles, as defined in section 169.011, subdivision 27; and~~

221.27 ~~(4)~~ (3) motorized foot scooters, as defined in section 169.011, subdivision 46.

221.28 (d) For any county that authorized the tax prior to the effective date of this section,  
221.29 the wheelage tax continues at the rate provided under paragraph (b).

221.30 Subd. 2. **Collection by registrar of motor vehicles.** The wheelage tax levied by  
221.31 any metropolitan county, if made collectible by the state registrar of motor vehicles,  
221.32 shall be certified by the county auditor to the registrar not later than August 1 in the year  
221.33 before the calendar year or years for which the tax is levied, and the registrar shall collect  
221.34 such tax with the motor vehicle taxes on the affected vehicles for such year or years.

222.1 Every owner and every operator of such a motor vehicle shall furnish to the registrar all  
 222.2 information requested by the registrar. No state motor vehicle tax on any such motor  
 222.3 vehicle for any such year shall be received or deemed paid unless the applicable wheelage  
 222.4 tax is paid therewith. ~~The proceeds of the wheelage tax levied by any metropolitan county,~~  
 222.5 ~~less any amount retained by the registrar to pay costs of collection of the wheelage tax,~~  
 222.6 ~~shall be paid to the commissioner of management and budget and deposited in the state~~  
 222.7 ~~treasury to the credit of the county wheelage tax fund of each metropolitan county.~~

222.8 **Subd. 2a. Tax proceeds deposited; costs of collection; appropriation.**  
 222.9 Notwithstanding the provisions of any other law, the state registrar of motor vehicles shall  
 222.10 deposit the proceeds of the wheelage tax imposed by subdivision 2, to the credit of the  
 222.11 county wheelage tax fund account of each metropolitan county. The amount necessary to  
 222.12 pay the costs of collection of said tax is appropriated from the county wheelage tax fund  
 222.13 account of each metropolitan county to the state registrar of motor vehicles.

222.14 **Subd. 3. Distribution to metropolitan county; appropriation.** ~~On or before~~  
 222.15 ~~April 1 in 1972 and each subsequent year, the commissioner of management and budget~~  
 222.16 On a monthly basis, the registrar of motor vehicles shall issue a warrant in favor of the  
 222.17 treasurer of each metropolitan county for which the registrar has collected a wheelage tax  
 222.18 in the amount of such tax then on hand in the county wheelage tax fund account. There  
 222.19 is hereby appropriated from the county wheelage tax fund account each year, to each  
 222.20 metropolitan county entitled to payments authorized by this section, sufficient moneys  
 222.21 to make such payments.

222.22 **Subd. 4. Use of tax.** The treasurer of each metropolitan county receiving moneys  
 222.23 payments under subdivision 3 shall deposit such moneys payments in the county road and  
 222.24 bridge fund. The moneys shall be used for purposes authorized by law which are highway  
 222.25 purposes within the meaning of the Minnesota Constitution, article 14.

222.26 ~~**Subd. 6. Metropolitan county defined.** "Metropolitan county" means any of the~~  
 222.27 ~~counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.~~

222.28 **Subd. 7. Offenses; penalties; application of other laws.** (a) Any owner or operator  
 222.29 of a motor vehicle who ~~shall~~ willfully give gives any false information relative to the tax  
 222.30 ~~herein~~ authorized by this section to the registrar of motor vehicles or any metropolitan  
 222.31 county, or who ~~shall~~ willfully fail or refuse fails or refuses to furnish any such information,  
 222.32 ~~shall be~~ is guilty of a misdemeanor.

222.33 (b) Except as otherwise ~~herein~~ provided in this section, the collection and payment  
 222.34 of a wheelage tax and all matters relating thereto ~~shall be~~ are subject to all provisions of  
 222.35 law relating to collection and payment of motor vehicle taxes so far as applicable.

223.1 **EFFECTIVE DATE.** This section is effective the day following final enactment  
223.2 and applies to a registration period under Minnesota Statutes, chapter 168, starting on  
223.3 or after January 1, 2014.

223.4 Sec. 2. Minnesota Statutes 2012, section 237.52, subdivision 3, is amended to read:

223.5 Subd. 3. **Collection.** Every provider of services capable of originating a TRS call,  
223.6 including cellular communications and other nonwire access services, in this state shall,  
223.7 except as provided in subdivision 3a, collect the charges established by the commission  
223.8 under subdivision 2 and transfer amounts collected to the commissioner of public  
223.9 safety in the same manner as provided in section 403.11, subdivision 1, paragraph (d).  
223.10 The commissioner of public safety must deposit the receipts in the fund established in  
223.11 subdivision 1.

223.12 **EFFECTIVE DATE.** This section is effective January 1, 2014.

223.13 Sec. 3. Minnesota Statutes 2012, section 237.52, is amended by adding a subdivision  
223.14 to read:

223.15 Subd. 3a. **Fee for prepaid wireless telecommunications service.** The fee  
223.16 established in subdivision 2 does not apply to prepaid wireless telecommunications  
223.17 services as defined in section 403.02, subdivision 17b, which are instead subject to the  
223.18 prepaid wireless telecommunications access Minnesota fee established in section 403.161,  
223.19 subdivision 1, paragraph (b). Collection, remittance, and deposit of prepaid wireless  
223.20 telecommunications access Minnesota fees are governed by sections 403.161 and 403.162.

223.21 **EFFECTIVE DATE.** This section is effective January 1, 2014.

223.22 Sec. 4. Minnesota Statutes 2012, section 270B.01, subdivision 8, is amended to read:

223.23 Subd. 8. **Minnesota tax laws.** For purposes of this chapter only, unless expressly  
223.24 stated otherwise, "Minnesota tax laws" means:

223.25 (1) the taxes, refunds, and fees administered by or paid to the commissioner under  
223.26 chapters 115B, 289A (except taxes imposed under sections 298.01, 298.015, and 298.24),  
223.27 290, 290A, 291, 295, 297A, 297B, ~~and~~ 297H, and 403, or any similar Indian tribal tax  
223.28 administered by the commissioner pursuant to any tax agreement between the state and  
223.29 the Indian tribal government, and includes any laws for the assessment, collection, and  
223.30 enforcement of those taxes, refunds, and fees; and

223.31 (2) section 273.1315.

223.32 **EFFECTIVE DATE.** This section is effective January 1, 2014.

224.1 Sec. 5. Minnesota Statutes 2012, section 270B.12, subdivision 4, is amended to read:

224.2 Subd. 4. **Department of Public Safety.** The commissioner may disclose return  
224.3 information to the Department of Public Safety for the purpose of and to the extent  
224.4 necessary to administer ~~section~~ sections 270C.725 and 403.16 to 403.162.

224.5 **EFFECTIVE DATE.** This section is effective January 1, 2014.

224.6 Sec. 6. Minnesota Statutes 2012, section 271.06, is amended by adding a subdivision  
224.7 to read:

224.8 Subd. 2a. **Timely mailing treated as timely filing.** (a) If, after the period prescribed  
224.9 by subdivision 2, the original notice of appeal, proof of service upon the commissioner,  
224.10 and filing fee are delivered by mail in the United States to the Tax Court administrator  
224.11 or the court administrator of district court acting as court administrator of the Tax Court,  
224.12 then the date of filing is the date of the United States postmark stamped on the envelope  
224.13 or other appropriate wrapper in which the notice of appeal, proof of service upon the  
224.14 commissioner, and filing fee are mailed.

224.15 (b) This subdivision applies only if the postmark date falls within the period  
224.16 prescribed by subdivision 2 and the original notice of appeal, proof of service upon the  
224.17 commissioner, and filing fee are deposited in the mail in the United States in an envelope  
224.18 or other appropriate wrapper, postage prepaid, properly addressed to the Tax Court  
224.19 administrator or the court administrator of district court acting as court administrator of  
224.20 the Tax Court.

224.21 (c) Only the postmark of the United States Postal Service qualifies as proof of  
224.22 timely mailing under this subdivision. Private postage meters do not qualify as proof of  
224.23 timely filing under this subdivision. If the original notice of appeal, proof of service  
224.24 upon the commissioner, and filing fee are sent by United States registered mail, the date  
224.25 of registration is the postmark date. If the original notice of appeal, proof of service  
224.26 upon the commissioner, and filing fee are sent by United States certified mail and the  
224.27 sender's receipt is postmarked by the postal employee to whom the envelope containing  
224.28 the original notice of appeal, proof of service upon the commissioner, and filing fee is  
224.29 presented, the date of the United States postmark on the receipt is the postmark date.

224.30 (d) A reference in this section to mail in the United States must be treated as  
224.31 including a reference to any designated delivery service and a reference in this section to  
224.32 a postmark by the United States Postal Service must be treated as including a reference  
224.33 to any date recorded or marked by any designated delivery service in accordance with  
224.34 section 7502(f) of the Internal Revenue Code.



225.1 **EFFECTIVE DATE.** This section is effective for filings delivered by the United  
225.2 States Postal Service with a postmark date after August 1, 2013.

225.3 Sec. 7. Minnesota Statutes 2012, section 297E.021, subdivision 2, is amended to read:

225.4 Subd. 2. **Determination of revenue increase.** By March 15 of each fiscal year, the  
225.5 commissioner of management and budget, in consultation with the commissioner, shall  
225.6 determine the estimated increase in revenues received from (1) taxes imposed under this  
225.7 chapter, and (2) the taxes imposed under section 295.61 and the amendments to section  
225.8 297A.61, subdivision 3, under article 8, section 1, of this act, over (3) the estimated  
225.9 revenues under the February 2012 state budget forecast from the taxes imposed under this  
225.10 chapter for that fiscal year. For fiscal years after fiscal year 2015, the commissioner of  
225.11 management and budget shall use the February 2012 state budget forecast for fiscal year  
225.12 2015 for the amount of taxes collected under this chapter as the baseline. All calculations  
225.13 under this subdivision must be made net of estimated refunds of the taxes required to be  
225.14 paid.

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

225.16 Sec. 8. Minnesota Statutes 2012, section 403.02, is amended by adding a subdivision  
225.17 to read:

225.18 Subd. 17b. **Prepaid wireless telecommunications service.** "Prepaid wireless  
225.19 telecommunications service" means a wireless telecommunications service that allows the  
225.20 caller to dial 911 to access the 911 system, which service must be paid for in advance and is:

225.21 (1) sold in predetermined units or dollars of which the number declines with use in a  
225.22 known amount; or

225.23 (2) provides unlimited use for a predetermined time period.

225.24 The inclusion of nontelecommunications services, including the download of digital  
225.25 products delivered electronically, content, and ancillary services, with a prepaid wireless  
225.26 telecommunications service does not preclude that service from being considered a  
225.27 prepaid wireless telecommunications service under this chapter.

225.28 **EFFECTIVE DATE.** This section is effective January 1, 2014.

225.29 Sec. 9. Minnesota Statutes 2012, section 403.02, is amended by adding a subdivision  
225.30 to read:

225.31 Subd. 20a. **Wireless telecommunications service.** Wireless telecommunications  
225.32 service means a commercial mobile radio service, as that term is defined in United

226.1 States Code, title 47, section 332, subsection (d), including all broadband personal  
226.2 communication services, wireless radio telephone services, and geographic area  
226.3 specialized mobile radio licensees, that offer real-time, two-way voice service  
226.4 interconnected with the public switched telephone network.

226.5 **EFFECTIVE DATE.** This section is effective January 1, 2014.

226.6 Sec. 10. Minnesota Statutes 2012, section 403.02, subdivision 21, is amended to read:

226.7 Subd. 21. **Wireless telecommunications service provider.** "Wireless  
226.8 telecommunications service provider" means a provider of ~~commercial mobile radio~~  
226.9 ~~services, as that term is defined in United States Code, title 47, section 332, subsection~~  
226.10 ~~(d), including all broadband personal communications services, wireless radio telephone~~  
226.11 ~~services, geographic area specialized and enhanced specialized mobile radio services, and~~  
226.12 ~~incumbent wide area specialized mobile radio licensees, that offers real-time, two-way~~  
226.13 ~~voice service interconnected with the public switched telephone network and that is doing~~  
226.14 ~~business in the state of Minnesota~~ wireless telecommunications service.

226.15 **EFFECTIVE DATE.** This section is effective January 1, 2014.

226.16 Sec. 11. Minnesota Statutes 2012, section 403.06, subdivision 1a, is amended to read:

226.17 Subd. 1a. **Biennial budget; annual financial report.** The commissioner shall  
226.18 prepare a biennial budget for maintaining the 911 system. By December 15 of each year,  
226.19 the commissioner shall submit a report to the legislature detailing the expenditures for  
226.20 maintaining the 911 system, the 911 fees collected, the balance of the 911 fund, ~~and the~~  
226.21 ~~911-related administrative expenses of the commissioner, and the most recent forecast of~~  
226.22 revenues and expenditures for the 911 emergency telecommunications service account,  
226.23 including a separate projection of E911 fees from prepaid wireless customers and  
226.24 projections of year-end fund balances. The commissioner is authorized to expend money  
226.25 that has been appropriated to pay for the maintenance, enhancements, and expansion  
226.26 of the 911 system.

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

226.28 Sec. 12. Minnesota Statutes 2012, section 403.11, subdivision 1, is amended to read:

226.29 Subdivision 1. **Emergency telecommunications service fee; account.** (a) Each  
226.30 customer of a wireless or wire-line switched or packet-based telecommunications service  
226.31 provider connected to the public switched telephone network that furnishes service capable  
226.32 of originating a 911 emergency telephone call is assessed a fee based upon the number

227.1 of wired or wireless telephone lines, or their equivalent, to cover the costs of ongoing  
227.2 maintenance and related improvements for trunking and central office switching equipment  
227.3 for 911 emergency telecommunications service, to offset administrative and staffing costs  
227.4 of the commissioner related to managing the 911 emergency telecommunications service  
227.5 program, to make distributions provided for in section 403.113, and to offset the costs,  
227.6 including administrative and staffing costs, incurred by the State Patrol Division of the  
227.7 Department of Public Safety in handling 911 emergency calls made from wireless phones.

227.8 (b) Money remaining in the 911 emergency telecommunications service account  
227.9 after all other obligations are paid must not cancel and is carried forward to subsequent  
227.10 years and may be appropriated from time to time to the commissioner to provide financial  
227.11 assistance to counties for the improvement of local emergency telecommunications  
227.12 services. The improvements may include providing access to 911 service for  
227.13 telecommunications service subscribers currently without access and upgrading existing  
227.14 911 service to include automatic number identification, local location identification,  
227.15 automatic location identification, and other improvements specified in revised county  
227.16 911 plans approved by the commissioner.

227.17 (c) The fee may not be less than eight cents nor more than 65 cents a month until  
227.18 June 30, 2008, not less than eight cents nor more than 75 cents a month until June 30,  
227.19 2009, not less than eight cents nor more than 85 cents a month until June 30, 2010, and  
227.20 not less than eight cents nor more than 95 cents a month on or after July 1, 2010, for  
227.21 each customer access line or other basic access service, including trunk equivalents as  
227.22 designated by the Public Utilities Commission for access charge purposes and including  
227.23 wireless telecommunications services. With the approval of the commissioner of  
227.24 management and budget, the commissioner of public safety shall establish the amount of  
227.25 the fee within the limits specified and inform the companies and carriers of the amount to  
227.26 be collected. When the revenue bonds authorized under section 403.27, subdivision 1,  
227.27 have been fully paid or defeased, the commissioner shall reduce the fee to reflect that debt  
227.28 service on the bonds is no longer needed. The commissioner shall provide companies and  
227.29 carriers a minimum of 45 days' notice of each fee change. The fee must be the same for all  
227.30 customers, except that the fee imposed under this subdivision does not apply to prepaid  
227.31 wireless telecommunications service, which is instead subject to the fee imposed under  
227.32 section 403.161, subdivision 1, paragraph (a).

227.33 (d) The fee must be collected by each wireless or wire-line telecommunications  
227.34 service provider subject to the fee. Fees are payable to and must be submitted to the  
227.35 commissioner monthly before the 25th of each month following the month of collection,  
227.36 except that fees may be submitted quarterly if less than \$250 a month is due, or annually if

228.1 less than \$25 a month is due. Receipts must be deposited in the state treasury and credited  
228.2 to a 911 emergency telecommunications service account in the special revenue fund. The  
228.3 money in the account may only be used for 911 telecommunications services.

228.4 (e) This subdivision does not apply to customers of interexchange carriers.

228.5 (f) The installation and recurring charges for integrating wireless 911 calls into  
228.6 enhanced 911 systems are eligible for payment by the commissioner if the 911 service  
228.7 provider is included in the statewide design plan and the charges are made pursuant to  
228.8 contract.

228.9 (g) Competitive local exchanges carriers holding certificates of authority from the  
228.10 Public Utilities Commission are eligible to receive payment for recurring 911 services.

228.11 **EFFECTIVE DATE.** This section is effective January 1, 2014.

228.12 Sec. 13. Minnesota Statutes 2012, section 403.11, is amended by adding a subdivision  
228.13 to read:

228.14 **Subd. 6. Report.** (a) Beginning September 1, 2013, and continuing semiannually  
228.15 thereafter, each wireless telecommunications service provider shall report to the  
228.16 commissioner, based on the mobile telephone number, both the total number of prepaid  
228.17 wireless telecommunications subscribers sourced to Minnesota and the total number of  
228.18 wireless telecommunications subscribers sourced to Minnesota. The report must be filed  
228.19 on the same schedule as Federal Communications Commission Form 477.

228.20 (b) The commissioner shall make a standard form available to all wireless  
228.21 telecommunications service providers for submitting information required to compile  
228.22 the report required under this subdivision.

228.23 (c) The information provided to the commissioner under this subdivision is  
228.24 considered trade secret information under section 13.37 and may only be used for purposes  
228.25 of administering this chapter.

228.26 **EFFECTIVE DATE.** This section is effective January 1, 2014.

228.27 Sec. 14. **[403.16] DEFINITIONS.**

228.28 **Subdivision 1. Scope.** For the purposes of sections 403.16 to 403.164, the terms  
228.29 defined in this section have the meanings given them.

228.30 **Subd. 2. Consumer.** "Consumer" means a person who purchases prepaid wireless  
228.31 telecommunications service in a retail transaction.

228.32 **Subd. 3. Department.** "Department" means the Department of Revenue.

229.1 Subd. 4. **Prepaid wireless E911 fee.** "Prepaid wireless E911 fee" means the fee that  
 229.2 is required to be collected by a seller from a consumer as established in section 403.161,  
 229.3 subdivision 1, paragraph (a).

229.4 Subd. 5. **Prepaid wireless telecommunications access Minnesota fee.** "Prepaid  
 229.5 wireless telecommunications access Minnesota fee" means the fee that is required to be  
 229.6 collected by a seller from a consumer as established in section 403.161, subdivision 1,  
 229.7 paragraph (b).

229.8 Subd. 6. **Provider.** "Provider" means a person that provides prepaid wireless  
 229.9 telecommunications service under a license issued by the Federal Communications  
 229.10 Commission.

229.11 Subd. 7. **Retail transaction.** "Retail transaction" means the purchase of prepaid  
 229.12 wireless telecommunications service from a seller for any purpose other than resale.

229.13 Subd. 8. **Seller.** "Seller" means a person who sells prepaid wireless  
 229.14 telecommunications service to another person.

229.15 **EFFECTIVE DATE.** This section is effective January 1, 2014.

229.16 Sec. 15. **[403.161] PREPAID WIRELESS FEES IMPOSED; COLLECTION;**  
 229.17 **REMITTANCE.**

229.18 Subdivision 1. **Fees imposed.** (a) A prepaid wireless E911 fee of 80 cents per retail  
 229.19 transaction is imposed on prepaid wireless telecommunications service until the fee is  
 229.20 adjusted as an amount per retail transaction under subdivision 7.

229.21 (b) A prepaid wireless telecommunications access Minnesota fee, in the amount of  
 229.22 the monthly charge provided for in section 237.52, subdivision 2, is imposed on each  
 229.23 retail transaction for prepaid wireless telecommunications service until the fee is adjusted  
 229.24 as an amount per retail transaction under subdivision 7.

229.25 Subd. 2. **Exemption.** The fees established under subdivision 1 are not imposed on a  
 229.26 minimal amount of prepaid wireless telecommunications service that is sold with a prepaid  
 229.27 wireless device and is charged a single nonitemized price, and a seller may not apply the  
 229.28 fees to such a transaction. For purposes of this subdivision, a minimal amount of service  
 229.29 means an amount of service denominated as either ten minutes or less or \$5 or less.

229.30 Subd. 3. **Fee collected.** The prepaid wireless E911 and telecommunications  
 229.31 access Minnesota fees must be collected by the seller from the consumer for each retail  
 229.32 transaction occurring in this state. The amount of each fee must be combined into one  
 229.33 amount, which must be separately stated on an invoice, receipt, or other similar document  
 229.34 that is provided to the consumer by the seller, or otherwise disclosed to the consumer.

230.1 Subd. 4. **Sales and use tax treatment.** For purposes of this section, a retail  
230.2 transaction conducted in person by a consumer at a business location of the seller must  
230.3 be treated as occurring in this state if that business location is in this state, and any other  
230.4 retail transaction must be treated as occurring in this state if the retail transaction is treated  
230.5 as occurring in this state for purposes of the sales and use tax as specified in section  
230.6 297A.669, subdivision 3, paragraph (c).

230.7 Subd. 5. **Remittance.** The prepaid wireless E911 and telecommunications access  
230.8 Minnesota fees are the liability of the consumer and not of the seller or of any provider,  
230.9 except that the seller is liable to remit all fees that the seller collects from consumers as  
230.10 provided in section 403.162, including all fees that the seller is deemed to collect in which  
230.11 the amount of the fee has not been separately stated on an invoice, receipt, or other similar  
230.12 document provided to the consumer by the seller.

230.13 Subd. 6. **Exclusion for calculating other charges.** The combined amount of the  
230.14 prepaid wireless E911 and telecommunications access Minnesota fees collected by a seller  
230.15 from a consumer must not be included in the base for measuring any tax, fee, surcharge,  
230.16 or other charge that is imposed by this state, any political subdivision of this state, or  
230.17 any intergovernmental agency.

230.18 Subd. 7. **Fee changes.** (a) The prepaid wireless E911 and telecommunications  
230.19 access Minnesota fee must be proportionately increased or reduced upon any change to  
230.20 the fee imposed under section 403.11, subdivision 1, paragraph (c), after July 1, 2013, or  
230.21 the fee imposed under section 237.52, subdivision 2, as applicable.

230.22 (b) The department shall post notice of any fee changes on its Web site at least 30  
230.23 days in advance of the effective date of the fee changes. It is the responsibility of sellers to  
230.24 monitor the department's Web site for notice of fee changes.

230.25 (c) Fee changes are effective 60 days after the first day of the first calendar month  
230.26 after the commissioner of public safety or the Public Utilities Commission, as applicable,  
230.27 changes the fee.

230.28 **EFFECTIVE DATE.** This section is effective January 1, 2014.

230.29 Sec. 16. **[403.162] ADMINISTRATION OF PREPAID WIRELESS E911 FEES.**

230.30 Subdivision 1. **Remittance.** Prepaid wireless E911 and telecommunications access  
230.31 Minnesota fees collected by sellers must be remitted to the commissioner of revenue  
230.32 at the times and in the manner provided by chapter 297A with respect to the general  
230.33 sales and use tax. The commissioner of revenue shall establish registration and payment  
230.34 procedures that substantially coincide with the registration and payment procedures that  
230.35 apply in chapter 297A.

231.1 Subd. 2. **Seller's fee retention.** A seller may deduct and retain three percent of  
231.2 prepaid wireless E911 and telecommunications access Minnesota fees collected by the  
231.3 seller from consumers.

231.4 Subd. 3. **Department of Revenue provisions.** The audit, assessment, appeal,  
231.5 collection, refund, penalty, interest, enforcement, and administrative provisions of  
231.6 chapters 270C and 289A that are applicable to the taxes imposed by chapter 297A apply  
231.7 to any fee imposed under section 403.161.

231.8 Subd. 4. **Procedures for resale transactions.** The commissioner of revenue shall  
231.9 establish procedures by which a seller of prepaid wireless telecommunications service  
231.10 may document that a sale is not a retail transaction. These procedures must substantially  
231.11 coincide with the procedures for documenting sale for resale transactions as provided in  
231.12 chapter 297A.

231.13 Subd. 5. **Fees deposited.** (a) The commissioner of revenue shall, based on  
231.14 the relative proportion of the prepaid wireless E911 fee and the prepaid wireless  
231.15 telecommunications access Minnesota fee imposed per retail transaction, divide the fees  
231.16 collected in corresponding proportions. Within 30 days of receipt of the collected fees,  
231.17 the commissioner shall:

231.18 (1) deposit the proportion of the collected fees attributable to the prepaid wireless  
231.19 E911 fee in the 911 emergency telecommunications service account in the special revenue  
231.20 fund; and

231.21 (2) deposit the proportion of collected fees attributable to the prepaid wireless  
231.22 telecommunications access Minnesota fee in the telecommunications access fund  
231.23 established in section 237.52, subdivision 1.

231.24 (b) The department may deduct and retain an amount, not to exceed two percent of  
231.25 collected fees, to reimburse its direct costs of administering the collection and remittance  
231.26 of prepaid wireless E911 fees and prepaid wireless telecommunications access Minnesota  
231.27 fees.

231.28 **EFFECTIVE DATE.** This section is effective January 1, 2014.

231.29 Sec. 17. **[403.163] LIABILITY PROTECTION FOR SELLERS AND**  
231.30 **PROVIDERS.**

231.31 (a) A provider or seller of prepaid wireless telecommunications service is not liable  
231.32 for damages to any person resulting from or incurred in connection with providing any  
231.33 lawful assistance in good faith to any investigative or law enforcement officer of the  
231.34 United States, this or any other state, or any political subdivision of this or any other state.

232.1 (b) In addition to the protection from liability provided by paragraph (a), section  
232.2 403.08, subdivision 11, applies to sellers and providers.

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

232.4 Sec. 18. **[403.164] EXCLUSIVITY OF PREPAID WIRELESS E911 FEE.**

232.5 The prepaid wireless E911 fee imposed by section 403.161 is the only E911 funding  
232.6 obligation imposed with respect to prepaid wireless telecommunications service in this  
232.7 state, and no tax, fee, surcharge, or other charge may be imposed by this state, any political  
232.8 subdivision of this state, or any intergovernmental agency, for E911 funding purposes,  
232.9 upon any provider, seller, or consumer with respect to the sale, purchase, use, or provision  
232.10 of prepaid wireless telecommunications service.

232.11 **EFFECTIVE DATE.** This section is effective January 1, 2014.

232.12 Sec. 19. Laws 2010, First Special Session chapter 1, article 13, section 4, subdivision  
232.13 1, as amended by Laws 2011, First Special Session chapter 7, article 6, section 22, is  
232.14 amended to read:

232.15 Subdivision 1. **Political contribution credit.** Notwithstanding the provisions of  
232.16 Minnesota Statutes, section 290.06, subdivision 23, or any other law to the contrary, the  
232.17 political contribution refund does not apply to contributions made after June 30, 2009, and  
232.18 before July 1, ~~2013~~ 2017.

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

232.20 Sec. 20. **REPORT; RECOMMENDATIONS.**

232.21 (a) By March 1, 2014, the commissioner of public safety shall submit a report to  
232.22 the chairs and ranking minority members of the legislative committees with primary  
232.23 jurisdiction over public safety and telecommunications that assesses the amount of  
232.24 revenue collected from the fees imposed under Minnesota Statutes, section 403.161,  
232.25 and recommends any adjustment of those fees that the commissioner of public safety  
232.26 determines is necessary in order to:

232.27 (1) fund legislative appropriations from the 911 emergency telecommunications  
232.28 service account and to maintain a reasonable fund reserve; and

232.29 (2) maintain fairness with respect to the amount of fees paid by customers of  
232.30 prepaid wireless telecommunications service as compared with customers of other  
232.31 telecommunications services.



233.1 (b) A wireless telecommunications service provider shall provide any information  
233.2 requested by the commissioner of public safety for the purposes of the report.

233.3 **EFFECTIVE DATE.** This section is effective January 1, 2014.

233.4 Sec. 21. **PURPOSE STATEMENTS; TAX EXPENDITURES.**

233.5 Subdivision 1. **Authority.** This section is intended to fulfill the requirement under  
233.6 Minnesota Statutes, section 3.192, that a bill creating, renewing, or continuing a tax  
233.7 expenditure provide a purpose for the tax expenditure and a standard or goal against  
233.8 which its effectiveness may be measured.

233.9 Subd. 2. **Federal conformity.** The provisions of article 6 conforming Minnesota  
233.10 individual income tax to changes in federal law are intended to simplify compliance with  
233.11 and administration of the individual income tax.

233.12 Subd. 3. **Employment of qualified veterans tax credit.** The provisions of article 6,  
233.13 section 32, providing a tax credit for the employment of qualified veterans, are intended to  
233.14 give an incentive to employers to hire unemployed and disabled veterans. The standard  
233.15 against which the effectiveness of the credit is to be measured is the additional number of  
233.16 veterans who are hired as a result of the tax credit.

233.17 Subd. 4. **Railroad track maintenance subtraction.** The provisions of article 6,  
233.18 sections 12 and 14, allowing an individual income and corporate franchise tax subtraction  
233.19 for the amount allowed under the federal credit for railroad maintenance expenses, are  
233.20 intended to increase the combined federal and state tax incentives available to Class II  
233.21 and Class III railroads for maintaining and upgrading track in Minnesota. The standard  
233.22 against which effectiveness is to be measured is the additional miles of track maintained  
233.23 or upgraded following allowance of the state tax subtraction in addition to the existing  
233.24 federal tax credit.

233.25 Subd. 5. **Sales tax exemption of coin-operated amusement devices.** The  
233.26 provisions of article 8, section 2, exempting certain sales of coin-operated entertainment  
233.27 and amusement devices is intended to reduce tax pyramiding by eliminating the tax on an  
233.28 input used in providing a taxable service.

233.29 Subd. 6. **Motor vehicle rental tax exemption for car sharing.** The provisions of  
233.30 article 8, section 4, exempting nonprofit car sharing companies from the extra tax on short  
233.31 term car rentals is intended to provide a similar tax treatment between motor vehicle  
233.32 ownership and motor vehicle sharing.

233.33 Subd. 7. **Expansion of the sales tax exemption on durable medical products and**  
233.34 **prosthetics.** The provisions of article 8, section 8, expanding the definition of items  
233.35 included in repair and replacement parts of durable medical equipment and prosthetics

234.1 and exempting Medicare and medicaid purchases is intended to simplify sales tax  
 234.2 administration in this area and provide relief for sellers who cannot collect the tax under  
 234.3 these programs.

234.4 Subd. 8. Exemption for public safety radio communication systems. The  
 234.5 provisions of article 8, section 10, expanding the existing sales tax exemption for certain  
 234.6 types of public safety radio systems in certain counties to all types of systems in all  
 234.7 counties is intended to provide equal tax treatment to all local governments in the state  
 234.8 on these purchases.

234.9 Subd. 9. Sales tax exemption for established religious orders. The provisions of  
 234.10 article 8, section 11, exempting certain sales between a religious order and an affiliated  
 234.11 institute of higher education, is intended to retain an existing sales tax exemption that  
 234.12 exists between St. John's Abbey and St. John's University after a governing restructure  
 234.13 between the two entities.

234.14 Subd. 10. Sales tax exemption for nursing homes and boarding care homes.  
 234.15 The provisions of article 8, section 12, exempting certain nursing homes and boarding  
 234.16 care homes is intended to clarify that an existing exemption for these facilities is not  
 234.17 affected by a recent property tax case related to defining nonprofit organizations engaged  
 234.18 in charitable activities.

234.19 Subd. 11. Construction sales tax exemptions. The provisions of article 8, sections  
 234.20 13, 14, and 15, exempting from sales tax construction materials for various entities, are  
 234.21 intended to increase jobs and reduce tax pyramiding by reducing the tax on inputs used to  
 234.22 provide taxable goods and services.

234.23 Subd. 12. Sales tax exemption on certain public infrastructure. The provisions  
 234.24 of article 10, section 1, exempting construction materials used in public infrastructure  
 234.25 projects related to the destination medical center plan is intended to reduce city costs  
 234.26 for those projects.

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

## 234.28 **ARTICLE 14**

### 234.29 **MARKET VALUE DEFINITIONS**

234.30 Section 1. Minnesota Statutes 2012, section 38.18, is amended to read:

234.31 **38.18 COUNTY FAIRGROUNDS; IMPROVEMENT AIDED.**

234.32 ~~Any~~ Each town, statutory city, or school district in this state, ~~now or hereafter~~ at any  
 234.33 time having a an estimated market value of all its taxable property, ~~exclusive of money and~~  
 234.34 ~~credits~~, of more than \$105,000,000, and having a county fair located within its corporate

235.1 limits, ~~is hereby authorized to aid in defraying~~ may pay part of the expense of improving  
 235.2 ~~any such~~ the fairground, ~~by appropriating and paying over~~ to the treasurer of the county  
 235.3 owning the fairground ~~such sum of money~~, not exceeding \$10,000, ~~for each of the political~~  
 235.4 ~~subdivisions~~, as ~~the~~ its governing body of the town, statutory city, or school district ~~may~~,  
 235.5 by resolution, ~~determine~~ determines to be for the best interest of the political subdivision.  
 235.6 ~~The sums so appropriated to~~ amounts paid to the county must be used solely for the purpose  
 235.7 ~~of aiding in the improvement of~~ to improve the fairground in ~~such~~ the manner as the county  
 235.8 board ~~of the county shall determine~~ determines to be for the best interest of the county.

235.9 Sec. 2. Minnesota Statutes 2012, section 40A.15, subdivision 2, is amended to read:

235.10 Subd. 2. **Eligible recipients.** All counties within the state, municipalities that prepare  
 235.11 plans and official controls instead of a county, and districts are eligible for assistance  
 235.12 under the program. Counties and districts may apply for assistance on behalf of other  
 235.13 municipalities. In order to be eligible for financial assistance a county or municipality must  
 235.14 agree to levy at least 0.01209 percent of ~~taxable~~ estimated market value for agricultural  
 235.15 land preservation and conservation activities or otherwise spend the equivalent amount of  
 235.16 local money on those activities, or spend \$15,000 of local money, whichever is less.

235.17 Sec. 3. Minnesota Statutes 2012, section 69.011, subdivision 1, is amended to read:

235.18 Subdivision 1. **Definitions.** Unless the language or context clearly indicates that  
 235.19 a different meaning is intended, the following words and terms, for the purposes of this  
 235.20 chapter and chapters 423, 423A, 424 and 424A, have the meanings ascribed to them:

235.21 (a) "Commissioner" means the commissioner of revenue.

235.22 (b) "Municipality" means:

235.23 (1) a home rule charter or statutory city;

235.24 (2) an organized town;

235.25 (3) a park district subject to chapter 398;

235.26 (4) the University of Minnesota;

235.27 (5) for purposes of the fire state aid program only, an American Indian tribal  
 235.28 government entity located within a federally recognized American Indian reservation;

235.29 (6) for purposes of the police state aid program only, an American Indian tribal  
 235.30 government with a tribal police department which exercises state arrest powers under  
 235.31 section 626.90, 626.91, 626.92, or 626.93;

235.32 (7) for purposes of the police state aid program only, the Metropolitan Airports  
 235.33 Commission; and

236.1 (8) for purposes of the police state aid program only, the Department of Natural  
236.2 Resources and the Department of Public Safety with respect to peace officers covered  
236.3 under chapter 352B.

236.4 (c) "Minnesota Firetown Premium Report" means a form prescribed by the  
236.5 commissioner containing space for reporting by insurers of fire, lightning, sprinkler  
236.6 leakage and extended coverage premiums received upon risks located or to be performed  
236.7 in this state less return premiums and dividends.

236.8 (d) "Firetown" means the area serviced by any municipality having a qualified fire  
236.9 department or a qualified incorporated fire department having a subsidiary volunteer  
236.10 firefighters' relief association.

236.11 (e) "Estimated market value" means latest available estimated market value of all  
236.12 property in a taxing jurisdiction, whether the property is subject to taxation, or exempt  
236.13 from ad valorem taxation obtained from information which appears on abstracts filed with  
236.14 the commissioner of revenue or equalized by the State Board of Equalization.

236.15 (f) "Minnesota Aid to Police Premium Report" means a form prescribed by the  
236.16 commissioner for reporting by each fire and casualty insurer of all premiums received  
236.17 upon direct business received by it in this state, or by its agents for it, in cash or otherwise,  
236.18 during the preceding calendar year, with reference to insurance written for insuring against  
236.19 the perils contained in auto insurance coverages as reported in the Minnesota business  
236.20 schedule of the annual financial statement which each insurer is required to file with  
236.21 the commissioner in accordance with the governing laws or rules less return premiums  
236.22 and dividends.

236.23 (g) "Peace officer" means any person:

236.24 (1) whose primary source of income derived from wages is from direct employment  
236.25 by a municipality or county as a law enforcement officer on a full-time basis of not less  
236.26 than 30 hours per week;

236.27 (2) who has been employed for a minimum of six months prior to December 31  
236.28 preceding the date of the current year's certification under subdivision 2, clause (b);

236.29 (3) who is sworn to enforce the general criminal laws of the state and local ordinances;

236.30 (4) who is licensed by the Peace Officers Standards and Training Board and is  
236.31 authorized to arrest with a warrant; and

236.32 (5) who is a member of the State Patrol retirement plan or the public employees  
236.33 police and fire fund.

236.34 (h) "Full-time equivalent number of peace officers providing contract service" means  
236.35 the integral or fractional number of peace officers which would be necessary to provide

237.1 the contract service if all peace officers providing service were employed on a full-time  
237.2 basis as defined by the employing unit and the municipality receiving the contract service.

237.3 (i) "Retirement benefits other than a service pension" means any disbursement  
237.4 authorized under section 424A.05, subdivision 3, clauses (3) and (4).

237.5 (j) "Municipal clerk, municipal clerk-treasurer, or county auditor" means:

237.6 (1) for the police state aid program and police relief association financial reports:

237.7 (i) the person who was elected or appointed to the specified position or, in the  
237.8 absence of the person, another person who is designated by the applicable governing body;

237.9 (ii) in a park district, the secretary of the board of park district commissioners;

237.10 (iii) in the case of the University of Minnesota, the official designated by the Board  
237.11 of Regents;

237.12 (iv) for the Metropolitan Airports Commission, the person designated by the  
237.13 commission;

237.14 (v) for the Department of Natural Resources or the Department of Public Safety, the  
237.15 respective commissioner;

237.16 (vi) for a tribal police department which exercises state arrest powers under section  
237.17 626.90, 626.91, 626.92, or 626.93, the person designated by the applicable American  
237.18 Indian tribal government; and

237.19 (2) for the fire state aid program and fire relief association financial reports, the  
237.20 person who was elected or appointed to the specified position, or, for governmental  
237.21 entities other than counties, if the governing body of the governmental entity designates  
237.22 the position to perform the function, the chief financial official of the governmental entity  
237.23 or the chief administrative official of the governmental entity.

237.24 (k) "Voluntary statewide lump-sum volunteer firefighter retirement plan" means the  
237.25 retirement plan established by chapter 353G.

237.26 Sec. 4. Minnesota Statutes 2012, section 69.021, subdivision 7, is amended to read:

237.27 Subd. 7. **Apportionment of fire state aid to municipalities and relief associations.**

237.28 (a) The commissioner shall apportion the fire state aid relative to the premiums reported  
237.29 on the Minnesota Firetown Premium Reports filed under this chapter to each municipality  
237.30 and/or firefighters relief association.

237.31 (b) The commissioner shall calculate an initial fire state aid allocation amount for  
237.32 each municipality or fire department under paragraph (c) and a minimum fire state aid  
237.33 allocation amount for each municipality or fire department under paragraph (d). The  
237.34 municipality or fire department must receive the larger fire state aid amount.

238.1 (c) The initial fire state aid allocation amount is the amount available for  
238.2 apportionment as fire state aid under subdivision 5, without inclusion of any additional  
238.3 funding amount to support a minimum fire state aid amount under section 423A.02,  
238.4 subdivision 3, allocated one-half in proportion to the population as shown in the last official  
238.5 statewide federal census for each fire town and one-half in proportion to the estimated  
238.6 market value of each fire town, including (1) the estimated market value of tax-exempt  
238.7 property and (2) the estimated market value of natural resources lands receiving in lieu  
238.8 payments under sections 477A.11 to 477A.14, but excluding the estimated market value  
238.9 of minerals. In the case of incorporated or municipal fire departments furnishing fire  
238.10 protection to other cities, towns, or townships as evidenced by valid fire service contracts  
238.11 filed with the commissioner, the distribution must be adjusted proportionately to take  
238.12 into consideration the crossover fire protection service. Necessary adjustments must be  
238.13 made to subsequent apportionments. In the case of municipalities or independent fire  
238.14 departments qualifying for the aid, the commissioner shall calculate the state aid for the  
238.15 municipality or relief association on the basis of the population and the estimated market  
238.16 value of the area furnished fire protection service by the fire department as evidenced by  
238.17 duly executed and valid fire service agreements filed with the commissioner. If one or  
238.18 more fire departments are furnishing contracted fire service to a city, town, or township,  
238.19 only the population and estimated market value of the area served by each fire department  
238.20 may be considered in calculating the state aid and the fire departments furnishing service  
238.21 shall enter into an agreement apportioning among themselves the percent of the population  
238.22 and the estimated market value of each service area. The agreement must be in writing  
238.23 and must be filed with the commissioner.

238.24 (d) The minimum fire state aid allocation amount is the amount in addition to the  
238.25 initial fire state allocation amount that is derived from any additional funding amount  
238.26 to support a minimum fire state aid amount under section 423A.02, subdivision 3, and  
238.27 allocated to municipalities with volunteer firefighters relief associations or covered by the  
238.28 voluntary statewide lump-sum volunteer firefighter retirement plan based on the number  
238.29 of active volunteer firefighters who are members of the relief association as reported  
238.30 in the annual financial reporting for the calendar year 1993 to the Office of the State  
238.31 Auditor, but not to exceed 30 active volunteer firefighters, so that all municipalities or  
238.32 fire departments with volunteer firefighters relief associations receive in total at least a  
238.33 minimum fire state aid amount per 1993 active volunteer firefighter to a maximum of  
238.34 30 firefighters. If a relief association is established after calendar year 1993 and before  
238.35 calendar year 2000, the number of active volunteer firefighters who are members of the  
238.36 relief association as reported in the annual financial reporting for calendar year 1998

239.1 to the Office of the State Auditor, but not to exceed 30 active volunteer firefighters,  
239.2 shall be used in this determination. If a relief association is established after calendar  
239.3 year 1999, the number of active volunteer firefighters who are members of the relief  
239.4 association as reported in the first annual financial reporting submitted to the Office of  
239.5 the State Auditor, but not to exceed 20 active volunteer firefighters, must be used in this  
239.6 determination. If a relief association is terminated as a result of providing retirement  
239.7 coverage for volunteer firefighters by the voluntary statewide lump-sum volunteer  
239.8 firefighter retirement plan under chapter 353G, the number of active volunteer firefighters  
239.9 of the municipality covered by the statewide plan as certified by the executive director of  
239.10 the Public Employees Retirement Association to the commissioner and the state auditor,  
239.11 but not to exceed 30 active firefighters, must be used in this determination.

239.12 (e) Unless the firefighters of the applicable fire department are members of the  
239.13 voluntary statewide lump-sum volunteer firefighter retirement plan, the fire state aid must  
239.14 be paid to the treasurer of the municipality where the fire department is located and the  
239.15 treasurer of the municipality shall, within 30 days of receipt of the fire state aid, transmit  
239.16 the aid to the relief association if the relief association has filed a financial report with the  
239.17 treasurer of the municipality and has met all other statutory provisions pertaining to the  
239.18 aid apportionment. If the firefighters of the applicable fire department are members of  
239.19 the voluntary statewide lump-sum volunteer firefighter retirement plan, the fire state aid  
239.20 must be paid to the executive director of the Public Employees Retirement Association  
239.21 and deposited in the voluntary statewide lump-sum volunteer firefighter retirement fund.

239.22 (f) The commissioner may make rules to permit the administration of the provisions  
239.23 of this section.

239.24 (g) Any adjustments needed to correct prior misallocations must be made to  
239.25 subsequent apportionments.

239.26 Sec. 5. Minnesota Statutes 2012, section 69.021, subdivision 8, is amended to read:

239.27 Subd. 8. **Population and estimated market value.** (a) In computations relating to  
239.28 fire state aid requiring the use of population figures, only official statewide federal census  
239.29 figures are to be used. Increases or decreases in population disclosed by reason of any  
239.30 special census must not be taken into consideration.

239.31 (b) In calculations relating to fire state aid requiring the use of estimated market  
239.32 value property figures, only the latest available estimated market value property figures  
239.33 may be used.

239.34 Sec. 6. Minnesota Statutes 2012, section 88.51, subdivision 3, is amended to read:

240.1 Subd. 3. **Determination of estimated market value.** In determining the net tax  
240.2 capacity of property within any taxing district the value of the surface of lands within any  
240.3 auxiliary forest therein, as determined by the county board under the provisions of section  
240.4 88.48, subdivision 3, shall, for all purposes except the levying of taxes on lands within any  
240.5 such forest, be deemed the estimated market value thereof.

240.6 Sec. 7. Minnesota Statutes 2012, section 103B.245, subdivision 3, is amended to read:

240.7 Subd. 3. **Tax.** After adoption of the ordinance under subdivision 2, a local  
240.8 government unit may annually levy a tax on all taxable property in the district for the  
240.9 purposes for which the tax district is established. The tax may not exceed 0.02418 percent  
240.10 of estimated market value on taxable property located in rural towns other than urban  
240.11 towns, unless allowed by resolution of the town electors. The proceeds of the tax shall  
240.12 be paid into a fund reserved for these purposes. Any proceeds remaining in the reserve  
240.13 fund at the time the tax is terminated or the district is dissolved shall be transferred and  
240.14 irrevocably pledged to the debt service fund of the local unit to be used solely to reduce  
240.15 tax levies for bonded indebtedness of taxable property in the district.

240.16 Sec. 8. Minnesota Statutes 2012, section 103B.251, subdivision 8, is amended to read:

240.17 Subd. 8. **Tax.** (a) For the payment of principal and interest on the bonds issued  
240.18 under subdivision 7 and the payment required under subdivision 6, the county shall  
240.19 irrevocably pledge and appropriate the proceeds of a tax levied on all taxable property  
240.20 located within the territory of the watershed management organization or subwatershed  
240.21 unit for which the bonds are issued. Each year until the reserve for payment of the bonds  
240.22 is sufficient to retire the bonds, the county shall levy on all taxable property in the territory  
240.23 of the organization or unit, without respect to any statutory or other limitation on taxes, an  
240.24 amount of taxes sufficient to pay principal and interest on the bonds and to restore any  
240.25 deficiencies in reserves required to be maintained for payment of the bonds.

240.26 (b) The tax levied on rural towns other than urban towns may not exceed 0.02418  
240.27 percent of ~~taxable~~ estimated market value, unless approved by resolution of the town  
240.28 electors.

240.29 (c) If at any time the amounts available from the levy on property in the territory of  
240.30 the organization are insufficient to pay principal and interest on the bonds when due, the  
240.31 county shall make payment from any available funds in the county treasury.

240.32 (d) The amount of any taxes which are required to be levied outside of the territory  
240.33 of the watershed management organization or unit or taken from the general funds of the



241.1 county to pay principal or interest on the bonds shall be reimbursed to the county from  
241.2 taxes levied within the territory of the watershed management organization or unit.

241.3 Sec. 9. Minnesota Statutes 2012, section 103B.635, subdivision 2, is amended to read:

241.4 Subd. 2. **Municipal funding of district.** (a) The governing body or board of  
241.5 supervisors of each municipality in the district must provide the funds necessary to meet  
241.6 its proportion of the total cost determined by the board, provided the total funding from  
241.7 all municipalities in the district for the costs shall not exceed an amount equal to .00242  
241.8 percent of the total ~~taxable~~ estimated market value within the district, unless three-fourths  
241.9 of the municipalities in the district pass a resolution concurring to the additional costs.

241.10 (b) The funds must be deposited in the treasury of the district in amounts and at  
241.11 times as the treasurer of the district requires.

241.12 Sec. 10. Minnesota Statutes 2012, section 103B.691, subdivision 2, is amended to read:

241.13 Subd. 2. **Municipal funding of district.** (a) The governing body or board of  
241.14 supervisors of each municipality in the district shall provide the funds necessary to meet its  
241.15 proportion of the total cost to be borne by the municipalities as finally certified by the board.

241.16 (b) The municipality's funds may be raised by any means within the authority of  
241.17 the municipality. The municipalities may each levy a tax not to exceed .02418 percent of  
241.18 ~~taxable~~ estimated market value on the taxable property located in the district to provide  
241.19 the funds. The levy shall be within all other limitations provided by law.

241.20 (c) The funds must be deposited into the treasury of the district in amounts and at  
241.21 times as the treasurer of the district requires.

241.22 Sec. 11. Minnesota Statutes 2012, section 103D.905, subdivision 2, is amended to read:

241.23 Subd. 2. **Organizational expense fund.** (a) An organizational expense fund,  
241.24 consisting of an ad valorem tax levy, shall not exceed 0.01596 percent of ~~taxable~~ estimated  
241.25 market value, or \$60,000, whichever is less. The money in the fund shall be used for  
241.26 organizational expenses and preparation of the watershed management plan for projects.

241.27 (b) The managers may borrow from the affected counties up to 75 percent of the  
241.28 anticipated funds to be collected from the organizational expense fund levy and the  
241.29 counties affected may make the advancements.

241.30 (c) The advancement of anticipated funds shall be apportioned among affected  
241.31 counties in the same ratio as the net tax capacity of the area of the counties within  
241.32 the watershed district bears to the net tax capacity of the entire watershed district. If a

242.1 watershed district is enlarged, an organizational expense fund may be levied against the  
242.2 area added to the watershed district in the same manner as provided in this subdivision.

242.3 (d) Unexpended funds collected for the organizational expense may be transferred to  
242.4 the administrative fund and used for the purposes of the administrative fund.

242.5 Sec. 12. Minnesota Statutes 2012, section 103D.905, subdivision 3, is amended to read:

242.6 Subd. 3. **General fund.** A general fund, consisting of an ad valorem tax levy, may  
242.7 not exceed 0.048 percent of ~~taxable~~ estimated market value, or \$250,000, whichever is  
242.8 less. The money in the fund shall be used for general administrative expenses and for  
242.9 the construction or implementation and maintenance of projects of common benefit to  
242.10 the watershed district. The managers may make an annual levy for the general fund as  
242.11 provided in section 103D.911. In addition to the annual general levy, the managers may  
242.12 annually levy a tax not to exceed 0.00798 percent of ~~taxable~~ estimated market value  
242.13 for a period not to exceed 15 consecutive years to pay the cost attributable to the basic  
242.14 water management features of projects initiated by petition of a political subdivision  
242.15 within the watershed district or by petition of at least 50 resident owners whose property  
242.16 is within the watershed district.

242.17 Sec. 13. Minnesota Statutes 2012, section 103D.905, subdivision 8, is amended to read:

242.18 Subd. 8. **Survey and data acquisition fund.** (a) A survey and data acquisition fund  
242.19 is established and used only if other funds are not available to the watershed district to pay  
242.20 for making necessary surveys and acquiring data.

242.21 (b) The survey and data acquisition fund consists of the proceeds of a property tax  
242.22 that can be levied only once every five years. The levy may not exceed 0.02418 percent of  
242.23 ~~taxable~~ estimated market value.

242.24 (c) The balance of the survey and data acquisition fund may not exceed \$50,000.

242.25 (d) In a subsequent proceeding for a project where a survey has been made, the  
242.26 attributable cost of the survey as determined by the managers shall be included as a part of  
242.27 the cost of the work and the sum shall be repaid to the survey and data acquisition fund.

242.28 Sec. 14. Minnesota Statutes 2012, section 117.025, subdivision 7, is amended to read:

242.29 Subd. 7. **Structurally substandard.** "Structurally substandard" means a building:

242.30 (1) that was inspected by the appropriate local government and cited for one or more  
242.31 enforceable housing, maintenance, or building code violations;

242.32 (2) in which the cited building code violations involve one or more of the following:

242.33 (i) a roof and roof framing element;

243.1 (ii) support walls, beams, and headers;  
 243.2 (iii) foundation, footings, and subgrade conditions;  
 243.3 (iv) light and ventilation;  
 243.4 (v) fire protection, including egress;  
 243.5 (vi) internal utilities, including electricity, gas, and water;  
 243.6 (vii) flooring and flooring elements; or  
 243.7 (viii) walls, insulation, and exterior envelope;  
 243.8 (3) in which the cited housing, maintenance, or building code violations have not  
 243.9 been remedied after two notices to cure the noncompliance; and

243.10 (4) has uncured housing, maintenance, and building code violations, satisfaction of  
 243.11 which would cost more than 50 percent of the assessor's ~~taxable~~ estimated market value  
 243.12 for the building, excluding land value, as determined under section 273.11 for property  
 243.13 taxes payable in the year in which the condemnation is commenced.

243.14 A local government is authorized to seek from a judge or magistrate an administrative  
 243.15 warrant to gain access to inspect a specific building in a proposed development or  
 243.16 redevelopment area upon showing of probable cause that a specific code violation has  
 243.17 occurred and that the violation has not been cured, and that the owner has denied the local  
 243.18 government access to the property. Items of evidence that may support a conclusion of  
 243.19 probable cause may include recent fire or police inspections, housing inspection, exterior  
 243.20 evidence of deterioration, or other similar reliable evidence of deterioration in the specific  
 243.21 building.

243.22 Sec. 15. Minnesota Statutes 2012, section 127A.48, subdivision 1, is amended to read:

243.23 Subdivision 1. **Computation.** The Department of Revenue must annually conduct  
 243.24 an assessment/sales ratio study of the taxable property in each county, city, town, and  
 243.25 school district in accordance with the procedures in subdivisions 2 and 3. Based upon the  
 243.26 results of this assessment/sales ratio study, the Department of Revenue must determine an  
 243.27 ~~aggregate~~ equalized net tax capacity for the various classes of taxable property in each  
 243.28 taxing district, the aggregate of which tax capacity shall be is designated as the adjusted net  
 243.29 tax capacity. The adjusted net tax capacity must be reduced by the captured tax capacity of  
 243.30 tax increment districts under section 469.177, subdivision 2, fiscal disparities contribution  
 243.31 tax capacities under sections 276A.06 and 473F.08, and the tax capacity of transmission  
 243.32 lines required to be subtracted from the local tax base under section 273.425; and increased  
 243.33 by fiscal disparities distribution tax capacities under sections 276A.06 and 473F.08. The  
 243.34 adjusted net tax capacities shall be determined using the net tax capacity percentages in  
 243.35 effect for the assessment year following the assessment year of the study. The Department

244.1 of Revenue must make whatever estimates are necessary to account for changes in the  
244.2 classification system. The Department of Revenue may incur the expense necessary to  
244.3 make the determinations. The commissioner of revenue may reimburse any county or  
244.4 governmental official for requested services performed in ascertaining the adjusted net tax  
244.5 capacity. On or before March 15 annually, the Department of Revenue shall file with the  
244.6 chair of the Tax Committee of the house of representatives and the chair of the Committee  
244.7 on Taxes and Tax laws of the senate a report of adjusted net tax capacities for school  
244.8 districts. On or before June 15 annually, the Department of Revenue shall file its final report  
244.9 on the adjusted net tax capacities for school districts established by the previous year's  
244.10 assessments and the current year's net tax capacity percentages with the commissioner of  
244.11 education and each county auditor for those school districts for which the auditor has the  
244.12 responsibility for determination of local tax rates. A copy of the report so filed shall be  
244.13 mailed to the clerk of each school district involved and to the county assessor or supervisor  
244.14 of assessments of the county or counties in which each school district is located.

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

244.16 Sec. 16. Minnesota Statutes 2012, section 138.053, is amended to read:

244.17 **138.053 COUNTY HISTORICAL SOCIETY; TAX LEVY; CITIES OR**  
244.18 **TOWNS.**

244.19 The governing body of any home rule charter or statutory city or town may annually  
244.20 appropriate from its general fund an amount not to exceed 0.02418 percent of ~~taxable~~  
244.21 estimated market value, derived from ad valorem taxes on property or other revenues, to  
244.22 be paid to the historical society of its respective county to be used for the promotion of  
244.23 historical work and to aid in defraying the expenses of carrying on the historical work in the  
244.24 county. No city or town may appropriate any funds for the benefit of any historical society  
244.25 unless the society is affiliated with and approved by the Minnesota Historical Society.

244.26 Sec. 17. Minnesota Statutes 2012, section 144F.01, subdivision 4, is amended to read:

244.27 Subd. 4. **Property tax levy authority.** The district's board may levy a tax on the  
244.28 taxable real and personal property in the district. The ad valorem tax levy may not exceed  
244.29 0.048 percent of the ~~taxable~~ estimated market value of the district or \$400,000, whichever  
244.30 is less. The proceeds of the levy must be used as provided in subdivision 5. The board shall  
244.31 certify the levy at the times as provided under section 275.07. The board shall provide the  
244.32 county with whatever information is necessary to identify the property that is located within  
244.33 the district. If the boundaries include a part of a parcel, the entire parcel shall be included

245.1 in the district. The county auditors must spread, collect, and distribute the proceeds of the  
245.2 tax at the same time and in the same manner as provided by law for all other property taxes.

245.3 Sec. 18. Minnesota Statutes 2012, section 162.07, subdivision 3, is amended to read:

245.4 Subd. 3. **Computation for rural counties.** An amount equal to a levy of 0.01596  
245.5 percent on each rural county's total ~~taxable~~ estimated market value for the last preceding  
245.6 calendar year shall be computed and shall be subtracted from the county's total estimated  
245.7 construction costs. The result thereof shall be the money needs of the county. For the  
245.8 purpose of this section, "rural counties" means all counties having a population of less  
245.9 than 175,000.

245.10 Sec. 19. Minnesota Statutes 2012, section 162.07, subdivision 4, is amended to read:

245.11 Subd. 4. **Computation for urban counties.** An amount equal to a levy of 0.00967  
245.12 percent on each urban county's total ~~taxable~~ estimated market value for the last preceding  
245.13 calendar year shall be computed and shall be subtracted from the county's total estimated  
245.14 construction costs. The result thereof shall be the money needs of the county. For  
245.15 the purpose of this section, "urban counties" means all counties having a population  
245.16 of 175,000 or more.

245.17 Sec. 20. Minnesota Statutes 2012, section 163.04, subdivision 3, is amended to read:

245.18 Subd. 3. **Bridges within certain cities.** When the council of any statutory city or  
245.19 city of the third or fourth class may determine that it is necessary to build or improve any  
245.20 bridge or bridges, including approaches thereto, and any dam or retaining works connected  
245.21 therewith, upon or forming a part of streets or highways either wholly or partly within  
245.22 its limits, the county board shall appropriate one-half of the money as may be necessary  
245.23 therefor from the county road and bridge fund, not exceeding during any year one-half  
245.24 the amount of taxes paid into the county road and bridge fund during the preceding year,  
245.25 on property within the corporate limits of the city. The appropriation shall be made upon  
245.26 the petition of the council, which petition shall be filed by the council with the county  
245.27 board prior to the fixing by the board of the annual county tax levy. The county board  
245.28 shall determine the plans and specifications, shall let all necessary contracts, shall have  
245.29 charge of construction, and upon its request, warrants in payment thereof shall be issued  
245.30 by the county auditor, from time to time, as the construction work proceeds. Any unpaid  
245.31 balance may be paid or advanced by the city. On petition of the council, the appropriations  
245.32 of the county board, during not to exceed three successive years, may be made to apply  
245.33 on the construction of the same items and to repay any money advanced by the city in

246.1 the construction thereof. None of the provisions of this section shall be construed to  
246.2 be mandatory as applied to any city whose estimated market value exceeds \$2,100 per  
246.3 capita of its population.

246.4 Sec. 21. Minnesota Statutes 2012, section 163.06, subdivision 6, is amended to read:

246.5 Subd. 6. **Expenditure in certain counties.** In any county having not less than 95  
246.6 nor more than 105 full and fractional townships, and having a an estimated market value  
246.7 of not less than \$12,000,000 nor more than \$21,000,000, ~~exclusive of money and credits,~~  
246.8 the county board, by resolution, may expend the funds provided in subdivision 4 in any  
246.9 organized ~~or unorganized township~~ town or unorganized territory or portion thereof in  
246.10 such county.

246.11 Sec. 22. Minnesota Statutes 2012, section 165.10, subdivision 1, is amended to read:

246.12 Subdivision 1. **Certain counties may issue and sell.** The county board of any  
246.13 county having no outstanding road and bridge bonds may issue and sell county road bonds  
246.14 in an amount not exceeding 0.12089 percent of the estimated market value of the taxable  
246.15 property within the county ~~exclusive of money and credits,~~ for the purpose of constructing,  
246.16 reconstructing, improving, or maintaining any bridge or bridges on any highway under its  
246.17 jurisdiction, without submitting the matter to a vote of the electors of the county.

246.18 Sec. 23. Minnesota Statutes 2012, section 272.03, is amended by adding a subdivision  
246.19 to read:

246.20 Subd. 14. **Estimated market value.** "Estimated market value" means the assessor's  
246.21 determination of market value, including the effects of any orders made under section  
246.22 270.12 or chapter 274, for the parcel. The provisions of section 273.032 apply for certain  
246.23 uses in determining the total estimated market value for the taxing jurisdiction.

246.24 Sec. 24. Minnesota Statutes 2012, section 272.03, is amended by adding a subdivision  
246.25 to read:

246.26 Subd. 15. **Taxable market value.** "Taxable market value" means estimated market  
246.27 value for the parcel as reduced by market value exclusions, deferments of value, or other  
246.28 adjustments required by law, that reduce market value before the application of class rates.

246.29 Sec. 25. Minnesota Statutes 2012, section 273.032, is amended to read:

246.30 **273.032 MARKET VALUE DEFINITION.**

247.1 (a) Unless otherwise provided, for the purpose of determining any property tax  
 247.2 levy limitation based on market value or any limit on net debt, the issuance of bonds,  
 247.3 certificates of indebtedness, or capital notes based on market value, any qualification to  
 247.4 receive state aid based on market value, or any state aid amount based on market value, the  
 247.5 terms "market value," "taxable estimated market value," and "market valuation," whether  
 247.6 equalized or unequalized, mean the total taxable estimated market value of taxable property  
 247.7 within the local unit of government before any of the following or similar adjustments for:

247.8 (1) the market value exclusions under:

247.9 (i) section 273.11, subdivisions 14a and 14c (vacant platted land);

247.10 (ii) section 273.11, subdivision 16 (certain improvements to homestead property);

247.11 (iii) section 273.11, subdivisions 19 and 20 (certain improvements to business  
 247.12 properties);

247.13 (iv) section 273.11, subdivision 21 (homestead property damaged by mold);

247.14 (v) section 273.11, subdivision 22 (qualifying lead hazardous reduction projects);

247.15 (vi) section 273.13, subdivision 34 (homestead of a disabled veteran or family  
 247.16 caregiver);

247.17 (vii) section 273.13, subdivision 35 (homestead market value exclusion); or

247.18 (2) the deferment of value under:

247.19 (i) the Minnesota Agricultural Property Tax Law, section 273.111;

247.20 (ii) the Aggregate Resource Preservation Law, section 273.1115;

247.21 (iii) the Minnesota Open Space Property Tax Law, section 273.112;

247.22 (iv) the rural preserves property tax program, section 273.114; or

247.23 (v) the Metropolitan Agricultural Preserves Act, section 473H.10; or

247.24 (3) the adjustments to tax capacity for:

247.25 (i) tax increment; financing under sections 469.174 to 469.1794;

247.26 (ii) fiscal disparity; disparities under chapter 276A or 473F; or

247.27 (iii) powerline credit; or wind energy values, but after the limited market adjustments

247.28 under section 273.11, subdivision 1a, and after the market value exclusions of certain

247.29 improvements to homestead property under section 273.11, subdivision 16 under section

247.30 273.425.

247.31 (b) Estimated market value under paragraph (a) also includes the market value  
 247.32 of tax-exempt property if the applicable law specifically provides that the limitation,  
 247.33 qualification, or aid calculation includes tax-exempt property.

247.34 (c) Unless otherwise provided, "market value," "taxable estimated market value,"  
 247.35 and "market valuation" for purposes of this paragraph property tax levy limitations and  
 247.36 calculation of state aid, refer to the taxable estimated market value for the previous

248.1 assessment year and for purposes of limits on net debt, the issuance of bonds, certificates of  
248.2 indebtedness, or capital notes refer to the estimated market value as last finally equalized.

248.3 ~~For the purpose of determining any net debt limit based on market value, or any limit~~  
248.4 ~~on the issuance of bonds, certificates of indebtedness, or capital notes based on market~~  
248.5 ~~value, the terms "market value," "taxable market value," and "market valuation," whether~~  
248.6 ~~equalized or unequalized, mean the total taxable market value of property within the local~~  
248.7 ~~unit of government before any adjustments for tax increment, fiscal disparity, powerline~~  
248.8 ~~credit, or wind energy values, but after the limited market value adjustments under section~~  
248.9 ~~273.11, subdivision 1a, and after the market value exclusions of certain improvements to~~  
248.10 ~~homestead property under section 273.11, subdivision 16. Unless otherwise provided,~~  
248.11 ~~"market value," "taxable market value," and "market valuation" for purposes of this~~  
248.12 ~~paragraph, mean the taxable market value as last finally equalized.~~

248.13 (d) For purposes of a provision of a home rule charter or of any special law that is not  
248.14 codified in the statutes and that imposes a levy limitation based on market value or any limit  
248.15 on debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market  
248.16 value, the terms "market value," "taxable market value," and "market valuation," whether  
248.17 equalized or unequalized, mean "estimated market value" as defined in paragraph (a).

248.18 Sec. 26. Minnesota Statutes 2012, section 273.11, subdivision 1, is amended to read:

248.19 Subdivision 1. **Generally.** Except as provided in this section or section 273.17,  
248.20 subdivision 1, all property shall be valued at its market value. The market value as  
248.21 determined pursuant to this section shall be stated such that any amount under \$100 is  
248.22 rounded up to \$100 and any amount exceeding \$100 shall be rounded to the nearest \$100.  
248.23 In estimating and determining such value, the assessor shall not adopt a lower or different  
248.24 standard of value because the same is to serve as a basis of taxation, nor shall the assessor  
248.25 adopt as a criterion of value the price for which such property would sell at a forced sale,  
248.26 or in the aggregate with all the property in the town or district; but the assessor shall value  
248.27 each article or description of property by itself, and at such sum or price as the assessor  
248.28 believes the same to be fairly worth in money. The assessor shall take into account the  
248.29 effect on the market value of property of environmental factors in the vicinity of the  
248.30 property. In assessing any tract or lot of real property, the value of the land, exclusive of  
248.31 structures and improvements, shall be determined, and also the value of all structures and  
248.32 improvements thereon, and the aggregate value of the property, including all structures  
248.33 and improvements, excluding the value of crops growing upon cultivated land. In valuing  
248.34 real property upon which there is a mine or quarry, it shall be valued at such price as such  
248.35 property, including the mine or quarry, would sell for at a fair, voluntary sale, for cash,



249.1 if the material being mined or quarried is not subject to taxation under section 298.015  
249.2 and the mine or quarry is not exempt from the general property tax under section 298.25.  
249.3 In valuing real property which is vacant, platted property shall be assessed as provided  
249.4 in ~~subdivision 14~~ subdivisions 14a and 14c. All property, or the use thereof, which is  
249.5 taxable under section 272.01, subdivision 2, or 273.19, shall be valued at the market  
249.6 value of such property and not at the value of a leasehold estate in such property, or at  
249.7 some lesser value than its market value.

249.8 Sec. 27. Minnesota Statutes 2012, section 273.124, subdivision 3a, is amended to read:

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

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

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

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

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

249.27 (d) "Homestead treatment" under this subdivision means the class rate provided for  
249.28 class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause (5),  
249.29 item (ii). The homestead market value ~~credit exclusion~~ exclusion under section ~~273.1384~~ 273.13,  
249.30 subdivision 35, does not apply and the property taxes assessed against the park shall not  
249.31 be included in the determination of taxes payable for rent paid under section 290A.03.

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

249.34 Sec. 28. Minnesota Statutes 2012, section 273.124, subdivision 13, is amended to read:

250.1 Subd. 13. **Homestead application.** (a) A person who meets the homestead  
250.2 requirements under subdivision 1 must file a homestead application with the county  
250.3 assessor to initially obtain homestead classification.

250.4 (b) The format and contents of a uniform homestead application shall be prescribed  
250.5 by the commissioner of revenue. The application must clearly inform the taxpayer that  
250.6 this application must be signed by all owners who occupy the property or by the qualifying  
250.7 relative and returned to the county assessor in order for the property to receive homestead  
250.8 treatment.

250.9 (c) Every property owner applying for homestead classification must furnish to the  
250.10 county assessor the Social Security number of each occupant who is listed as an owner  
250.11 of the property on the deed of record, the name and address of each owner who does not  
250.12 occupy the property, and the name and Social Security number of each owner's spouse who  
250.13 occupies the property. The application must be signed by each owner who occupies the  
250.14 property and by each owner's spouse who occupies the property, or, in the case of property  
250.15 that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

250.16 If a property owner occupies a homestead, the property owner's spouse may not  
250.17 claim another property as a homestead unless the property owner and the property owner's  
250.18 spouse file with the assessor an affidavit or other proof required by the assessor stating that  
250.19 the property qualifies as a homestead under subdivision 1, paragraph (e).

250.20 Owners or spouses occupying residences owned by their spouses and previously  
250.21 occupied with the other spouse, either of whom fail to include the other spouse's name  
250.22 and Social Security number on the homestead application or provide the affidavits or  
250.23 other proof requested, will be deemed to have elected to receive only partial homestead  
250.24 treatment of their residence. The remainder of the residence will be classified as  
250.25 nonhomestead residential. When an owner or spouse's name and Social Security number  
250.26 appear on homestead applications for two separate residences and only one application is  
250.27 signed, the owner or spouse will be deemed to have elected to homestead the residence for  
250.28 which the application was signed.

250.29 The Social Security numbers, state or federal tax returns or tax return information,  
250.30 including the federal income tax schedule F required by this section, or affidavits or other  
250.31 proofs of the property owners and spouses submitted under this or another section to  
250.32 support a claim for a property tax homestead classification are private data on individuals as  
250.33 defined by section 13.02, subdivision 12, but, notwithstanding that section, the private data  
250.34 may be disclosed to the commissioner of revenue, or, for purposes of proceeding under the  
250.35 Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

251.1 (d) If residential real estate is occupied and used for purposes of a homestead by a  
251.2 relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in  
251.3 order for the property to receive homestead status, a homestead application must be filed  
251.4 with the assessor. The Social Security number of each relative and spouse of a relative  
251.5 occupying the property shall be required on the homestead application filed under this  
251.6 subdivision. If a different relative of the owner subsequently occupies the property, the  
251.7 owner of the property must notify the assessor within 30 days of the change in occupancy.  
251.8 The Social Security number of a relative or relative's spouse occupying the property  
251.9 is private data on individuals as defined by section 13.02, subdivision 12, but may be  
251.10 disclosed to the commissioner of revenue, or, for the purposes of proceeding under the  
251.11 Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

251.12 (e) The homestead application shall also notify the property owners that the  
251.13 application filed under this section will not be mailed annually and that if the property  
251.14 is granted homestead status for any assessment year, that same property shall remain  
251.15 classified as homestead until the property is sold or transferred to another person, or  
251.16 the owners, the spouse of the owner, or the relatives no longer use the property as their  
251.17 homestead. Upon the sale or transfer of the homestead property, a certificate of value must  
251.18 be timely filed with the county auditor as provided under section 272.115. Failure to  
251.19 notify the assessor within 30 days that the property has been sold, transferred, or that the  
251.20 owner, the spouse of the owner, or the relative is no longer occupying the property as a  
251.21 homestead, shall result in the penalty provided under this subdivision and the property  
251.22 will lose its current homestead status.

251.23 (f) If the homestead application is not returned within 30 days, the county will send a  
251.24 second application to the present owners of record. The notice of proposed property taxes  
251.25 prepared under section 275.065, subdivision 3, shall reflect the property's classification. If  
251.26 a homestead application has not been filed with the county by December 15, the assessor  
251.27 shall classify the property as nonhomestead for the current assessment year for taxes  
251.28 payable in the following year, provided that the owner may be entitled to receive the  
251.29 homestead classification by proper application under section 375.192.

251.30 (g) At the request of the commissioner, each county must give the commissioner a  
251.31 list that includes the name and Social Security number of each occupant of homestead  
251.32 property who is the property owner, property owner's spouse, qualifying relative of a  
251.33 property owner, or a spouse of a qualifying relative. The commissioner shall use the  
251.34 information provided on the lists as appropriate under the law, including for the detection  
251.35 of improper claims by owners, or relatives of owners, under chapter 290A.

252.1 (h) If the commissioner finds that a property owner may be claiming a fraudulent  
252.2 homestead, the commissioner shall notify the appropriate counties. Within 90 days of  
252.3 the notification, the county assessor shall investigate to determine if the homestead  
252.4 classification was properly claimed. If the property owner does not qualify, the county  
252.5 assessor shall notify the county auditor who will determine the amount of homestead  
252.6 benefits that had been improperly allowed. For the purpose of this section, "homestead  
252.7 benefits" means the tax reduction resulting from the classification as a homestead and the  
252.8 homestead market value exclusion under section 273.13, the taconite homestead credit  
252.9 under section 273.135, the ~~residential homestead~~ and agricultural homestead ~~credits~~ credit  
252.10 under section 273.1384, and the supplemental homestead credit under section 273.1391.

252.11 The county auditor shall send a notice to the person who owned the affected property  
252.12 at the time the homestead application related to the improper homestead was filed,  
252.13 demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent  
252.14 of the homestead benefits. The person notified may appeal the county's determination  
252.15 by serving copies of a petition for review with county officials as provided in section  
252.16 278.01 and filing proof of service as provided in section 278.01 with the Minnesota Tax  
252.17 Court within 60 days of the date of the notice from the county. Procedurally, the appeal  
252.18 is governed by the provisions in chapter 271 which apply to the appeal of a property tax  
252.19 assessment or levy, but without requiring any prepayment of the amount in controversy. If  
252.20 the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal  
252.21 has been filed, the county auditor shall certify the amount of taxes and penalty to the county  
252.22 treasurer. The county treasurer will add interest to the unpaid homestead benefits and  
252.23 penalty amounts at the rate provided in section 279.03 for real property taxes becoming  
252.24 delinquent in the calendar year during which the amount remains unpaid. Interest may be  
252.25 assessed for the period beginning 60 days after demand for payment was made.

252.26 If the person notified is the current owner of the property, the treasurer may add the  
252.27 total amount of homestead benefits, penalty, interest, and costs to the ad valorem taxes  
252.28 otherwise payable on the property by including the amounts on the property tax statements  
252.29 under section 276.04, subdivision 3. The amounts added under this paragraph to the ad  
252.30 valorem taxes shall include interest accrued through December 31 of the year preceding  
252.31 the taxes payable year for which the amounts are first added. These amounts, when added  
252.32 to the property tax statement, become subject to all the laws for the enforcement of real or  
252.33 personal property taxes for that year, and for any subsequent year.

252.34 If the person notified is not the current owner of the property, the treasurer may  
252.35 collect the amounts due under the Revenue Recapture Act in chapter 270A, or use any of  
252.36 the powers granted in sections 277.20 and 277.21 without exclusion, to enforce payment

253.1 of the homestead benefits, penalty, interest, and costs, as if those amounts were delinquent  
253.2 tax obligations of the person who owned the property at the time the application related to  
253.3 the improperly allowed homestead was filed. The treasurer may relieve a prior owner of  
253.4 personal liability for the homestead benefits, penalty, interest, and costs, and instead extend  
253.5 those amounts on the tax lists against the property as provided in this paragraph to the extent  
253.6 that the current owner agrees in writing. On all demands, billings, property tax statements,  
253.7 and related correspondence, the county must list and state separately the amounts of  
253.8 homestead benefits, penalty, interest and costs being demanded, billed or assessed.

253.9 (i) Any amount of homestead benefits recovered by the county from the property  
253.10 owner shall be distributed to the county, city or town, and school district where the  
253.11 property is located in the same proportion that each taxing district's levy was to the total  
253.12 of the three taxing districts' levy for the current year. Any amount recovered attributable  
253.13 to taconite homestead credit shall be transmitted to the St. Louis County auditor to be  
253.14 deposited in the taconite property tax relief account. Any amount recovered that is  
253.15 attributable to supplemental homestead credit is to be transmitted to the commissioner of  
253.16 revenue for deposit in the general fund of the state treasury. The total amount of penalty  
253.17 collected must be deposited in the county general fund.

253.18 (j) If a property owner has applied for more than one homestead and the county  
253.19 assessors cannot determine which property should be classified as homestead, the county  
253.20 assessors will refer the information to the commissioner. The commissioner shall make  
253.21 the determination and notify the counties within 60 days.

253.22 (k) In addition to lists of homestead properties, the commissioner may ask the  
253.23 counties to furnish lists of all properties and the record owners. The Social Security  
253.24 numbers and federal identification numbers that are maintained by a county or city  
253.25 assessor for property tax administration purposes, and that may appear on the lists retain  
253.26 their classification as private or nonpublic data; but may be viewed, accessed, and used by  
253.27 the county auditor or treasurer of the same county for the limited purpose of assisting the  
253.28 commissioner in the preparation of microdata samples under section 270C.12.

253.29 (l) On or before April 30 each year beginning in 2007, each county must provide the  
253.30 commissioner with the following data for each parcel of homestead property by electronic  
253.31 means as defined in section 289A.02, subdivision 8:

253.32 (i) the property identification number assigned to the parcel for purposes of taxes  
253.33 payable in the current year;

253.34 (ii) the name and Social Security number of each occupant of homestead property  
253.35 who is the property owner, property owner's spouse, qualifying relative of a property  
253.36 owner, or spouse of a qualifying relative;

- 254.1 (iii) the classification of the property under section 273.13 for taxes payable in the  
254.2 current year and in the prior year;
- 254.3 (iv) an indication of whether the property was classified as a homestead for taxes  
254.4 payable in the current year because of occupancy by a relative of the owner or by a  
254.5 spouse of a relative;
- 254.6 (v) the property taxes payable as defined in section 290A.03, subdivision 13, for the  
254.7 current year and the prior year;
- 254.8 (vi) the market value of improvements to the property first assessed for tax purposes  
254.9 for taxes payable in the current year;
- 254.10 (vii) the assessor's estimated market value assigned to the property for taxes payable  
254.11 in the current year and the prior year;
- 254.12 (viii) the taxable market value assigned to the property for taxes payable in the  
254.13 current year and the prior year;
- 254.14 (ix) whether there are delinquent property taxes owing on the homestead;
- 254.15 (x) the unique taxing district in which the property is located; and
- 254.16 (xi) such other information as the commissioner decides is necessary.

254.17 The commissioner shall use the information provided on the lists as appropriate  
254.18 under the law, including for the detection of improper claims by owners, or relatives  
254.19 of owners, under chapter 290A.

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

254.22 Sec. 29. Minnesota Statutes 2012, section 273.13, subdivision 21b, is amended to read:

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

254.25 ~~(b)~~ Net tax capacity means the product of the appropriate net class rates in this  
254.26 section and taxable market values.

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

254.28 Sec. 30. Minnesota Statutes 2012, section 273.1398, subdivision 3, is amended to read:

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

255.1 both based upon taxable market values for taxes payable in the year prior to that for which  
255.2 aid is being computed. If the commissioner determines that insufficient information is  
255.3 available to reasonably and timely calculate the numerator in this ratio for the first taxes  
255.4 payable year that a class rate change or new class rate is effective, the commissioner shall  
255.5 omit the effects of that class rate change or new class rate when calculating this ratio for  
255.6 aid payable in that taxes payable year. For aid payable in the year following a year for  
255.7 which such omission was made, the commissioner shall use in the denominator for the  
255.8 class that was changed or created, the tax capacity for taxes payable two years prior to that  
255.9 in which the aid is payable, based on taxable market values for taxes payable in the year  
255.10 prior to that for which aid is being computed.

255.11 Sec. 31. Minnesota Statutes 2012, section 273.1398, subdivision 4, is amended to read:

255.12 Subd. 4. **Disparity reduction credit.** (a) Beginning with taxes payable in 1989,  
255.13 class 4a and class 3a property qualifies for a disparity reduction credit if: (1) the property  
255.14 is located in a border city that has an enterprise zone, as defined in section 469.166; (2)  
255.15 the property is located in a city with a population greater than 2,500 and less than 35,000  
255.16 according to the 1980 decennial census; (3) the city is adjacent to a city in another state or  
255.17 immediately adjacent to a city adjacent to a city in another state; and (4) the adjacent city  
255.18 in the other state has a population of greater than 5,000 and less than 75,000 according to  
255.19 the 1980 decennial census.

255.20 (b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a  
255.21 property to 2.3 percent of the property's taxable market value and (ii) the tax on class 3a  
255.22 property to 2.3 percent of taxable market value.

255.23 (c) The county auditor shall annually certify the costs of the credits to the  
255.24 Department of Revenue. The department shall reimburse local governments for the  
255.25 property taxes forgone as the result of the credits in proportion to their total levies.

255.26 Sec. 32. Minnesota Statutes 2012, section 275.011, subdivision 1, is amended to read:

255.27 Subdivision 1. **Determination of levy limit.** The property tax levied for any  
255.28 purpose under a special law that is not codified in Minnesota Statutes or a city charter  
255.29 provision and that is subject to a mill rate limitation imposed by the special law or city  
255.30 charter provision, excluding levies subject to mill rate limitations that use adjusted  
255.31 assessed values determined by the commissioner of revenue under section 124.2131, must  
255.32 not exceed the following amount for the years specified:

255.33 (a) for taxes payable in 1988, the product of the applicable mill rate limitation  
255.34 imposed by special law or city charter provision multiplied by the total assessed valuation

256.1 of all taxable property subject to the tax as adjusted by the provisions of Minnesota  
256.2 Statutes 1986, sections 272.64; 273.13, subdivision 7a; and 275.49;

256.3 (b) for taxes payable in 1989, the product of (1) the property tax levy limitation for  
256.4 the taxes payable year 1988 determined under clause (a) multiplied by (2) an index for  
256.5 market valuation changes equal to the assessment year 1988 total market valuation of all  
256.6 taxable property subject to the tax divided by the assessment year 1987 total market  
256.7 valuation of all taxable property subject to the tax; and

256.8 (c) for taxes payable in 1990 and subsequent years, the product of (1) the property  
256.9 tax levy limitation for the previous year determined pursuant to this subdivision multiplied  
256.10 by (2) an index for market valuation changes equal to the total market valuation of all  
256.11 taxable property subject to the tax for the current assessment year divided by the total  
256.12 market valuation of all taxable property subject to the tax for the previous assessment year.

256.13 For the purpose of determining the property tax levy limitation for the taxes payable  
256.14 year ~~1988~~ 2014 and subsequent years under this subdivision, "total market valuation"  
256.15 means the ~~total~~ estimated market ~~valuation~~ value of all taxable property subject to the  
256.16 tax ~~without valuation adjustments for fiscal disparities (chapters 276A and 473F), tax~~  
256.17 ~~increment financing (sections 469.174 to 469.179), or powerline credit (section 273.425)~~  
256.18 as provided under section 273.032.

256.19 Sec. 33. Minnesota Statutes 2012, section 275.077, subdivision 2, is amended to read:

256.20 Subd. 2. **Correction of levy amount.** The difference between the correct levy and  
256.21 the erroneous levy shall be added to the township levy for the subsequent levy year;  
256.22 provided that if the amount of the difference exceeds 0.12089 percent of ~~taxable~~ estimated  
256.23 market value, the excess shall be added to the township levy for the second and later  
256.24 subsequent levy years, not to exceed an additional levy of 0.12089 percent of ~~taxable~~  
256.25 estimated market value in any year, until the full amount of the difference has been levied.  
256.26 The funds collected from the corrected levies shall be used to reimburse the county for the  
256.27 payment required by subdivision 1.

256.28 Sec. 34. Minnesota Statutes 2012, section 275.71, subdivision 4, is amended to read:

256.29 Subd. 4. **Adjusted levy limit base.** For taxes levied in 2008 through 2010, the  
256.30 adjusted levy limit base is equal to the levy limit base computed under subdivision 2  
256.31 or section 275.72, multiplied by:

256.32 (1) one plus the percentage growth in the implicit price deflator, but the percentage  
256.33 shall not be less than zero or exceed 3.9 percent;



257.1 (2) one plus a percentage equal to 50 percent of the percentage increase in the number  
257.2 of households, if any, for the most recent 12-month period for which data is available; and  
257.3 (3) one plus a percentage equal to 50 percent of the percentage increase in the  
257.4 ~~taxable~~ estimated market value of the jurisdiction due to new construction of class 3  
257.5 property, as defined in section 273.13, subdivision 4, except for state-assessed utility and  
257.6 railroad property, for the most recent year for which data is available.

257.7 Sec. 35. Minnesota Statutes 2012, section 276.04, subdivision 2, is amended to read:

257.8 Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the printing  
257.9 of the tax statements. The commissioner of revenue shall prescribe the form of the property  
257.10 tax statement and its contents. The tax statement must not state or imply that property tax  
257.11 credits are paid by the state of Minnesota. The statement must contain a tabulated statement  
257.12 of the dollar amount due to each taxing authority and the amount of the state tax from the  
257.13 parcel of real property for which a particular tax statement is prepared. The dollar amounts  
257.14 attributable to the county, the state tax, the voter approved school tax, the other local school  
257.15 tax, the township or municipality, and the total of the metropolitan special taxing districts  
257.16 as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated.  
257.17 The amounts due all other special taxing districts, if any, may be aggregated except that  
257.18 any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota,  
257.19 Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be listed on a separate  
257.20 line directly under the appropriate county's levy. If the county levy under this paragraph  
257.21 includes an amount for a lake improvement district as defined under sections 103B.501  
257.22 to 103B.581, the amount attributable for that purpose must be separately stated from the  
257.23 remaining county levy amount. In the case of Ramsey County, if the county levy under this  
257.24 paragraph includes an amount for public library service under section 134.07, the amount  
257.25 attributable for that purpose may be separated from the remaining county levy amount.  
257.26 The amount of the tax on homesteads qualifying under the senior citizens' property tax  
257.27 deferral program under chapter 290B is the total amount of property tax before subtraction  
257.28 of the deferred property tax amount. The amount of the tax on contamination value  
257.29 imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar  
257.30 amounts, including the dollar amount of any special assessments, may be rounded to the  
257.31 nearest even whole dollar. For purposes of this section whole odd-numbered dollars may  
257.32 be adjusted to the next higher even-numbered dollar. The amount of market value excluded  
257.33 under section 273.11, subdivision 16, if any, must also be listed on the tax statement.

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

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

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

258.9 (2) the property's homestead market value exclusion under section 273.13,  
258.10 subdivision 35;

258.11 (3) the property's taxable market value ~~after reductions under sections 273.11,~~  
258.12 ~~subdivisions 1a and 16, and 273.13, subdivision 35~~ section 272.03, subdivision 15;

258.13 (4) the property's gross tax, before credits;

258.14 (5) for homestead agricultural properties, the credit under section 273.1384;

258.15 (6) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135;  
258.16 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of  
258.17 credit received under section 273.135 must be separately stated and identified as "taconite  
258.18 tax relief"; and

258.19 (7) the net tax payable in the manner required in paragraph (a).

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

258.28 Sec. 36. Minnesota Statutes 2012, section 276A.01, subdivision 10, is amended to read:

258.29 Subd. 10. **Adjusted market value.** "Adjusted market value" of real and personal  
258.30 property within a municipality means the ~~assessor's estimated~~ taxable market value,  
258.31 as defined in section 272.03, of all real and personal property, including the value of  
258.32 manufactured housing, within the municipality. ~~For purposes of sections 276A.01 to~~  
258.33 ~~276A.09, the commissioner of revenue shall annually make determinations and reports~~  
258.34 ~~with respect to each municipality which are comparable to those it makes for school~~  
258.35 ~~districts, adjusted for sales ratios in a manner similar to the adjustments made to city and~~

259.1 town net tax capacities under section 127A.48, subdivisions 1 to 6, ~~in the same manner~~  
259.2 ~~and at the same times prescribed by the subdivision.~~ The commissioner of revenue shall  
259.3 ~~annually determine, for each municipality, information comparable to that required by~~  
259.4 ~~section 475.53, subdivision 4, for school districts, as soon as practicable after it becomes~~  
259.5 ~~available. The commissioner of revenue shall then compute the equalized market value of~~  
259.6 ~~property within each municipality.~~

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

259.8 Sec. 37. Minnesota Statutes 2012, section 276A.01, subdivision 12, is amended to read:

259.9 Subd. 12. **Fiscal capacity.** "Fiscal capacity" of a municipality means its ~~valuation~~  
259.10 adjusted market value, determined as of January 2 of any year, divided by its population,  
259.11 determined as of a date in the same year.

259.12 Sec. 38. Minnesota Statutes 2012, section 276A.01, subdivision 13, is amended to read:

259.13 Subd. 13. **Average fiscal capacity.** "Average fiscal capacity" of municipalities  
259.14 means the sum of the ~~valuations~~ adjusted market values of all municipalities, determined  
259.15 as of January 2 of any year, divided by the sum of their populations, determined as of  
259.16 a date in the same year.

259.17 Sec. 39. Minnesota Statutes 2012, section 276A.01, subdivision 15, is amended to read:

259.18 Subd. 15. **Net tax capacity.** "Net tax capacity" means the taxable market value of  
259.19 real and personal property multiplied by its net tax capacity rates in section 273.13.

259.20 Sec. 40. Minnesota Statutes 2012, section 276A.06, subdivision 10, is amended to read:

259.21 Subd. 10. **Adjustment of values for other computations.** For the purpose of  
259.22 computing ~~the amount or rate of any salary, aid, tax, or debt authorized, required, or~~  
259.23 ~~limited by any provision of any law or charter, where the authorization, requirement, or~~  
259.24 ~~limitation is related to any value or valuation of taxable property within any governmental~~  
259.25 ~~unit, the value or net tax capacity~~ fiscal capacity under section 276A.01, subdivision 12, a  
259.26 municipality's taxable market value must be adjusted to reflect the ~~adjustments~~ reductions  
259.27 to net tax capacity effected by subdivision 2, clause (a), provided that: ~~(1)~~ in determining  
259.28 the taxable market value of commercial-industrial property or any class thereof within  
259.29 a governmental unit for any purpose other than section 276A.05 municipality, (a) the  
259.30 reduction required by this subdivision is that amount which bears the same proportion to  
259.31 the amount subtracted from the ~~governmental unit's~~ municipality's net tax capacity pursuant  
259.32 to subdivision 2, clause (a), as the taxable market value of commercial-industrial property,

260.1 or such class thereof, located within the ~~governmental unit~~ municipality bears to the net  
 260.2 tax capacity of commercial-industrial property, or such class thereof, located within the  
 260.3 ~~governmental unit, and (b) the increase required by this subdivision is that amount which~~  
 260.4 ~~bears the same proportion to the amount added to the governmental unit's net tax capacity~~  
 260.5 ~~pursuant to subdivision 2, clause (b), as the market value of commercial-industrial property,~~  
 260.6 ~~or such class thereof, located within the governmental unit bears to the net tax capacity of~~  
 260.7 ~~commercial-industrial property, or such class thereof, located within the governmental unit;~~  
 260.8 ~~and (2) in determining the market value of real property within a municipality for purposes~~  
 260.9 ~~of section 276A.05, the adjustment prescribed by clause (1)(a) must be made and that~~  
 260.10 ~~prescribed by clause (1)(b) must not be made~~ municipality. No adjustment shall be made  
 260.11 to taxable market value for the increase in net tax capacity under subdivision 2, clause (b).

260.12 Sec. 41. Minnesota Statutes 2012, section 287.08, is amended to read:

260.13 **287.08 TAX, HOW PAYABLE; RECEIPTS.**

260.14 (a) The tax imposed by sections 287.01 to 287.12 must be paid to the treasurer of  
 260.15 any county in this state in which the real property or some part is located at or before  
 260.16 the time of filing the mortgage for record. The treasurer shall endorse receipt on the  
 260.17 mortgage and the receipt is conclusive proof that the tax has been paid in the amount  
 260.18 stated and authorizes any county recorder or registrar of titles to record the mortgage. Its  
 260.19 form, in substance, shall be "registration tax hereon of ..... dollars paid." If the  
 260.20 mortgage is exempt from taxation the endorsement shall, in substance, be "exempt from  
 260.21 registration tax." In either case the receipt must be signed by the treasurer. In case the  
 260.22 treasurer is unable to determine whether a claim of exemption should be allowed, the tax  
 260.23 must be paid as in the case of a taxable mortgage. For documents submitted electronically,  
 260.24 the endorsements and tax amount shall be affixed electronically and no signature by the  
 260.25 treasurer will be required. The actual payment method must be arranged in advance  
 260.26 between the submitter and the receiving county.

260.27 (b) The county treasurer may refund in whole or in part any mortgage registry tax  
 260.28 overpayment if a written application by the taxpayer is submitted to the county treasurer  
 260.29 within 3-1/2 years from the date of the overpayment. If the county has not issued a denial  
 260.30 of the application, the taxpayer may bring an action in Tax Court in the county in which  
 260.31 the tax was paid at any time after the expiration of six months from the time that the  
 260.32 application was submitted. A denial of refund may be appealed within 60 days from  
 260.33 the date of the denial by bringing an action in Tax Court in the county in which the tax  
 260.34 was paid. The action is commenced by the serving of a petition for relief on the county  
 260.35 treasurer, and by filing a copy with the court. The county attorney shall defend the action.

261.1 The county treasurer shall notify the treasurer of each county that has or would receive a  
261.2 portion of the tax as paid.

261.3 (c) If the county treasurer determines a refund should be paid, or if a refund is  
261.4 ordered by the court, the county treasurer of each county that actually received a portion  
261.5 of the tax shall immediately pay a proportionate share of three percent of the refund  
261.6 using any available county funds. The county treasurer of each county that received, or  
261.7 would have received, a portion of the tax shall also pay their county's proportionate share  
261.8 of the remaining 97 percent of the court-ordered refund on or before the 20th day of the  
261.9 following month using solely the mortgage registry tax funds that would be paid to the  
261.10 commissioner of revenue on that date under section 287.12. If the funds on hand under  
261.11 this procedure are insufficient to fully fund 97 percent of the court-ordered refund, the  
261.12 county treasurer of the county in which the action was brought shall file a claim with the  
261.13 commissioner of revenue under section 16A.48 for the remaining portion of 97 percent of  
261.14 the refund, and shall pay over the remaining portion upon receipt of a warrant from the  
261.15 state issued pursuant to the claim.

261.16 (d) When any mortgage covers real property located in more than one county in this  
261.17 state the total tax must be paid to the treasurer of the county where the mortgage is first  
261.18 presented for recording, and the payment must be receipted as provided in paragraph  
261.19 (a). If the principal debt or obligation secured by such a multiple county mortgage  
261.20 exceeds \$10,000,000, the nonstate portion of the tax must be divided and paid over by  
261.21 the county treasurer receiving it, on or before the 20th day of each month after receipt,  
261.22 to the county or counties entitled in the ratio that the estimated market value of the real  
261.23 property covered by the mortgage in each county bears to the estimated market value of  
261.24 all the real property in this state described in the mortgage. In making the division and  
261.25 payment the county treasurer shall send a statement giving the description of the real  
261.26 property described in the mortgage and the estimated market value of the part located in  
261.27 each county. For this purpose, the treasurer of any county may require the treasurer of  
261.28 any other county to certify to the former the estimated market ~~valuation~~ value of any tract  
261.29 of real property in any mortgage.

261.30 (e) The mortgagor must pay the tax imposed by sections 287.01 to 287.12. The  
261.31 mortgagee may undertake to collect and remit the tax on behalf of the mortgagor. If the  
261.32 mortgagee collects money from the mortgagor to remit the tax on behalf of the mortgagor,  
261.33 the mortgagee has a fiduciary duty to remit the tax on behalf of the mortgagor as to the  
261.34 amount of the tax collected for that purpose and the mortgagor is relieved of any further  
261.35 obligation to pay the tax as to the amount collected by the mortgagee for this purpose.

262.1 Sec. 42. Minnesota Statutes 2012, section 287.23, subdivision 1, is amended to read:

262.2 Subdivision 1. **Real property outside county.** If any taxable deed or instrument  
262.3 describes any real property located in more than one county in this state, the total tax must  
262.4 be paid to the treasurer of the county where the document is first presented for recording,  
262.5 and the payment must be receipted as provided in section 287.08. If the net consideration  
262.6 exceeds \$700,000, the nonstate portion of the tax must be divided and paid over by the  
262.7 county treasurer receiving it, on or before the 20th day of each month after receipt, to  
262.8 the county or counties entitled in the ratio which the estimated market value of the real  
262.9 property covered by the document in each county bears to the estimated market value of  
262.10 all the real property in this state described in the document. In making the division and  
262.11 payment the county treasurer shall send a statement to the other involved counties giving  
262.12 the description of the real property described in the document and the estimated market  
262.13 value of the part located in each county. The treasurer of any county may require the  
262.14 treasurer of any other county to certify to the former the estimated market ~~valuation~~ value  
262.15 of any parcel of real property for this purpose.

262.16 Sec. 43. Minnesota Statutes 2012, section 353G.08, subdivision 2, is amended to read:

262.17 Subd. 2. **Cash flow funding requirement.** If the executive director determines that  
262.18 an account in the voluntary statewide lump-sum volunteer firefighter retirement plan has  
262.19 insufficient assets to meet the service pensions determined payable from the account,  
262.20 the executive director shall certify the amount of the potential service pension shortfall  
262.21 to the municipality or municipalities and the municipality or municipalities shall make  
262.22 an additional employer contribution to the account within ten days of the certification.  
262.23 If more than one municipality is associated with the account, unless the municipalities  
262.24 agree to a different allocation, the municipalities shall allocate the additional employer  
262.25 contribution one-half in proportion to the population of each municipality and one-half in  
262.26 proportion to the estimated market value of the property of each municipality.

262.27 Sec. 44. Minnesota Statutes 2012, section 365.025, subdivision 4, is amended to read:

262.28 Subd. 4. **Major purchases: notice, petition, election.** Before buying anything  
262.29 under subdivision 2 that costs more than 0.24177 percent of the estimated market value of  
262.30 the town, the town must follow this subdivision.

262.31 The town must publish in its official newspaper the board's resolution to pay for the  
262.32 property over time. Then a petition for an election on the contract may be filed with the  
262.33 clerk. The petition must be filed within ten days after the resolution is published. To require  
262.34 the election the petition must be signed by a number of voters equal to ten percent of the

263.1 voters at the last regular town election. The contract then must be approved by a majority of  
263.2 those voting on the question. The question may be voted on at a regular or special election.

263.3 Sec. 45. Minnesota Statutes 2012, section 366.095, subdivision 1, is amended to read:

263.4 Subdivision 1. **Certificates of indebtedness.** The town board may issue certificates  
263.5 of indebtedness within the debt limits for a town purpose otherwise authorized by law.  
263.6 The certificates shall be payable in not more than ten years and be issued on the terms and  
263.7 in the manner as the board may determine. If the amount of the certificates to be issued  
263.8 exceeds 0.25 percent of the estimated market value of the town, they shall not be issued  
263.9 for at least ten days after publication in a newspaper of general circulation in the town of  
263.10 the board's resolution determining to issue them. If within that time, a petition asking for  
263.11 an election on the proposition signed by voters equal to ten percent of the number of voters  
263.12 at the last regular town election is filed with the clerk, the certificates shall not be issued  
263.13 until their issuance has been approved by a majority of the votes cast on the question at  
263.14 a regular or special election. A tax levy shall be made to pay the principal and interest  
263.15 on the certificates as in the case of bonds.

263.16 Sec. 46. Minnesota Statutes 2012, section 366.27, is amended to read:

263.17 **366.27 FIREFIGHTERS' RELIEF; TAX LEVY.**

263.18 The town board of any town in this state having therein a platted portion on  
263.19 which resides 1,200 or more people, and wherein a duly incorporated firefighters' relief  
263.20 association is located may each year levy a tax not to exceed 0.00806 percent of ~~taxable~~  
263.21 estimated market value for the benefit of the relief association.

263.22 Sec. 47. Minnesota Statutes 2012, section 368.01, subdivision 23, is amended to read:

263.23 Subd. 23. **Financing purchase of certain equipment.** The town board may issue  
263.24 certificates of indebtedness within debt limits to purchase fire or police equipment or  
263.25 ambulance equipment or street construction or maintenance equipment. The certificates  
263.26 shall be payable in not more than five years and be issued on terms and in the manner as the  
263.27 board may determine. If the amount of the certificates to be issued to finance a purchase  
263.28 exceeds 0.24177 percent of the estimated market value of the town, ~~excluding money~~  
263.29 ~~and credits~~, they shall not be issued for at least ten days after publication in the official  
263.30 newspaper of a town board resolution determining to issue them. If before the end of that  
263.31 time, a petition asking for an election on the proposition signed by voters equal to ten  
263.32 percent of the number of voters at the last regular town election is filed with the clerk, the  
263.33 certificates shall not be issued until the proposition of their issuance has been approved by a

264.1 majority of the votes cast on the question at a regular or special election. A tax levy shall be  
264.2 made for the payment of the principal and interest on the certificates as in the case of bonds.

264.3 Sec. 48. Minnesota Statutes 2012, section 368.47, is amended to read:

264.4 **368.47 TOWNS MAY BE DISSOLVED.**

264.5 (1) When the voters residing within a town have failed to elect any town officials for  
264.6 more than ten years continuously;

264.7 (2) when a town has failed for a period of ten years to exercise any of the powers  
264.8 and functions of a town;

264.9 (3) when the estimated market value of a town drops to less than \$165,000;

264.10 (4) when the tax delinquency of a town, exclusive of taxes that are delinquent or  
264.11 unpaid because they are contested in proceedings for the enforcement of taxes, amounts to  
264.12 12 percent of its market value; or

264.13 (5) when the state or federal government has acquired title to 50 percent of the  
264.14 real estate of a town,

264.15 which facts, or any of them, may be found and determined by the resolution of the county  
264.16 board of the county in which the town is located, according to the official records in the  
264.17 office of the county auditor, the county board by resolution may declare the town, naming  
264.18 it, dissolved and no longer entitled to exercise any of the powers or functions of a town.

264.19 In Cass, Itasca, and St. Louis Counties, before the dissolution is effective the voters  
264.20 of the town shall express their approval or disapproval. The town clerk shall, upon a  
264.21 petition signed by a majority of the registered voters of the town, filed with the clerk at  
264.22 least 60 days before a regular or special town election, give notice at the same time and  
264.23 in the same manner of the election that the question of dissolution of the town will be  
264.24 submitted for determination at the election. At the election the question shall be voted  
264.25 upon by a separate ballot, the terms of which shall be either "for dissolution" or "against  
264.26 dissolution." The ballot shall be deposited in a separate ballot box and the result of the  
264.27 voting canvassed, certified, and returned in the same manner and at the same time as  
264.28 other facts and returns of the election. If a majority of the votes cast at the election are  
264.29 for dissolution, the town shall be dissolved. If a majority of the votes cast at the election  
264.30 are against dissolution, the town shall not be dissolved.

264.31 When a town is dissolved under sections 368.47 to 368.49 the county shall acquire  
264.32 title to any telephone company or other business conducted by the town. The business  
264.33 shall be operated by the board of county commissioners until it can be sold. The  
264.34 subscribers or patrons of the business shall have the first opportunity of purchase. If the  
264.35 town has any outstanding indebtedness chargeable to the business, the county auditor shall



265.1 levy a tax against the property situated in the dissolved town to pay the indebtedness  
265.2 as it becomes due.

265.3 Sec. 49. Minnesota Statutes 2012, section 370.01, is amended to read:

265.4 **370.01 CHANGE OF BOUNDARIES; CREATION OF NEW COUNTIES.**

265.5 The boundaries of counties may be changed by taking territory from a county and  
265.6 attaching it to an adjoining county, and new counties may be established out of territory of  
265.7 one or more existing counties. A new county shall contain at least 400 square miles and  
265.8 have at least 4,000 inhabitants. A proposed new county must have a total ~~taxable~~ estimated  
265.9 market value of at least 35 percent of (i) the total ~~taxable~~ estimated market value of the  
265.10 existing county, or (ii) the average total ~~taxable~~ estimated market value of the existing  
265.11 counties, included in the proposition. The determination of the ~~taxable~~ estimated market  
265.12 value of a county must be made by the commissioner of revenue. An existing county shall  
265.13 not be reduced in area below 400 square miles, have less than 4,000 inhabitants, or have a  
265.14 total ~~taxable~~ estimated market value of less than that required of a new county.

265.15 No change in the boundaries of any county having an area of more than 2,500 square  
265.16 miles, whether by the creation of a new county, or otherwise, shall detach from the existing  
265.17 county any territory within 12 miles of the county seat.

265.18 Sec. 50. Minnesota Statutes 2012, section 373.40, subdivision 1, is amended to read:

265.19 Subdivision 1. **Definitions.** For purposes of this section, the following terms have  
265.20 the meanings given.

265.21 (a) "Bonds" means an obligation as defined under section 475.51.

265.22 (b) "Capital improvement" means acquisition or betterment of public lands,  
265.23 buildings, or other improvements within the county for the purpose of a county courthouse,  
265.24 administrative building, health or social service facility, correctional facility, jail, law  
265.25 enforcement center, hospital, morgue, library, park, qualified indoor ice arena, roads and  
265.26 bridges, and the acquisition of development rights in the form of conservation easements  
265.27 under chapter 84C. An improvement must have an expected useful life of five years or  
265.28 more to qualify. "Capital improvement" does not include a recreation or sports facility  
265.29 building (such as, but not limited to, a gymnasium, ice arena, racquet sports facility,  
265.30 swimming pool, exercise room or health spa), unless the building is part of an outdoor  
265.31 park facility and is incidental to the primary purpose of outdoor recreation.

265.32 (c) "Metropolitan county" means a county located in the seven-county metropolitan  
265.33 area as defined in section 473.121 or a county with a population of 90,000 or more.

266.1 (d) "Population" means the population established by the most recent of the  
266.2 following (determined as of the date the resolution authorizing the bonds was adopted):

266.3 (1) the federal decennial census,

266.4 (2) a special census conducted under contract by the United States Bureau of the  
266.5 Census, or

266.6 (3) a population estimate made either by the Metropolitan Council or by the state  
266.7 demographer under section 4A.02.

266.8 (e) "Qualified indoor ice arena" means a facility that meets the requirements of  
266.9 section 373.43.

266.10 (f) ~~"Tax capacity" means total taxable market value, but does not include captured~~  
266.11 ~~market value.~~

266.12 Sec. 51. Minnesota Statutes 2012, section 373.40, subdivision 4, is amended to read:

266.13 Subd. 4. **Limitations on amount.** A county may not issue bonds under this section  
266.14 if the maximum amount of principal and interest to become due in any year on all the  
266.15 outstanding bonds issued pursuant to this section (including the bonds to be issued) will  
266.16 equal or exceed 0.12 percent of ~~taxable~~ the estimated market value of property in the  
266.17 county. Calculation of the limit must be made using the ~~taxable~~ estimated market value for  
266.18 the taxes payable year in which the obligations are issued and sold. This section does not  
266.19 limit the authority to issue bonds under any other special or general law.

266.20 Sec. 52. Minnesota Statutes 2012, section 375.167, subdivision 1, is amended to read:

266.21 Subdivision 1. **Appropriations.** Notwithstanding any contrary law, a county board  
266.22 may appropriate from the general revenue fund to any nonprofit corporation a sum not  
266.23 to exceed 0.00604 percent of ~~taxable~~ estimated market value to provide legal assistance  
266.24 to persons who are unable to afford private legal counsel.

266.25 Sec. 53. Minnesota Statutes 2012, section 375.18, subdivision 3, is amended to read:

266.26 Subd. 3. **Courthouse.** Each county board may erect, furnish, and maintain a  
266.27 suitable courthouse. No indebtedness shall be created for a courthouse in excess of an  
266.28 amount equal to a levy of 0.04030 percent of ~~taxable~~ estimated market value without the  
266.29 approval of a majority of the voters of the county voting on the question of issuing the  
266.30 obligation at an election.

266.31 Sec. 54. Minnesota Statutes 2012, section 375.555, is amended to read:

266.32 **375.555 FUNDING.**

267.1 To implement the county emergency jobs program, the county board may expend  
267.2 an amount equal to what would be generated by a levy of 0.01209 percent of ~~taxable~~  
267.3 estimated market value. The money to be expended may be from any available funds  
267.4 not otherwise earmarked.

267.5 Sec. 55. Minnesota Statutes 2012, section 383B.152, is amended to read:

267.6 **383B.152 BUILDING AND MAINTENANCE FUND.**

267.7 The county board may by resolution levy a tax to provide money which shall be kept  
267.8 in a fund known as the county reserve building and maintenance fund. Money in the fund  
267.9 shall be used solely for the construction, maintenance, and equipping of county buildings  
267.10 that are constructed or maintained by the board. The levy shall not be subject to any limit  
267.11 fixed by any other law or by any board of tax levy or other corresponding body, but shall  
267.12 not exceed 0.02215 percent of ~~taxable~~ estimated market value, less the amount required by  
267.13 chapter 475 to be levied in the year for the payment of the principal of and interest on all  
267.14 bonds issued pursuant to Extra Session Laws 1967, chapter 47, section 1.

267.15 Sec. 56. Minnesota Statutes 2012, section 383B.245, is amended to read:

267.16 **383B.245 LIBRARY LEVY.**

267.17 (a) The county board may levy a tax on the taxable property within the county to  
267.18 acquire, better, and construct county library buildings and branches and to pay principal  
267.19 and interest on bonds issued for that purpose.

267.20 (b) The county board may by resolution adopted by a five-sevenths vote issue and  
267.21 sell general obligation bonds of the county in the manner provided in sections 475.60 to  
267.22 475.73. The bonds shall not be subject to the limitations of sections 475.51 to 475.59,  
267.23 but the maturity years and amounts and interest rates of each series of bonds shall be  
267.24 fixed so that the maximum amount of principal and interest to become due in any year,  
267.25 on the bonds of that series and of all outstanding series issued by or for the purposes of  
267.26 libraries, shall not exceed an amount equal to 0.01612 percent of estimated market value  
267.27 of all taxable property in the county as last finally equalized before the issuance of the new  
267.28 series. When the tax levy authorized in this section is collected it shall be appropriated  
267.29 and credited to a debt service fund for the bonds in amounts required each year in lieu of a  
267.30 countywide tax levy for the debt service fund under section 475.61.

267.31 Sec. 57. Minnesota Statutes 2012, section 383B.73, subdivision 1, is amended to read:

267.32 Subdivision 1. **Levy.** To provide funds for the purposes of the Three Rivers Park  
267.33 District as set forth in its annual budget, in lieu of the levies authorized by any other

268.1 special law for such purposes, the Board of Park District Commissioners may levy taxes  
268.2 on all the taxable property in the county and park district at a rate not exceeding 0.03224  
268.3 percent of estimated market value. Notwithstanding section 398.16, on or before October  
268.4 1 of each year, after public hearing, the Board of Park District Commissioners shall adopt  
268.5 a budget for the ensuing year and shall determine the total amount necessary to be raised  
268.6 from ad valorem tax levies to meet its budget. The Board of Park District Commissioners  
268.7 shall submit the budget to the county board. The county board may veto or modify an item  
268.8 contained in the budget. If the county board determines to veto or to modify an item in the  
268.9 budget, it must, within 15 days after the budget was submitted by the district board, state  
268.10 in writing the specific reasons for its objection to the item vetoed or the reason for the  
268.11 modification. The Park District Board, after consideration of the county board's objections  
268.12 and proposed modifications, may reapprove a vetoed item or the original version of an item  
268.13 with respect to which a modification has been proposed, by a two-thirds majority. If the  
268.14 district board does not reapprove a vetoed item, the item shall be deleted from the budget.  
268.15 If the district board does not reapprove the original version of a modified item, the item  
268.16 shall be included in the budget as modified by the county board. After adoption of the final  
268.17 budget and no later than October 1, the superintendent of the park district shall certify to the  
268.18 office of the Hennepin County director of tax and public records exercising the functions  
268.19 of the county auditor the total amount to be raised from ad valorem tax levies to meet its  
268.20 budget for the ensuing year. The director of tax and public records shall add the amount of  
268.21 any levy certified by the district to other tax levies on the property of the county within the  
268.22 district for collection by the director of tax and public records with other taxes. When  
268.23 collected, the director shall make settlement of such taxes with the district in the same  
268.24 manner as other taxes are distributed to the other political subdivisions in Hennepin County.

268.25 Sec. 58. Minnesota Statutes 2012, section 383E.20, is amended to read:

268.26 **383E.20 BONDING FOR COUNTY LIBRARY BUILDINGS.**

268.27 The Anoka County Board may, by resolution adopted by a four-sevenths vote, issue  
268.28 and sell general obligation bonds of the county in the manner provided in chapter 475 to  
268.29 acquire, better, and construct county library buildings. The bonds shall not be subject to the  
268.30 requirements of sections 475.57 to 475.59. The maturity years and amounts and interest  
268.31 rates of each series of bonds shall be fixed so that the maximum amount of principal and  
268.32 interest to become due in any year, on the bonds of that series and of all outstanding series  
268.33 issued by or for the purposes of libraries, shall not exceed an amount equal to .01 percent  
268.34 of the taxable estimated market value of all taxable property in the county, excluding any  
268.35 taxable property taxed by any city for the support of any free public library. When the tax

269.1 levy authorized in this section is collected, it shall be appropriated and credited to a debt  
269.2 service fund for the bonds. The tax levy for the debt service fund under section 475.61  
269.3 shall be reduced by the amount available or reasonably anticipated to be available in the  
269.4 fund to make payments otherwise payable from the levy pursuant to section 475.61.

269.5 Sec. 59. Minnesota Statutes 2012, section 383E.23, is amended to read:

269.6 **383E.23 LIBRARY TAX.**

269.7 The Anoka County Board may levy a tax of not more than .01 percent of the ~~taxable~~  
269.8 estimated market value of taxable property located within the county excluding any  
269.9 taxable property taxed by any city for the support of any free public library, to acquire,  
269.10 better, and construct county library buildings and to pay principal and interest on bonds  
269.11 issued for that purpose. The tax shall be disregarded in the calculation of levies or limits  
269.12 on levies provided by section 373.40, or other law.

269.13 Sec. 60. Minnesota Statutes 2012, section 385.31, is amended to read:

269.14 **385.31 PAYMENT OF COUNTY ORDERS OR WARRANTS.**

269.15 When any order or warrant drawn on the treasurer is presented for payment, if there  
269.16 is money in the treasury for that purpose, the county treasurer shall redeem the same, and  
269.17 write across the entire face thereof the word "redeemed," the date of the redemption, and  
269.18 the treasurer's official signature. If there is not sufficient funds in the proper accounts to  
269.19 pay such orders they shall be numbered and registered in their order of presentation,  
269.20 and proper endorsement thereof shall be made on such orders and they shall be entitled  
269.21 to payment in like order. Such orders shall bear interest at not to exceed the rate of six  
269.22 percent per annum from such date of presentment. The treasurer, as soon as there is  
269.23 sufficient money in the treasury, shall appropriate and set apart a sum sufficient for the  
269.24 payment of the orders so presented and registered, and, if entitled to interest, issue to the  
269.25 original holder a notice that interest will cease in 30 days from the date of such notice; and,  
269.26 if orders thus entitled to priority of payment are not then presented, the next in order of  
269.27 registry may be paid until such orders are presented. No interest shall be paid on any order,  
269.28 except upon a warrant drawn by the county auditor for that purpose, giving the number  
269.29 and the date of the order on account of which the interest warrant is drawn. In any county  
269.30 in this state now or hereafter having a an estimated market value of all taxable property;  
269.31 ~~exclusive of money and credits~~, of not less than \$1,033,000,000, the county treasurer, in  
269.32 order to save payment of interest on county warrants drawn upon a fund in which there  
269.33 shall be temporarily insufficient money in the treasury to redeem the same, may borrow  
269.34 temporarily from any other fund in the county treasury in which there is a sufficient balance

270.1 to care for the needs of such fund and allow a temporary loan or transfer to any other fund,  
 270.2 and may pay such warrants out of such funds. Any such money so transferred and used in  
 270.3 redeeming such county warrants shall be returned to the fund from which drawn as soon  
 270.4 as money shall come in to the credit of such fund on which any such warrant was drawn  
 270.5 and paid as aforesaid. Any county operating on a cash basis may use a combined form of  
 270.6 warrant or order and check, which, when signed by the chair of the county board and by  
 270.7 the auditor, is an order or warrant for the payment of the claim, and, when countersigned  
 270.8 by the county treasurer, is a check for the payment of the amount thereof.

270.9 Sec. 61. Minnesota Statutes 2012, section 394.36, subdivision 1, is amended to read:

270.10 Subdivision 1. **Continuation of nonconformity; limitations.** Except as provided in  
 270.11 subdivision 2, 3, or 4, any nonconformity, including the lawful use or occupation of land  
 270.12 or premises existing at the time of the adoption of an official control under this chapter,  
 270.13 may be continued, although the use or occupation does not conform to the official control.  
 270.14 If the nonconformity or occupancy is discontinued for a period of more than one year, or  
 270.15 any nonconforming building or structure is destroyed by fire or other peril to the extent of  
 270.16 50 percent of its estimated market value, any subsequent use or occupancy of the land or  
 270.17 premises shall be a conforming use or occupancy.

270.18 Sec. 62. Minnesota Statutes 2012, section 398A.04, subdivision 8, is amended to read:

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

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

270.26 Yes .....

270.27 No ....."

270.28 If a majority of those voting on the question approve or if no petition is presented  
 270.29 within the prescribed time the authority may levy a tax at any annual rate not exceeding  
 270.30 0.04835 percent of estimated market value of all taxable property situated within the  
 270.31 municipality or municipalities named in its organization resolution. Its recording officer  
 270.32 shall file, on or before September 15, in the office of the county auditor of each county  
 270.33 in which territory under the jurisdiction of the authority is located a certified copy of the  
 270.34 board of commissioners' resolution levying the tax, and each county auditor shall assess

271.1 and extend upon the tax rolls of each municipality named in the organization resolution the  
271.2 portion of the tax that bears the same ratio to the whole amount that the net tax capacity of  
271.3 taxable property in that municipality bears to the net tax capacity of taxable property in  
271.4 all municipalities named in the organization resolution. Collections of the tax shall be  
271.5 remitted by each county treasurer to the treasurer of the authority. For taxes levied in 1991,  
271.6 the amount levied for light rail transit purposes under this subdivision shall not exceed 75  
271.7 percent of the amount levied in 1990 for light rail transit purposes under this subdivision.

271.8 Sec. 63. Minnesota Statutes 2012, section 401.05, subdivision 3, is amended to read:

271.9 Subd. 3. **Leasing.** (a) A county or joint powers board of a group of counties  
271.10 which acquires or constructs and equips or improves facilities under this chapter may,  
271.11 with the approval of the board of county commissioners of each county, enter into a  
271.12 lease agreement with a city situated within any of the counties, or a county housing and  
271.13 redevelopment authority established under chapter 469 or any special law. Under the lease  
271.14 agreement, the city or county housing and redevelopment authority shall:

271.15 (1) construct or acquire and equip or improve a facility in accordance with plans  
271.16 prepared by or at the request of a county or joint powers board of the group of counties  
271.17 and approved by the commissioner of corrections; and

271.18 (2) finance the facility by the issuance of revenue bonds.

271.19 (b) The county or joint powers board of a group of counties may lease the facility  
271.20 site, improvements, and equipment for a term upon rental sufficient to produce revenue  
271.21 for the prompt payment of the revenue bonds and all interest accruing on them. Upon  
271.22 completion of payment, the lessee shall acquire title. The real and personal property  
271.23 acquired for the facility constitutes a project and the lease agreement constitutes a revenue  
271.24 agreement as provided in sections 469.152 to 469.165. All proceedings by the city or  
271.25 county housing and redevelopment authority and the county or joint powers board shall be  
271.26 as provided in sections 469.152 to 469.165, with the following adjustments:

271.27 (1) no tax may be imposed upon the property;

271.28 (2) the approval of the project by the commissioner of employment and economic  
271.29 development is not required;

271.30 (3) the Department of Corrections shall be furnished and shall record information  
271.31 concerning each project as it may prescribe, in lieu of reports required on other projects to  
271.32 the commissioner of employment and economic development;

271.33 (4) the rentals required to be paid under the lease agreement shall not exceed in any  
271.34 year one-tenth of one percent of the estimated market value of property within the county  
271.35 or group of counties as last equalized before the execution of the lease agreement;

272.1 (5) the county or group of counties shall provide for payment of all rentals due  
272.2 during the term of the lease agreement in the manner required in subdivision 4;

272.3 (6) no mortgage on the facilities shall be granted for the security of the bonds, but  
272.4 compliance with clause (5) may be enforced as a nondiscretionary duty of the county  
272.5 or group of counties; and

272.6 (7) the county or the joint powers board of the group of counties may sublease any  
272.7 part of the facilities for purposes consistent with their maintenance and operation.

272.8 Sec. 64. Minnesota Statutes 2012, section 410.32, is amended to read:

272.9 **410.32 CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL EQUIPMENT.**

272.10 (a) Notwithstanding any contrary provision of other law or charter, a home rule  
272.11 charter city may, by resolution and without public referendum, issue capital notes subject  
272.12 to the city debt limit to purchase capital equipment.

272.13 (b) For purposes of this section, "capital equipment" means:

272.14 (1) public safety equipment, ambulance and other medical equipment, road  
272.15 construction and maintenance equipment, and other capital equipment; and

272.16 (2) computer hardware and software, whether bundled with machinery or equipment  
272.17 or unbundled.

272.18 (c) The equipment or software must have an expected useful life at least as long  
272.19 as the term of the notes.

272.20 (d) The notes shall be payable in not more than ten years and be issued on terms  
272.21 and in the manner the city determines. The total principal amount of the capital notes  
272.22 issued in a fiscal year shall not exceed 0.03 percent of the estimated market value of  
272.23 taxable property in the city for that year.

272.24 (e) A tax levy shall be made for the payment of the principal and interest on the  
272.25 notes, in accordance with section 475.61, as in the case of bonds.

272.26 (f) Notes issued under this section shall require an affirmative vote of two-thirds of  
272.27 the governing body of the city.

272.28 (g) Notwithstanding a contrary provision of other law or charter, a home rule charter  
272.29 city may also issue capital notes subject to its debt limit in the manner and subject to the  
272.30 limitations applicable to statutory cities pursuant to section 412.301.

272.31 Sec. 65. Minnesota Statutes 2012, section 412.221, subdivision 2, is amended to read:

272.32 Subd. 2. **Contracts.** The council shall have power to make such contracts as may  
272.33 be deemed necessary or desirable to make effective any power possessed by the council.  
272.34 The city may purchase personal property through a conditional sales contract and real



273.1 property through a contract for deed under which contracts the seller is confined to the  
273.2 remedy of recovery of the property in case of nonpayment of all or part of the purchase  
273.3 price, which shall be payable over a period of not to exceed five years. When the contract  
273.4 price of property to be purchased by contract for deed or conditional sales contract  
273.5 exceeds 0.24177 percent of the estimated market value of the city, the city may not enter  
273.6 into such a contract for at least ten days after publication in the official newspaper of a  
273.7 council resolution determining to purchase property by such a contract; and, if before the  
273.8 end of that time a petition asking for an election on the proposition signed by voters equal  
273.9 to ten percent of the number of voters at the last regular city election is filed with the clerk,  
273.10 the city may not enter into such a contract until the proposition has been approved by a  
273.11 majority of the votes cast on the question at a regular or special election.

273.12 Sec. 66. Minnesota Statutes 2012, section 412.301, is amended to read:

273.13 **412.301 FINANCING PURCHASE OF CERTAIN EQUIPMENT.**

273.14 (a) The council may issue certificates of indebtedness or capital notes subject to the  
273.15 city debt limits to purchase capital equipment.

273.16 (b) For purposes of this section, "capital equipment" means:

273.17 (1) public safety equipment, ambulance and other medical equipment, road  
273.18 construction and maintenance equipment, and other capital equipment; and

273.19 (2) computer hardware and software, whether bundled with machinery or equipment  
273.20 or unbundled.

273.21 (c) The equipment or software must have an expected useful life at least as long as  
273.22 the terms of the certificates or notes.

273.23 (d) Such certificates or notes shall be payable in not more than ten years and shall be  
273.24 issued on such terms and in such manner as the council may determine.

273.25 (e) If the amount of the certificates or notes to be issued to finance any such purchase  
273.26 exceeds 0.25 percent of the estimated market value of taxable property in the city, they  
273.27 shall not be issued for at least ten days after publication in the official newspaper of  
273.28 a council resolution determining to issue them; and if before the end of that time, a  
273.29 petition asking for an election on the proposition signed by voters equal to ten percent  
273.30 of the number of voters at the last regular municipal election is filed with the clerk, such  
273.31 certificates or notes shall not be issued until the proposition of their issuance has been  
273.32 approved by a majority of the votes cast on the question at a regular or special election.

273.33 (f) A tax levy shall be made for the payment of the principal and interest on such  
273.34 certificates or notes, in accordance with section 475.61, as in the case of bonds.

274.1 Sec. 67. Minnesota Statutes 2012, section 428A.02, subdivision 1, is amended to read:

274.2 Subdivision 1. **Ordinance.** The governing body of a city may adopt an ordinance  
274.3 establishing a special service district. Only property that is classified under section 273.13  
274.4 and used for commercial, industrial, or public utility purposes, or is vacant land zoned or  
274.5 designated on a land use plan for commercial or industrial use and located in the special  
274.6 service district, may be subject to the charges imposed by the city on the special service  
274.7 district. Other types of property may be included within the boundaries of the special  
274.8 service district but are not subject to the levies or charges imposed by the city on the  
274.9 special service district. If 50 percent or more of the estimated market value of a parcel of  
274.10 property is classified under section 273.13 as commercial, industrial, or vacant land zoned  
274.11 or designated on a land use plan for commercial or industrial use, or public utility for the  
274.12 current assessment year, then the entire taxable market value of the property is subject to a  
274.13 service charge based on net tax capacity for purposes of sections 428A.01 to 428A.10.  
274.14 The ordinance shall describe with particularity the area within the city to be included in  
274.15 the district and the special services to be furnished in the district. The ordinance may not  
274.16 be adopted until after a public hearing has been held on the question. Notice of the hearing  
274.17 shall include the time and place of hearing, a map showing the boundaries of the proposed  
274.18 district, and a statement that all persons owning property in the proposed district that  
274.19 would be subject to a service charge will be given opportunity to be heard at the hearing.  
274.20 Within 30 days after adoption of the ordinance under this subdivision, the governing body  
274.21 shall send a copy of the ordinance to the commissioner of revenue.

274.22 Sec. 68. Minnesota Statutes 2012, section 430.102, subdivision 2, is amended to read:

274.23 Subd. 2. **Council approval; special tax levy limitation.** The council shall receive  
274.24 and consider the estimate required in subdivision 1 and the items of cost after notice and  
274.25 hearing before it or its appropriate committee as it considers necessary or expedient, and  
274.26 shall approve the estimate, with necessary amendments. The amounts of each item of cost  
274.27 estimated are then appropriated to operate, maintain, and improve the pedestrian mall  
274.28 during the next fiscal year. The amount of the special tax to be charged under subdivision  
274.29 1, clause (3), must not, however, exceed 0.12089 percent of estimated market value of  
274.30 taxable property in the district. The council shall make any necessary adjustment in costs of  
274.31 operating and maintaining the district to keep the amount of the tax within this limitation.

274.32 Sec. 69. Minnesota Statutes 2012, section 447.10, is amended to read:

274.33 **447.10 TAX LEVY FOR OPERATING AND MAINTAINING HOSPITAL.**

275.1 The governing body of a city of the first class owning a hospital may annually levy  
275.2 a tax to operate and maintain the hospital. The tax must not exceed 0.00806 percent of  
275.3 ~~taxable~~ estimated market value.

275.4 Sec. 70. Minnesota Statutes 2012, section 450.19, is amended to read:

275.5 **450.19 TOURIST CAMPING GROUNDS.**

275.6 A home rule charter or statutory city or town may establish and maintain public  
275.7 tourist camping grounds. The governing body thereof may acquire by lease, purchase, or  
275.8 gift, suitable lands located either within or without the corporate limits for use as public  
275.9 tourist camping grounds and provide for the equipment, operation, and maintenance  
275.10 of the same. The amount that may be expended for the maintenance, improvement, or  
275.11 operation of tourist camping grounds shall not exceed, in any year, a sum equal to 0.00806  
275.12 percent of ~~taxable~~ estimated market value.

275.13 Sec. 71. Minnesota Statutes 2012, section 450.25, is amended to read:

275.14 **450.25 MUSEUM, GALLERY, OR SCHOOL OF ARTS OR CRAFTS; TAX**  
275.15 **LEVY.**

275.16 After the acquisition of any museum, gallery, or school of arts or crafts, the board  
275.17 of park commissioners of the city in which it is located shall cause to be included in the  
275.18 annual tax levy upon all the taxable property of the county in which the museum, gallery,  
275.19 or school of arts or crafts is located, a tax of 0.00846 percent of estimated market value.  
275.20 The board shall certify the levy to the county auditor and it shall be added to, and collected  
275.21 with and as part of, the general, real, and personal property taxes, with like penalties and  
275.22 interest, in case of nonpayment and default, and all provisions of law in respect to the  
275.23 levy, collection, and enforcement of other taxes shall, so far as applicable, be followed in  
275.24 respect of these taxes. All of these taxes, penalties, and interest, when collected, shall be  
275.25 paid to the city treasurer of the city in which is located the museum, gallery, or school  
275.26 of arts or crafts and credited to a fund to be known as the park museum fund, and shall  
275.27 be used only for the purposes specified in sections 450.23 to 450.25. Any part of the  
275.28 proceeds of the levy not expended for the purposes specified in section 450.24 may be  
275.29 used for the erection of new buildings for the same purposes.

275.30 Sec. 72. Minnesota Statutes 2012, section 458A.10, is amended to read:

275.31 **458A.10 PROPERTY TAX.**

276.1           The commission shall annually levy a tax not to exceed 0.12089 percent of estimated  
276.2 market value on all the taxable property in the transit area at a rate sufficient to produce  
276.3 an amount necessary for the purposes of sections 458A.01 to 458A.15, other than the  
276.4 payment of principal and interest due on any revenue bonds issued pursuant to section  
276.5 458A.05. Property taxes levied under this section shall be certified by the commission to  
276.6 the county auditors of the transit area, extended, assessed, and collected in the manner  
276.7 provided by law for the property taxes levied by the governing bodies of cities. The  
276.8 proceeds of the taxes levied under this section shall be remitted by the respective county  
276.9 treasurers to the treasurer of the commission, who shall credit the same to the funds of  
276.10 the commission for use for the purposes of sections 458A.01 to 458A.15 subject to any  
276.11 applicable pledges or limitations on account of tax anticipation certificates or other  
276.12 specific purposes. At any time after making a tax levy under this section and certifying  
276.13 it to the county auditors, the commission may issue general obligation certificates of  
276.14 indebtedness in anticipation of the collection of the taxes as provided by section 412.261.

276.15           Sec. 73. Minnesota Statutes 2012, section 458A.31, subdivision 1, is amended to read:

276.16           Subdivision 1. **Levy limit.** Notwithstanding anything to the contrary contained in  
276.17 the charter of the city of Duluth, any ordinance thereof, or any statute applicable thereto,  
276.18 limiting the amount levied in any one year for general or special purposes, the city council  
276.19 of the city of Duluth shall each year levy a tax in an amount not to exceed 0.07253  
276.20 percent of ~~taxable~~ estimated market value, by ordinance. An ordinance fixing the levy  
276.21 shall take effect immediately upon its passage and approval. The proceeds of the levy  
276.22 shall be paid into the city treasury and deposited in the operating fund provided for in  
276.23 section 458A.24, subdivision 3.

276.24           Sec. 74. Minnesota Statutes 2012, section 465.04, is amended to read:

276.25           **465.04 ACCEPTANCE OF GIFTS.**

276.26           Cities of the second, third, or fourth class, having at any time a an estimated  
276.27 market value of not more than \$41,000,000, ~~exclusive of money and credits~~, as officially  
276.28 equalized by the commissioner of revenue, either under home rule charter or under the  
276.29 laws of this state, in addition to all other powers possessed by them, hereby are authorized  
276.30 and empowered to receive and accept gifts and donations for the use and benefit of  
276.31 such cities and the inhabitants thereof upon terms and conditions to be approved by the  
276.32 governing bodies of such cities; and such cities are authorized to comply with and perform  
276.33 such terms and conditions, which may include payment to the donor or donors of interest

277.1 on the value of the gift at not exceeding five percent per annum payable annually or  
277.2 semiannually, during the remainder of the natural life or lives of such donor or donors.

277.3 Sec. 75. Minnesota Statutes 2012, section 469.033, subdivision 6, is amended to read:

277.4 Subd. 6. **Operation area as taxing district, special tax.** All of the territory included  
277.5 within the area of operation of any authority shall constitute a taxing district for the  
277.6 purpose of levying and collecting special benefit taxes as provided in this subdivision. All  
277.7 of the taxable property, both real and personal, within that taxing district shall be deemed  
277.8 to be benefited by projects to the extent of the special taxes levied under this subdivision.  
277.9 Subject to the consent by resolution of the governing body of the city in and for which  
277.10 it was created, an authority may levy a tax upon all taxable property within that taxing  
277.11 district. The tax shall be extended, spread, and included with and as a part of the general  
277.12 taxes for state, county, and municipal purposes by the county auditor, to be collected and  
277.13 enforced therewith, together with the penalty, interest, and costs. As the tax, including any  
277.14 penalties, interest, and costs, is collected by the county treasurer it shall be accumulated  
277.15 and kept in a separate fund to be known as the "housing and redevelopment project fund."  
277.16 The money in the fund shall be turned over to the authority at the same time and in the same  
277.17 manner that the tax collections for the city are turned over to the city, and shall be expended  
277.18 only for the purposes of sections 469.001 to 469.047. It shall be paid out upon vouchers  
277.19 signed by the chair of the authority or an authorized representative. The amount of the  
277.20 levy shall be an amount approved by the governing body of the city, but shall not exceed  
277.21 0.0185 percent of ~~taxable~~ estimated market value. The authority shall each year formulate  
277.22 and file a budget in accordance with the budget procedure of the city in the same manner as  
277.23 required of executive departments of the city or, if no budgets are required to be filed, by  
277.24 August 1. The amount of the tax levy for the following year shall be based on that budget.

277.25 Sec. 76. Minnesota Statutes 2012, section 469.034, subdivision 2, is amended to read:

277.26 Subd. 2. **General obligation revenue bonds.** (a) An authority may pledge the  
277.27 general obligation of the general jurisdiction governmental unit as additional security for  
277.28 bonds payable from income or revenues of the project or the authority. The authority  
277.29 must find that the pledged revenues will equal or exceed 110 percent of the principal and  
277.30 interest due on the bonds for each year. The proceeds of the bonds must be used for a  
277.31 qualified housing development project or projects. The obligations must be issued and  
277.32 sold in the manner and following the procedures provided by chapter 475, except the  
277.33 obligations are not subject to approval by the electors, and the maturities may extend to  
277.34 not more than 35 years for obligations sold to finance housing for the elderly and 40 years

278.1 for other obligations issued under this subdivision. The authority is the municipality for  
278.2 purposes of chapter 475.

278.3 (b) The principal amount of the issue must be approved by the governing body of  
278.4 the general jurisdiction governmental unit whose general obligation is pledged. Public  
278.5 hearings must be held on issuance of the obligations by both the authority and the general  
278.6 jurisdiction governmental unit. The hearings must be held at least 15 days, but not more  
278.7 than 120 days, before the sale of the obligations.

278.8 (c) The maximum amount of general obligation bonds that may be issued and  
278.9 outstanding under this section equals the greater of (1) one-half of one percent of the  
278.10 ~~taxable~~ estimated market value of the general jurisdiction governmental unit whose  
278.11 general obligation is pledged, or (2) \$3,000,000. In the case of county or multicounty  
278.12 general obligation bonds, the outstanding general obligation bonds of all cities in the  
278.13 county or counties issued under this subdivision must be added in calculating the limit  
278.14 under clause (1).

278.15 (d) "General jurisdiction governmental unit" means the city in which the housing  
278.16 development project is located. In the case of a county or multicounty authority, the  
278.17 county or counties may act as the general jurisdiction governmental unit. In the case of  
278.18 a multicounty authority, the pledge of the general obligation is a pledge of a tax on the  
278.19 taxable property in each of the counties.

278.20 (e) "Qualified housing development project" means a housing development project  
278.21 providing housing either for the elderly or for individuals and families with incomes not  
278.22 greater than 80 percent of the median family income as estimated by the United States  
278.23 Department of Housing and Urban Development for the standard metropolitan statistical  
278.24 area or the nonmetropolitan county in which the project is located. The project must be  
278.25 owned for the term of the bonds either by the authority or by a limited partnership or other  
278.26 entity in which the authority or another entity under the sole control of the authority is  
278.27 the sole general partner and the partnership or other entity must receive (1) an allocation  
278.28 from the Department of Management and Budget or an entitlement issuer of tax-exempt  
278.29 bonding authority for the project and a preliminary determination by the Minnesota  
278.30 Housing Finance Agency or the applicable suballocator of tax credits that the project  
278.31 will qualify for four percent low-income housing tax credits or (2) a reservation of nine  
278.32 percent low-income housing tax credits from the Minnesota Housing Finance Agency or a  
278.33 suballocator of tax credits for the project. A qualified housing development project may  
278.34 admit nonelderly individuals and families with higher incomes if:

278.35 (1) three years have passed since initial occupancy;

279.1 (2) the authority finds the project is experiencing unanticipated vacancies resulting in  
279.2 insufficient revenues, because of changes in population or other unforeseen circumstances  
279.3 that occurred after the initial finding of adequate revenues; and

279.4 (3) the authority finds a tax levy or payment from general assets of the general  
279.5 jurisdiction governmental unit will be necessary to pay debt service on the bonds if higher  
279.6 income individuals or families are not admitted.

279.7 (f) The authority may issue bonds to refund bonds issued under this subdivision in  
279.8 accordance with section 475.67. The finding of the adequacy of pledged revenues required  
279.9 by paragraph (a) and the public hearing required by paragraph (b) shall not apply to the  
279.10 issuance of refunding bonds. This paragraph applies to refunding bonds issued on and  
279.11 after July 1, 1992.

279.12 Sec. 77. Minnesota Statutes 2012, section 469.053, subdivision 4, is amended to read:

279.13 Subd. 4. **Mandatory city levy.** A city shall, at the request of the port authority, levy  
279.14 a tax in any year for the benefit of the port authority. The tax must not exceed 0.01813  
279.15 percent of ~~taxable~~ estimated market value. The amount levied must be paid by the city  
279.16 treasurer to the treasurer of the port authority, to be spent by the authority.

279.17 Sec. 78. Minnesota Statutes 2012, section 469.053, subdivision 4a, is amended to read:

279.18 Subd. 4a. **Seaway port authority levy.** A levy made under this subdivision shall  
279.19 replace the mandatory city levy under subdivision 4. A seaway port authority is a special  
279.20 taxing district under section 275.066 and may levy a tax in any year for the benefit of the  
279.21 seaway port authority. The tax must not exceed 0.01813 percent of ~~taxable~~ estimated  
279.22 market value. The county auditor shall distribute the proceeds of the property tax levy to  
279.23 the seaway port authority.

279.24 Sec. 79. Minnesota Statutes 2012, section 469.053, subdivision 6, is amended to read:

279.25 Subd. 6. **Discretionary city levy.** Upon request of a port authority, the port  
279.26 authority's city may levy a tax to be spent by and for its port authority. The tax must  
279.27 enable the port authority to carry out efficiently and in the public interest sections 469.048  
279.28 to 469.068 to create and develop industrial development districts. The levy must not be  
279.29 more than 0.00282 percent of ~~taxable~~ estimated market value. The county treasurer shall  
279.30 pay the proceeds of the tax to the port authority treasurer. The money may be spent by  
279.31 the authority in performance of its duties to create and develop industrial development  
279.32 districts. In spending the money the authority must judge what best serves the public  
279.33 interest. The levy in this subdivision is in addition to the levy in subdivision 4.

280.1 Sec. 80. Minnesota Statutes 2012, section 469.107, subdivision 1, is amended to read:

280.2 Subdivision 1. **City tax levy.** A city may, at the request of the authority, levy a tax in  
280.3 any year for the benefit of the authority. The tax must be not more than 0.01813 percent of  
280.4 ~~taxable~~ estimated market value. The amount levied must be paid by the city treasurer to  
280.5 the treasurer of the authority, to be spent by the authority.

280.6 Sec. 81. Minnesota Statutes 2012, section 469.180, subdivision 2, is amended to read:

280.7 Subd. 2. **Tax levies.** Notwithstanding any law, the county board of any county may  
280.8 appropriate from the general revenue fund a sum not to exceed a county levy of 0.00080  
280.9 percent of ~~taxable~~ estimated market value to carry out the purposes of this section.

280.10 Sec. 82. Minnesota Statutes 2012, section 469.187, is amended to read:

280.11 **469.187 FIRST CLASS CITY SPENDING FOR PUBLICITY; PUBLICITY**  
280.12 **BOARD.**

280.13 Any city of the first class may expend money for city publicity purposes. The city may  
280.14 levy a tax, not exceeding 0.00080 percent of ~~taxable~~ estimated market value. The proceeds  
280.15 of the levy shall be expended in the manner and for the city publicity purposes the council  
280.16 directs. The council may establish and provide for a publicity board or bureau to administer  
280.17 the fund, subject to the conditions and limitations the council prescribes by ordinance.

280.18 Sec. 83. Minnesota Statutes 2012, section 469.206, is amended to read:

280.19 **469.206 HAZARDOUS PROPERTY PENALTY.**

280.20 A city may assess a penalty up to one percent of the estimated market value of  
280.21 real property, including any building located within the city that the city determines to  
280.22 be hazardous as defined in section 463.15, subdivision 3. The city shall send a written  
280.23 notice to the address to which the property tax statement is sent at least 90 days before it  
280.24 may assess the penalty. If the owner of the property has not paid the penalty or fixed the  
280.25 property within 90 days after receiving notice of the penalty, the penalty is considered  
280.26 delinquent and is increased by 25 percent each 60 days the penalty is not paid and the  
280.27 property remains hazardous. For the purposes of this section, a penalty that is delinquent  
280.28 is considered a delinquent property tax and subject to chapters 279, 280, and 281, in the  
280.29 same manner as delinquent property taxes.



281.1 Sec. 84. Minnesota Statutes 2012, section 471.24, is amended to read:

281.2 **471.24 TOWNS, STATUTORY CITIES; JOINT MAINTENANCE OF**  
 281.3 **CEMETERY.**

281.4 Where a statutory city or town owns and maintains an established cemetery or burial  
 281.5 ground, either within or without the municipal limits, the statutory city or town may, by  
 281.6 mutual agreement with contiguous statutory cities and towns, each having a an estimated  
 281.7 market value of not less than \$2,000,000, join together in the maintenance of such public  
 281.8 cemetery or burial ground for the use of the inhabitants of each of such municipalities; and  
 281.9 each such municipality is hereby authorized, by action of its council or governing body,  
 281.10 to levy a tax or make an appropriation for the annual support and maintenance of such  
 281.11 cemetery or burial ground; provided, the amount thus appropriated by each municipality  
 281.12 shall not exceed a total of \$10,000 in any one year.

281.13 Sec. 85. Minnesota Statutes 2012, section 471.571, subdivision 1, is amended to read:

281.14 Subdivision 1. **Application.** This section applies to each city in which the net tax  
 281.15 capacity of real and personal property consists in part of iron ore or lands containing  
 281.16 taconite or semitaconite and in which the total ~~taxable~~ estimated market value of real  
 281.17 and personal property exceeds \$2,500,000.

281.18 Sec. 86. Minnesota Statutes 2012, section 471.571, subdivision 2, is amended to read:

281.19 Subd. 2. **Creation of fund, tax levy.** The governing body of the city may create a  
 281.20 permanent improvement and replacement fund to be maintained by an annual tax levy.  
 281.21 The governing body may levy a tax in excess of any charter limitation for the support of  
 281.22 the permanent improvement and replacement fund, but not exceeding the following:

281.23 (a) in cities having a population of not more than 500 inhabitants, the lesser of \$20  
 281.24 per capita or 0.08059 percent of ~~taxable~~ estimated market value;

281.25 (b) in cities having a population of more than 500 and less than ~~2500~~ 2,500, the  
 281.26 greater of \$12.50 per capita or \$10,000 but not exceeding 0.08059 percent of ~~taxable~~  
 281.27 estimated market value;

281.28 (c) in cities having a population of ~~more than 2500~~ 2,500 or more inhabitants,  
 281.29 the greater of \$10 per capita or \$31,500 but not exceeding 0.08059 percent of ~~taxable~~  
 281.30 estimated market value.

281.31 Sec. 87. Minnesota Statutes 2012, section 471.73, is amended to read:

281.32 **471.73 ACCEPTANCE OF PROVISIONS.**

282.1 In the case of any city within the class specified in section 471.72 having a an  
282.2 estimated market value, ~~as defined in section 471.72~~, in excess of \$37,000,000; and in the  
282.3 case of any statutory city within such class having a an estimated market value, ~~as defined~~  
282.4 ~~in section 471.72~~, of less than \$5,000,000; and in the case of any statutory city within such  
282.5 class which is governed by Laws 1933, chapter 211, or Laws 1937, chapter 356; and in  
282.6 the case of any statutory city within such class which is governed by Laws 1929, chapter  
282.7 208, and has a an estimated market value of less than \$83,000,000; and in the case of  
282.8 any school district within such class having a an estimated market value, ~~as defined in~~  
282.9 ~~section 471.72~~, of more than \$54,000,000; and in the case of all towns within said class;  
282.10 sections 471.71 to 471.83 apply only if the governing body of the city or statutory city, the  
282.11 board of the school district, or the town board of the town shall have adopted a resolution  
282.12 determining to issue bonds under the provisions of sections 471.71 to 471.83 or to go  
282.13 upon a cash basis in accordance with the provisions thereof.

282.14 Sec. 88. Minnesota Statutes 2012, section 473.325, subdivision 2, is amended to read:

282.15 Subd. 2. **Chapter 475 applies; exceptions.** The Metropolitan Council shall sell and  
282.16 issue the bonds in the manner provided in chapter 475, and shall have the same powers  
282.17 and duties as a municipality issuing bonds under that law, except that the approval of a  
282.18 majority of the electors shall not be required and the net debt limitations shall not apply.  
282.19 The terms of each series of bonds shall be fixed so that the amount of principal and interest  
282.20 on all outstanding and undischarged bonds, together with the bonds proposed to be issued,  
282.21 due in any year shall not exceed 0.01209 percent of estimated market value of all taxable  
282.22 property in the metropolitan area as last finally equalized prior to a proposed issue. The  
282.23 bonds shall be secured in accordance with section 475.61, subdivision 1, and any taxes  
282.24 required for their payment shall be levied by the council, shall not affect the amount or rate  
282.25 of taxes which may be levied by the council for other purposes, shall be spread against all  
282.26 taxable property in the metropolitan area and shall not be subject to limitation as to rate or  
282.27 amount. Any taxes certified by the council to the county auditors for collection shall be  
282.28 reduced by the amount received by the council from the commissioner of management and  
282.29 budget or the federal government for the purpose of paying the principal and interest on  
282.30 bonds to which the levy relates. The council shall certify the fact and amount of all money  
282.31 so received to the county auditors, and the auditors shall reduce the levies previously made  
282.32 for the bonds in the manner and to the extent provided in section 475.61, subdivision 3.

283.1 Sec. 89. Minnesota Statutes 2012, section 473.629, is amended to read:

283.2 **473.629 VALUE OF PROPERTY FOR BOND ISSUES BY SCHOOL**  
283.3 **DISTRICTS.**

283.4 As to any lands ~~to be detached from any school district under the provisions hereof~~  
283.5 section 473.625, notwithstanding ~~such prospective~~ the detachment, the estimated market  
283.6 value of such the detached lands and the net tax capacity of taxable properties now located  
283.7 ~~therein or thereon shall be and~~ on the lands on the date of the detachment constitute  
283.8 ~~from and after the date of the enactment hereof~~ a part of the estimated market value of  
283.9 properties upon the basis of which such used to calculate the net debt limit of the school  
283.10 ~~district may issue its bonds,~~ The value of such the lands for such purpose to be and other  
283.11 taxable properties for purposes of the school district's net debt limit are 33-1/3 percent of  
283.12 the estimated market value thereof as determined and certified by said the assessor to said  
283.13 the school district, and it shall be the duty of such the assessor annually on or before the  
283.14 tenth day of October from and after the passage hereof, to so of each year, shall determine  
283.15 and certify that value; provided, however, that the value of such the detached lands and  
283.16 such taxable properties shall never exceed 20 percent of the estimated market value of  
283.17 all properties constituting and making up the basis aforesaid used to calculate the net  
283.18 debt limit of the school district.

283.19 Sec. 90. Minnesota Statutes 2012, section 473.661, subdivision 3, is amended to read:

283.20 Subd. 3. **Levy limit.** In any budget certified by the commissioners under this section,  
283.21 the amount included for operation and maintenance shall not exceed an amount which,  
283.22 when extended against the property taxable therefor under section 473.621, subdivision 5,  
283.23 will require a levy at a rate of 0.00806 percent of estimated market value. Taxes levied by  
283.24 the corporation shall not affect the amount or rate of taxes which may be levied by any other  
283.25 local government unit within the metropolitan area under the provisions of any charter.

283.26 Sec. 91. Minnesota Statutes 2012, section 473.667, subdivision 9, is amended to read:

283.27 Subd. 9. **Additional taxes.** Nothing herein shall prevent the commission from  
283.28 levying a tax not to exceed 0.00121 percent of estimated market value on taxable property  
283.29 within its taxing jurisdiction, in addition to any levies found necessary for the debt  
283.30 service fund authorized by section 473.671. Nothing herein shall prevent the levy and  
283.31 appropriation for purposes of the commission of any other tax on property or on any  
283.32 income, transaction, or privilege, when and if authorized by law. All collections of any  
283.33 taxes so levied shall be included in the revenues appropriated for the purposes referred  
283.34 to in this section, unless otherwise provided in the law authorizing the levies; but no

284.1 covenant as to the continuance or as to the rate and amount of any such levy shall be made  
284.2 with the holders of the commission's bonds unless specifically authorized by law.

284.3 Sec. 92. Minnesota Statutes 2012, section 473.671, is amended to read:

284.4 **473.671 LIMIT OF TAX LEVY.**

284.5 The taxes levied against the property of the metropolitan area in any one year shall  
284.6 not exceed 0.00806 percent of ~~taxable~~ estimated market value, exclusive of taxes levied  
284.7 to pay the principal or interest on any bonds or indebtedness of the city issued under  
284.8 Laws 1943, chapter 500, and exclusive of any taxes levied to pay the share of the city for  
284.9 payments on bonded indebtedness of the corporation provided for in Laws 1943, chapter  
284.10 500. The levy of taxes authorized in Laws 1943, chapter 500, shall be in addition to the  
284.11 maximum rate allowed to be levied to defray the cost of government under the provisions  
284.12 of the charter of any city affected by Laws 1943, chapter 500.

284.13 Sec. 93. Minnesota Statutes 2012, section 473.711, subdivision 2a, is amended to read:

284.14 Subd. 2a. **Tax levy.** (a) The commission may levy a tax on all taxable property in the  
284.15 district as defined in section 473.702 to provide funds for the purposes of sections 473.701  
284.16 to 473.716. The tax shall not exceed the property tax levy limitation determined in this  
284.17 subdivision. A participating county may agree to levy an additional tax to be used by the  
284.18 commission for the purposes of sections 473.701 to 473.716 but the sum of the county's and  
284.19 commission's taxes may not exceed the county's proportionate share of the property tax levy  
284.20 limitation determined under this subdivision based on the ratio of its total net tax capacity  
284.21 to the total net tax capacity of the entire district as adjusted by section 270.12, subdivision  
284.22 3. The auditor of each county in the district shall add the amount of the levy made by the  
284.23 district to other taxes of the county for collection by the county treasurer with other taxes.  
284.24 When collected, the county treasurer shall make settlement of the tax with the district in  
284.25 the same manner as other taxes are distributed to political subdivisions. No county shall  
284.26 levy any tax for mosquito, disease vectoring tick, and black gnat (*Simuliidae*) control  
284.27 except under this section. The levy shall be in addition to other taxes authorized by law.

284.28 (b) The property tax levied by the Metropolitan Mosquito Control Commission shall  
284.29 not exceed the product of (i) the commission's property tax levy limitation for the previous  
284.30 year determined under this subdivision multiplied by (ii) an index for market valuation  
284.31 changes equal to the total estimated market ~~valuation~~ value of all taxable property for the  
284.32 current tax payable year located within the district plus any area that has been added to the  
284.33 district since the previous year, divided by the total estimated market ~~valuation~~ value of all  
284.34 taxable property located within the district for the previous taxes payable year.

285.1 (e) For the purpose of determining the commission's property tax levy limitation  
285.2 under this subdivision, "total market valuation" means the total market valuation of all  
285.3 taxable property within the district without valuation adjustments for fiscal disparities  
285.4 (chapter 473F), tax increment financing (sections 469.174 to 469.179), and high voltage  
285.5 transmission lines (section 273.425).

285.6 Sec. 94. Minnesota Statutes 2012, section 473F.02, subdivision 12, is amended to read:

285.7 Subd. 12. **Adjusted market value.** "Adjusted market value" of real and personal  
285.8 property within a municipality means the assessor's estimated taxable market value,  
285.9 as defined in section 272.03, of all real and personal property, including the value of  
285.10 manufactured housing, within the municipality, adjusted for sales ratios in a manner  
285.11 similar to the adjustments made to city and town net tax capacities. For purposes  
285.12 of sections 473F.01 to 473F.13, the commissioner of revenue shall annually make  
285.13 determinations and reports with respect to each municipality which are comparable to  
285.14 those it makes for school districts under section 127A.48, subdivisions 1 to 6, in the same  
285.15 manner and at the same times as are prescribed by the subdivisions. The commissioner  
285.16 of revenue shall annually determine, for each municipality, information comparable to  
285.17 that required by section 475.53, subdivision 4, for school districts, as soon as practicable  
285.18 after it becomes available. The commissioner of revenue shall then compute the equalized  
285.19 market value of property within each municipality using the aggregate sales ratios from  
285.20 the Department of Revenue's sales ratio study.

285.21 Sec. 95. Minnesota Statutes 2012, section 473F.02, subdivision 14, is amended to read:

285.22 Subd. 14. **Fiscal capacity.** "Fiscal capacity" of a municipality means its valuation  
285.23 adjusted market value, determined as of January 2 of any year, divided by its population,  
285.24 determined as of a date in the same year.

285.25 Sec. 96. Minnesota Statutes 2012, section 473F.02, subdivision 15, is amended to read:

285.26 Subd. 15. **Average fiscal capacity.** "Average fiscal capacity" of municipalities  
285.27 means the sum of the valuations adjusted market values of all municipalities, determined  
285.28 as of January 2 of any year, divided by the sum of their populations, determined as of  
285.29 a date in the same year.

285.30 Sec. 97. Minnesota Statutes 2012, section 473F.02, subdivision 23, is amended to read:

285.31 Subd. 23. **Net tax capacity.** "Net tax capacity" means the taxable market value of  
285.32 real and personal property multiplied by its net tax capacity rates in section 273.13.

286.1 Sec. 98. Minnesota Statutes 2012, section 473F.08, subdivision 10, is amended to read:

286.2 Subd. 10. **Adjustment of value or net tax capacity.** For the purpose of computing  
286.3 ~~the amount or rate of any salary, aid, tax, or debt authorized, required, or limited by any~~  
286.4 ~~provision of any law or charter, where such authorization, requirement, or limitation~~  
286.5 ~~is related in any manner to any value or valuation of taxable property within any~~  
286.6 ~~governmental unit, such value or net tax capacity~~ fiscal capacity under section 473F.02,  
286.7 subdivision 14, a municipality's taxable market value shall be adjusted to reflect the  
286.8 adjustments ~~reductions~~ to net tax capacity effected by subdivision 2, clause (a), provided  
286.9 that: ~~(1)~~ in determining the taxable market value of commercial-industrial property  
286.10 or any class thereof within a ~~governmental unit for any purpose other than section~~  
286.11 ~~473F.07~~ municipality, ~~(a)~~ the reduction required by this subdivision shall be that amount  
286.12 which bears the same proportion to the amount subtracted from the ~~governmental unit's~~  
286.13 municipality's net tax capacity pursuant to subdivision 2, clause (a), as the taxable  
286.14 market value of commercial-industrial property, or such class thereof, located within the  
286.15 ~~governmental unit~~ municipality bears to the net tax capacity of commercial-industrial  
286.16 property, or such class thereof, located within the ~~governmental unit~~, and ~~(b)~~ the increase  
286.17 ~~required by this subdivision shall be that amount which bears the same proportion to~~  
286.18 ~~the amount added to the governmental unit's net tax capacity pursuant to subdivision 2,~~  
286.19 ~~clause (b), as the market value of commercial-industrial property, or such class thereof,~~  
286.20 ~~located within the governmental unit bears to the net tax capacity of commercial-industrial~~  
286.21 ~~property, or such class thereof, located within the governmental unit; and (2) in determining~~  
286.22 ~~the market value of real property within a municipality for purposes of section 473F.07,~~  
286.23 ~~the adjustment prescribed by clause (1)(a) hereof shall be made and that prescribed by~~  
286.24 ~~clause (1)(b) hereof shall not be made~~ municipality. No adjustment shall be made to  
286.25 taxable market value for the increase in net tax capacity under subdivision 2, clause (b).

286.26 Sec. 99. Minnesota Statutes 2012, section 475.521, subdivision 4, is amended to read:

286.27 Subd. 4. **Limitations on amount.** A municipality may not issue bonds under this  
286.28 section if the maximum amount of principal and interest to become due in any year on  
286.29 all the outstanding bonds issued under this section, including the bonds to be issued,  
286.30 will equal or exceed 0.16 percent of the ~~taxable~~ estimated market value of property  
286.31 in the municipality. Calculation of the limit must be made using the ~~taxable~~ estimated  
286.32 market value for the taxes payable year in which the obligations are issued and sold. In  
286.33 the case of a municipality with a population of 2,500 or more, the bonds are subject to  
286.34 the net debt limits under section 475.53. In the case of a shared facility in which more  
286.35 than one municipality participates, upon compliance by each participating municipality

287.1 with the requirements of subdivision 2, the limitations in this subdivision and the net debt  
287.2 represented by the bonds shall be allocated to each participating municipality in proportion  
287.3 to its required financial contribution to the financing of the shared facility, as set forth in  
287.4 the joint powers agreement relating to the shared facility. This section does not limit the  
287.5 authority to issue bonds under any other special or general law.

287.6 Sec. 100. Minnesota Statutes 2012, section 475.53, subdivision 1, is amended to read:

287.7 Subdivision 1. **Generally.** Except as otherwise provided in sections 475.51 to  
287.8 475.74, no municipality, except a school district or a city of the first class, shall incur or be  
287.9 subject to a net debt in excess of three percent of the estimated market value of taxable  
287.10 property in the municipality.

287.11 Sec. 101. Minnesota Statutes 2012, section 475.53, subdivision 3, is amended to read:

287.12 Subd. 3. **Cities first class.** Unless its charter permits a greater net debt a city of  
287.13 the first class may not incur a net debt in excess of two percent of the estimated market  
287.14 value of all taxable property therein. If the charter of the city permits a net debt of the city  
287.15 in excess of two percent of its valuation, it may not incur a net debt in excess of 3-2/3  
287.16 percent of the estimated market value of the taxable property therein.

287.17 The county auditor, at the time of preparing the tax list of the city, shall compile a  
287.18 statement setting forth the total net tax capacity and the total estimated market value of  
287.19 each class of taxable property in such city for such year.

287.20 Sec. 102. Minnesota Statutes 2012, section 475.53, subdivision 4, is amended to read:

287.21 Subd. 4. **School districts.** Except as otherwise provided by law, no school district  
287.22 shall be subject to a net debt in excess of 15 percent of the ~~actual~~ estimated market value of  
287.23 all taxable property situated within its corporate limits, as computed in accordance with this  
287.24 subdivision. The county auditor of each county containing taxable real or personal property  
287.25 situated within any school district shall certify to the district upon request the estimated  
287.26 market value of all such property. Whenever the commissioner of revenue, in accordance  
287.27 with section 127A.48, subdivisions 1 to 6, has determined that the ~~net tax capacity of any~~  
287.28 ~~district furnished by county auditors is not based upon the~~ adjusted market value of taxable  
287.29 property in the district exceeds the estimated market value of property within the district,  
287.30 the commissioner of revenue shall certify to the district upon request the ratio most recently  
287.31 ascertained to exist between ~~such~~ the estimated market value and the actual adjusted  
287.32 market value of property within the district, ~~and the actual market value of property~~  
287.33 ~~within a district, on which its debt limit under this subdivision is~~ will be based, ~~is (a) the~~

288.1 ~~value certified by the county auditors, or (b) this~~ on the estimated market value divided by  
288.2 the ratio certified by the commissioner of revenue, ~~whichever results in a higher value.~~

288.3 Sec. 103. Minnesota Statutes 2012, section 475.58, subdivision 2, is amended to read:

288.4 Subd. 2. **Funding, refunding.** Any county, city, town, or school district whose  
288.5 outstanding gross debt, including all items referred to in section 475.51, subdivision  
288.6 4, exceed in amount 1.62 percent of its estimated market value may issue bonds under  
288.7 this subdivision for the purpose of funding or refunding such indebtedness or any part  
288.8 thereof. A list of the items of indebtedness to be funded or refunded shall be made by the  
288.9 recording officer and treasurer and filed in the office of the recording officer. The initial  
288.10 resolution of the governing body shall refer to this subdivision as authority for the issue,  
288.11 state the amount of bonds to be issued and refer to the list of indebtedness to be funded or  
288.12 refunded. This resolution shall be published once each week for two successive weeks  
288.13 in a legal newspaper published in the municipality or if there be no such newspaper, in  
288.14 a legal newspaper published in the county seat. Such bonds may be issued without the  
288.15 submission of the question of their issue to the electors unless within ten days after the  
288.16 second publication of the resolution a petition requesting such election signed by ten or  
288.17 more voters who are taxpayers of the municipality, shall be filed with the recording officer.  
288.18 In event such petition is filed, no bonds shall be issued hereunder unless authorized by a  
288.19 majority of the electors voting on the question.

288.20 Sec. 104. Minnesota Statutes 2012, section 475.73, subdivision 1, is amended to read:

288.21 Subdivision 1. **May purchase these bonds; conditions.** Obligations sold under the  
288.22 provisions of section 475.60 may be purchased by the State Board of Investment if the  
288.23 obligations meet the requirements of section 11A.24, subdivision 2, upon the approval of  
288.24 the attorney general as to form and execution of the application therefor, and under rules  
288.25 as the board may specify, and the state board shall have authority to purchase the same  
288.26 to an amount not exceeding 3.63 percent of the estimated market value of the taxable  
288.27 property of the municipality, according to the last preceding assessment. The obligations  
288.28 shall not run for a shorter period than one year, nor for a longer period than 30 years and  
288.29 shall bear interest at a rate to be fixed by the state board but not less than two percent per  
288.30 annum. Forthwith upon the delivery to the state of Minnesota of any obligations issued by  
288.31 virtue thereof, the commissioner of management and budget shall certify to the respective  
288.32 auditors of the various counties wherein are situated the municipalities issuing the same,  
288.33 the number, denomination, amount, rate of interest and date of maturity of each obligation.



289.1 Sec. 105. Minnesota Statutes 2012, section 477A.011, subdivision 20, is amended to  
289.2 read:

289.3 Subd. 20. **City net tax capacity.** "City net tax capacity" means ~~(1) the net tax~~  
289.4 ~~capacity computed using the net tax capacity rates in section 273.13 for taxes payable~~  
289.5 ~~in the year of the aid distribution, and the market values, after the exclusion in section~~  
289.6 ~~273.13, subdivision 35, for taxes payable in the year prior to the aid distribution plus (2)~~  
289.7 ~~a city's fiscal disparities distribution tax capacity under section 276A.06, subdivision 2,~~  
289.8 ~~paragraph (b), or 473F.08, subdivision 2, paragraph (b), for taxes payable in the year prior~~  
289.9 ~~to that for which aids are being calculated. The market value utilized in computing city~~  
289.10 ~~net tax capacity shall be reduced by the sum of (1) a city's market value of commercial~~  
289.11 ~~industrial property as defined in section 276A.01, subdivision 3, or 473F.02, subdivision 3,~~  
289.12 ~~multiplied by the ratio determined pursuant to section 276A.06, subdivision 2, paragraph~~  
289.13 ~~(a), or 473F.08, subdivision 2, paragraph (a), (2) the market value of the captured value~~  
289.14 ~~of tax increment financing districts as defined in section 469.177, subdivision 2, and (3)~~  
289.15 ~~the market value of transmission lines deducted from a city's total net tax capacity under~~  
289.16 ~~section 273.425. The city net tax capacity will be computed using equalized market values~~  
289.17 the city's adjusted net tax capacity under section 273.1325.

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

289.19 Sec. 106. Minnesota Statutes 2012, section 477A.011, subdivision 32, is amended to  
289.20 read:

289.21 Subd. 32. **Commercial industrial percentage.** "Commercial industrial percentage"  
289.22 for a city is 100 times the sum of the estimated market values of all real property in the  
289.23 city classified as class 3 under section 273.13, subdivision 24, excluding public utility  
289.24 property, to the total estimated market value of all taxable real and personal property in  
289.25 the city. The estimated market values are the amounts computed before any adjustments  
289.26 for fiscal disparities under section 276A.06 or 473F.08. The estimated market values  
289.27 used for this subdivision are not equalized.

289.28 **EFFECTIVE DATE.** This section is effective for aids payable in 2014 and thereafter.

289.29 Sec. 107. Minnesota Statutes 2012, section 477A.0124, subdivision 2, is amended to  
289.30 read:

289.31 Subd. 2. **Definitions.** (a) For the purposes of this section, the following terms  
289.32 have the meanings given them.

290.1 (b) "County program aid" means the sum of "county need aid," "county tax base  
290.2 equalization aid," and "county transition aid."

290.3 (c) "Age-adjusted population" means a county's population multiplied by the county  
290.4 age index.

290.5 (d) "County age index" means the percentage of the population over age 65 within  
290.6 the county divided by the percentage of the population over age 65 within the state, except  
290.7 that the age index for any county may not be greater than 1.8 nor less than 0.8.

290.8 (e) "Population over age 65" means the population over age 65 established as of  
290.9 July 15 in an aid calculation year by the most recent federal census, by a special census  
290.10 conducted under contract with the United States Bureau of the Census, by a population  
290.11 estimate made by the Metropolitan Council, or by a population estimate of the state  
290.12 demographer made pursuant to section 4A.02, whichever is the most recent as to the stated  
290.13 date of the count or estimate for the preceding calendar year and which has been certified  
290.14 to the commissioner of revenue on or before July 15 of the aid calculation year. A revision  
290.15 to an estimate or count is effective for these purposes only if certified to the commissioner  
290.16 on or before July 15 of the aid calculation year. Clerical errors in the certification or use of  
290.17 estimates and counts established as of July 15 in the aid calculation year are subject to  
290.18 correction within the time periods allowed under section 477A.014.

290.19 (f) "Part I crimes" means the three-year average annual number of Part I crimes  
290.20 reported for each county by the Department of Public Safety for the most recent years  
290.21 available. By July 1 of each year, the commissioner of public safety shall certify to the  
290.22 commissioner of revenue the number of Part I crimes reported for each county for the  
290.23 three most recent calendar years available.

290.24 (g) "Households receiving food stamps" means the average monthly number of  
290.25 households receiving food stamps for the three most recent years for which data is  
290.26 available. By July 1 of each year, the commissioner of human services must certify to the  
290.27 commissioner of revenue the average monthly number of households in the state and in  
290.28 each county that receive food stamps, for the three most recent calendar years available.

290.29 (h) "County net tax capacity" means the ~~net tax capacity of the county, computed~~  
290.30 ~~analogously to city net tax capacity under section 477A.011, subdivision 20~~ county's  
290.31 adjusted net tax capacity under section 273.1325.

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

290.33 Sec. 108. Minnesota Statutes 2012, section 641.23, is amended to read:

290.34 **641.23 FUNDS; HOW PROVIDED.**

291.1 Before any contract is made for the erection of a county jail, sheriff's residence, or  
291.2 both, the county board shall either levy a sufficient tax to provide the necessary funds, or  
291.3 issue county bonds therefor in accordance with the provisions of chapter 475, provided  
291.4 that no election is required if the amount of all bonds issued for this purpose and interest  
291.5 on them which are due and payable in any year does not exceed an amount equal to  
291.6 0.09671 percent of estimated market value of taxable property within the county, as last  
291.7 determined before the bonds are issued.

291.8 Sec. 109. Minnesota Statutes 2012, section 641.24, is amended to read:

291.9 **641.24 LEASING.**

291.10 The county may, by resolution of the county board, enter into a lease agreement with  
291.11 any statutory or home rule charter city situated within the county, or a county housing and  
291.12 redevelopment authority established pursuant to chapter 469 or any special law whereby  
291.13 the city or county housing and redevelopment authority will construct a jail or other law  
291.14 enforcement facilities for the county sheriff, deputy sheriffs, and other employees of the  
291.15 sheriff and other law enforcement agencies, in accordance with plans prepared by or at  
291.16 the request of the county board and, when required, approved by the commissioner of  
291.17 corrections and will finance it by the issuance of revenue bonds, and the county may lease  
291.18 the site and improvements for a term and upon rentals sufficient to produce revenue for the  
291.19 prompt payment of the bonds and all interest accruing thereon and, upon completion of  
291.20 payment, will acquire title thereto. The real and personal property acquired for the jail  
291.21 shall constitute a project and the lease agreement shall constitute a revenue agreement  
291.22 as contemplated in chapter 469, and all proceedings shall be taken by the city or county  
291.23 housing and redevelopment authority and the county in the manner and with the force and  
291.24 effect provided in chapter 469; provided that:

291.25 (1) no tax shall be imposed upon or in lieu of a tax upon the property;

291.26 (2) the approval of the project by the commissioner of commerce shall not be required;

291.27 (3) the Department of Corrections shall be furnished and shall record such  
291.28 information concerning each project as it may prescribe;

291.29 (4) the rentals required to be paid under the lease agreement shall not exceed in any  
291.30 year one-tenth of one percent of the estimated market value of property within the county,  
291.31 as last finally equalized before the execution of the agreement;

291.32 (5) the county board shall provide for the payment of all rentals due during the term  
291.33 of the lease, in the manner required in section 641.264, subdivision 2;

292.1 (6) no mortgage on the property shall be granted for the security of the bonds, but  
292.2 compliance with clause (5) hereof may be enforced as a nondiscretionary duty of the  
292.3 county board; and

292.4 (7) the county board may sublease any part of the jail property for purposes consistent  
292.5 with the maintenance and operation of a county jail or other law enforcement facility.

292.6 Sec. 110. Minnesota Statutes 2012, section 645.44, is amended by adding a subdivision  
292.7 to read:

292.8 Subd. 20. **Estimated market value.** When used in determining or calculating a  
292.9 limit on taxation, spending, state aid amounts, or debt, bond, certificate of indebtedness, or  
292.10 capital note issuance by or for a local government unit, "estimated market value" has the  
292.11 meaning given in section 273.032.

292.12 Sec. 111. **REVISOR'S INSTRUCTION.**

292.13 The revisor of statutes shall recodify Minnesota Statutes, section 127.48,  
292.14 subdivisions 1 to 6, as section 273.1325, subdivisions 1 to 6, and change all  
292.15 cross-references to the affected subdivisions accordingly.

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

292.17 Sec. 112. **REPEALER.**

292.18 Minnesota Statutes 2012, sections 276A.01, subdivision 11; 473F.02, subdivision  
292.19 13; and 477A.011, subdivision 21, are repealed.

292.20 Sec. 113. **EFFECTIVE DATE.**

292.21 Unless otherwise specifically provided, this article is effective the day following  
292.22 final enactment for purposes of limits on net debt, the issuance of bonds, certificates of  
292.23 indebtedness, and capital notes and is effective beginning for taxes payable in 2014 for  
292.24 all other purposes.

## 292.25 **ARTICLE 15**

### 292.26 **DEPARTMENT OF REVENUE INCOME AND FRANCHISE** 292.27 **TAXES; ESTATE TAXES**

292.28 Section 1. Minnesota Statutes 2012, section 289A.10, is amended by adding a  
292.29 subdivision to read:

293.1 Subd. 1a. **Recapture tax return required.** If a disposition or cessation as provided  
293.2 by section 291.03, subdivision 11, paragraph (a), has occurred, the qualified heir, as  
293.3 defined under section 291.03, subdivision 8, paragraph (c), or personal representative of  
293.4 the decedent's estate must submit a recapture tax return to the commissioner.

293.5 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after  
293.6 June 30, 2011.

293.7 Sec. 2. Minnesota Statutes 2012, section 289A.12, subdivision 14, is amended to read:

293.8 **Subd. 14. Regulated investment companies; reporting exempt-interest**  
293.9 **dividends.** (a) A regulated investment company paying \$10 or more in exempt-interest  
293.10 dividends to an individual who is a resident of Minnesota must make a return indicating  
293.11 the amount of the exempt-interest dividends, the name, address, and Social Security  
293.12 number of the recipient, and any other information that the commissioner specifies. The  
293.13 return must be provided to the shareholder by February 15 of the year following the year  
293.14 of the payment. The return provided to the shareholder must include a clear statement,  
293.15 in the form prescribed by the commissioner, that the exempt-interest dividends must be  
293.16 included in the computation of Minnesota taxable income. By June 1 of each year, the  
293.17 regulated investment company must file a copy of the return with the commissioner.

293.18 ~~(b) This subdivision applies to regulated investment companies required to register~~  
293.19 ~~under chapter 80A.~~

293.20 ~~(e)~~ (b) For purposes of this subdivision, the following definitions apply.

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

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

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

293.29 Sec. 3. Minnesota Statutes 2012, section 289A.12, is amended by adding a subdivision  
293.30 to read:

293.31 Subd. 18. **Returns by qualified heirs.** A qualified heir, as defined in section 291.03,  
293.32 subdivision 8, paragraph (c), must file two returns with the commissioner attesting that  
293.33 no disposition or cessation as provided by section 291.03, subdivision 11, paragraph

294.1 (a), occurred. The first return must be filed no earlier than 24 months and no later than  
294.2 26 months after the decedent's death. The second return must be filed no earlier than 36  
294.3 months and no later than 39 months after the decedent's death.

294.4 **EFFECTIVE DATE.** This section is effective for returns required to be filed after  
294.5 December 31, 2013.

294.6 Sec. 4. Minnesota Statutes 2012, section 289A.18, is amended by adding a subdivision  
294.7 to read:

294.8 Subd. 3a. **Recapture tax return.** A recapture tax return must be filed with the  
294.9 commissioner within six months after the date of the disposition or cessation as provided  
294.10 by section 291.03, subdivision 11, paragraph (a).

294.11 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after  
294.12 June 30, 2011.

294.13 Sec. 5. Minnesota Statutes 2012, section 289A.20, subdivision 3, is amended to read:

294.14 Subd. 3. **Estate tax.** Taxes imposed by ~~chapter 291~~ section 291.03, subdivision 1,  
294.15 take effect at and upon the death of the person whose estate is subject to taxation and are  
294.16 due and payable on or before the expiration of nine months from that death.

294.17 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after  
294.18 June 30, 2011.

294.19 Sec. 6. Minnesota Statutes 2012, section 289A.20, is amended by adding a subdivision  
294.20 to read:

294.21 Subd. 3a. **Recapture tax.** The additional estate tax imposed by section 291.03,  
294.22 subdivision 11, paragraph (b), is due and payable on or before the expiration of the date  
294.23 provided by section 291.03, subdivision 11, paragraph (c).

294.24 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after  
294.25 June 30, 2011.

294.26 Sec. 7. Minnesota Statutes 2012, section 289A.26, subdivision 3, is amended to read:

294.27 Subd. 3. **Short taxable year.** (a) A corporation or an entity with a short taxable year  
294.28 of less than 12 months, but at least four months, must pay estimated tax in equal installments  
294.29 on or before the 15th day of the third, sixth, ninth, and final month of the short taxable  
294.30 year, to the extent applicable based on the number of months in the short taxable year.

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

295.4 (c) No payment is required for a short taxable year of less than four months.

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

295.6 Sec. 8. Minnesota Statutes 2012, section 289A.26, subdivision 4, is amended to read:

295.7 Subd. 4. **Underpayment of estimated tax.** If there is an underpayment of estimated  
295.8 tax by a corporation or an entity, there shall be added to the tax for the taxable year an  
295.9 amount determined at the rate in section 270C.40 on the amount of the underpayment,  
295.10 determined under subdivision 5, for the period of the underpayment determined under  
295.11 subdivision 6. This subdivision does not apply in the first taxable year that a corporation is  
295.12 subject to the tax imposed under section 290.02 or an entity is subject to the tax imposed  
295.13 under section 290.05, subdivision 3.

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

295.15 Sec. 9. Minnesota Statutes 2012, section 289A.26, subdivision 7, is amended to read:

295.16 Subd. 7. **Required installments.** (a) Except as otherwise provided in this  
295.17 subdivision, the amount of a required installment is 25 percent of the required annual  
295.18 payment.

295.19 (b) Except as otherwise provided in this subdivision, the term "required annual  
295.20 payment" means the lesser of:

295.21 (1) 100 percent of the tax shown on the return for the taxable year, or, if no return is  
295.22 filed, 100 percent of the tax for that year; or

295.23 (2) 100 percent of the tax shown on the return of the corporation or entity for the  
295.24 preceding taxable year provided the return was for a full 12-month period, showed a  
295.25 liability, and was filed by the corporation or entity.

295.26 (c) Except for determining the first required installment for any taxable year,  
295.27 paragraph (b), clause (2), does not apply in the case of a large corporation. The term  
295.28 "large corporation" means a corporation or any predecessor corporation that had taxable  
295.29 net income of \$1,000,000 or more for any taxable year during the testing period. The  
295.30 term "testing period" means the three taxable years immediately preceding the taxable  
295.31 year involved. A reduction allowed to a large corporation for the first installment that is  
295.32 allowed by applying paragraph (b), clause (2), must be recaptured by increasing the next  
295.33 required installment by the amount of the reduction.

296.1 (d) In the case of a required installment, if the corporation or entity establishes that  
 296.2 the annualized income installment is less than the amount determined in paragraph (a), the  
 296.3 amount of the required installment is the annualized income installment and the recapture  
 296.4 of previous quarters' reductions allowed by this paragraph must be recovered by increasing  
 296.5 later required installments to the extent the reductions have not previously been recovered.

296.6 (e) The "annualized income installment" is the excess, if any, of:

296.7 (1) an amount equal to the applicable percentage of the tax for the taxable year  
 296.8 computed by placing on an annualized basis the taxable income:

296.9 (i) for the first two months of the taxable year, in the case of the first required  
 296.10 installment;

296.11 (ii) for the first two months or for the first five months of the taxable year, in the  
 296.12 case of the second required installment;

296.13 (iii) for the first six months or for the first eight months of the taxable year, in the  
 296.14 case of the third required installment; and

296.15 (iv) for the first nine months or for the first 11 months of the taxable year, in the  
 296.16 case of the fourth required installment, over

296.17 (2) the aggregate amount of any prior required installments for the taxable year.

296.18 (3) For the purpose of this paragraph, the annualized income shall be computed  
 296.19 by placing on an annualized basis the taxable income for the year up to the end of the  
 296.20 month preceding the due date for the quarterly payment multiplied by 12 and dividing  
 296.21 the resulting amount by the number of months in the taxable year (2, 5, 6, 8, 9, or 11 as  
 296.22 the case may be) referred to in clause (1).

296.23 (4) The "applicable percentage" used in clause (1) is:

296.24	For the following	
296.25	required	
296.26	installments:	The applicable
		percentage is:
296.27	1st	25
296.28	2nd	50
296.29	3rd	75
296.30	4th	100

296.31 (f)(1) If this paragraph applies, the amount determined for any installment must  
 296.32 be determined in the following manner:

296.33 (i) take the taxable income for the months during the taxable year preceding the  
 296.34 filing month;

296.35 (ii) divide that amount by the base period percentage for the months during the  
 296.36 taxable year preceding the filing month;

296.37 (iii) determine the tax on the amount determined under item (ii); and



297.1 (iv) multiply the tax computed under item (iii) by the base period percentage for the  
297.2 filing month and the months during the taxable year preceding the filing month.

297.3 (2) For purposes of this paragraph:

297.4 (i) the "base period percentage" for a period of months is the average percent that the  
297.5 taxable income for the corresponding months in each of the three preceding taxable years  
297.6 bears to the taxable income for the three preceding taxable years;

297.7 (ii) the term "filing month" means the month in which the installment is required  
297.8 to be paid;

297.9 (iii) this paragraph only applies if the base period percentage for any six consecutive  
297.10 months of the taxable year equals or exceeds 70 percent; and

297.11 (iv) the commissioner may provide by rule for the determination of the base period  
297.12 percentage in the case of reorganizations, new corporations or entities, and other similar  
297.13 circumstances.

297.14 (3) In the case of a required installment determined under this paragraph, if the  
297.15 corporation or entity determines that the installment is less than the amount determined in  
297.16 paragraph (a), the amount of the required installment is the amount determined under this  
297.17 paragraph and the recapture of previous quarters' reductions allowed by this paragraph  
297.18 must be recovered by increasing later required installments to the extent the reductions  
297.19 have not previously been recovered.

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

297.21 Sec. 10. Minnesota Statutes 2012, section 289A.26, subdivision 9, is amended to read:

297.22 Subd. 9. **Failure to file an estimate.** In the case of a corporation or an entity  
297.23 that fails to file an estimated tax for a taxable year when one is required, the period of  
297.24 the underpayment runs from the four installment dates in subdivision 2 or 3, whichever  
297.25 applies, to the earlier of the periods in subdivision 6, clauses (1) and (2).

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

297.27 Sec. 11. Minnesota Statutes 2012, section 290.9705, subdivision 1, is amended to read:

297.28 Subdivision 1. **Withholding of payments to out-of-state contractors.** (a) In this  
297.29 section, "person" means a person, corporation, or cooperative, the state of Minnesota and  
297.30 its political subdivisions, and a city, county, and school district in Minnesota.

297.31 (b) A person who in the regular course of business is hiring, contracting, or having a  
297.32 contract with a nonresident person or foreign corporation, ~~as defined in Minnesota Statutes~~  
297.33 ~~1986, section 290.01, subdivision 5,~~ to perform construction work in Minnesota, shall

298.1 deduct and withhold eight percent of ~~cumulative calendar year~~ payments made to the  
 298.2 contractor ~~which exceed~~ if the value of the contract exceeds \$50,000.

298.3 **EFFECTIVE DATE.** This section is effective for payments made to contractors  
 298.4 after December 31, 2013.

## 298.5 ARTICLE 16

### 298.6 DEPARTMENT OF REVENUE SALES AND USE TAXES; SPECIAL TAXES

298.7 Section 1. Minnesota Statutes 2012, section 287.20, is amended by adding a  
 298.8 subdivision to read:

298.9 Subd. 11. **Partition.** "Partition" means the division by conveyance of real property  
 298.10 that is held jointly or in common by two or more persons into individually owned interests.  
 298.11 If one of the co-owners gives consideration for all or a part of the individually owned  
 298.12 interest conveyed to them, that portion of the conveyance is not a part of the partition.

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

298.14 Sec. 2. Minnesota Statutes 2012, section 289A.20, subdivision 4, is amended to read:

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

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

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

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

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

298.32 ~~(iii) On or before the 20th day of the month following the month in which the taxable~~  
 298.33 ~~event occurred, the vendor must pay any additional amount of tax not previously remitted~~

299.1 under either item (i) or (ii) or, if the payment made under item (i) or (ii) was greater than  
299.2 the vendor's liability for the month in which the taxable event occurred, the vendor may  
299.3 take a credit against the next month's liability in a manner prescribed by the commissioner.

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

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

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

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

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

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

299.22 (c) A vendor having a liability of:

299.23 (1) \$10,000 or more, but less than \$120,000 during a fiscal year ending June 30,  
299.24 2009, and fiscal years thereafter, must remit by electronic means all liabilities on returns  
299.25 due for periods beginning in the subsequent calendar year on or before the 20th day of  
299.26 the month following the month in which the taxable event occurred, or on or before the  
299.27 20th day of the month following the month in which the sale is reported under section  
299.28 289A.18, subdivision 4; or

299.29 (2) \$120,000 or more, during a fiscal year ending June 30, 2009, and fiscal years  
299.30 thereafter, must remit by electronic means all liabilities in the manner provided in  
299.31 paragraph (a), ~~clause (2)~~, on returns due for periods beginning in the subsequent calendar  
299.32 year, except for 90 percent of the estimated June liability, which is due two business days  
299.33 before June 30. The remaining amount of the June liability is due on August 20.

299.34 (d) Notwithstanding paragraph (b) or (c), a person prohibited by the person's  
299.35 religious beliefs from paying electronically shall be allowed to remit the payment by mail.  
299.36 The filer must notify the commissioner of revenue of the intent to pay by mail before

300.1 doing so on a form prescribed by the commissioner. No extra fee may be charged to a  
300.2 person making payment by mail under this paragraph. The payment must be postmarked  
300.3 at least two business days before the due date for making the payment in order to be  
300.4 considered paid on a timely basis.

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

300.10 ~~(f) At the start of the first calendar quarter at least 90 days after the cash flow account~~  
300.11 ~~established in section 16A.152, subdivision 1, and the budget reserve account established in~~  
300.12 ~~section 16A.152, subdivision 1a, reach the amounts listed in section 16A.152, subdivision~~  
300.13 ~~2, paragraph (a), the remittance of the accelerated payments required under paragraph (a),~~  
300.14 ~~clause (2), must be suspended. The commissioner of management and budget shall notify~~  
300.15 ~~the commissioner of revenue when the accounts have reached the required amounts.~~  
300.16 ~~Beginning with the suspension of paragraph (a), clause (2), for a vendor with a liability of~~  
300.17 ~~\$120,000 or more during a fiscal year ending June 30, 2009, and fiscal years thereafter, the~~  
300.18 ~~taxes imposed by chapter 297A are due and payable to the commissioner on the 20th day~~  
300.19 ~~of the month following the month in which the taxable event occurred. Payments of tax~~  
300.20 ~~liabilities for taxable events occurring in June under paragraph (b) are not changed.~~

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

300.22 Sec. 3. Minnesota Statutes 2012, section 297A.665, is amended to read:

300.23 **297A.665 PRESUMPTION OF TAX; BURDEN OF PROOF.**

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

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

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

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

300.30 However, a seller is relieved of liability if:

300.31 (1) the seller obtains a fully completed exemption certificate or all the relevant  
300.32 information required by section 297A.72, subdivision 2, at the time of the sale or within  
300.33 90 days after the date of the sale; or

301.1 (2) if the seller has not obtained a fully completed exemption certificate or all the  
 301.2 relevant information required by section 297A.72, subdivision 2, within the time provided  
 301.3 in clause (1), within 120 days after a request for substantiation by the commissioner,  
 301.4 the seller either:

301.5 (i) obtains ~~in good faith~~ from the purchaser a fully completed exemption certificate  
 301.6 or all the relevant information required by section 297A.72, subdivision 2, ~~from the~~  
 301.7 ~~purchaser~~ taken in good faith which means that the exemption certificate claims an  
 301.8 exemption that (A) was statutorily available on the date of the transaction, (B) could be  
 301.9 applicable to the item for which the exemption is claimed, and (C) is reasonable for the  
 301.10 purchaser's type of business; or

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

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

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

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

301.15 (d) Notwithstanding paragraph (b), relief from liability does not apply to a seller  
 301.16 who has obtained information under paragraph (b), clause (2), if through the audit process  
 301.17 the commissioner finds the following:

301.18 (1) that at the time the information was provided the seller had knowledge or had  
 301.19 reason to know that the information relating to the exemption was materially false; or

301.20 (2) that the seller knowingly participated in activity intended to purposefully evade  
 301.21 the sales tax due on the transaction.

301.22 ~~(d)~~ (e) A certified service provider, as defined in section 297A.995, subdivision 2, is  
 301.23 relieved of liability under this section to the extent a seller who is its client is relieved of  
 301.24 liability.

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

301.28 ~~(f)~~ (g) If a seller claims that certain sales are exempt and does not provide the  
 301.29 certificate, information, or proof required by paragraph (b), clause (2), within 120 days  
 301.30 after the date of the commissioner's request for substantiation, then the exemptions  
 301.31 claimed by the seller that required substantiation are disallowed.

301.32 **EFFECTIVE DATE.** This section is effective retroactively from January 1, 2013.

301.33 Sec. 4. Minnesota Statutes 2012, section 297F.01, subdivision 23, is amended to read:

301.34 Subd. 23. **Wholesale sales price.** "Wholesale sales price" means the price stated  
 301.35 ~~on the price list in effect at the time of sale for which a manufacturer or person sells a~~

302.1 ~~tobacco product to a distributor, exclusive of any discount, promotional offer, or other~~  
302.2 ~~reduction. For purposes of this subdivision, "price list" means the manufacturer's price at~~  
302.3 ~~which tobacco products are made available for sale to all distributors on an ongoing basis~~  
302.4 at which a distributor purchases a tobacco product. Wholesale sales price includes the  
302.5 applicable federal excise tax, freight charges, or packaging costs, regardless of whether  
302.6 they were included in the purchase price.

302.7 **EFFECTIVE DATE.** This section is effective for purchases made after December  
302.8 31, 2013.

302.9 Sec. 5. Minnesota Statutes 2012, section 297G.04, subdivision 2, is amended to read:

302.10 Subd. 2. **Tax credit.** A qualified brewer producing fermented malt beverages  
302.11 is entitled to a tax credit of \$4.60 per barrel on 25,000 barrels sold in any fiscal year  
302.12 beginning July 1, regardless of the alcohol content of the product. Qualified brewers may  
302.13 take the credit on the 18th day of each month, but the total credit allowed may not exceed  
302.14 in any fiscal year the lesser of:

- 302.15 (1) the liability for tax; or  
302.16 (2) \$115,000.

302.17 For purposes of this subdivision, a "qualified brewer" means a brewer, whether  
302.18 or not located in this state, manufacturing less than 100,000 barrels of fermented malt  
302.19 beverages in the calendar year immediately preceding the ~~calendar~~ fiscal year for which  
302.20 the credit under this subdivision is claimed. In determining the number of barrels, all  
302.21 brands or labels of a brewer must be combined. All facilities for the manufacture of  
302.22 fermented malt beverages owned or controlled by the same person, corporation, or other  
302.23 entity must be treated as a single brewer.

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

302.25 Sec. 6. Minnesota Statutes 2012, section 297I.05, subdivision 7, is amended to read:

302.26 Subd. 7. **Nonadmitted insurance premium tax.** (a) A tax is imposed on surplus  
302.27 lines brokers. The rate of tax is equal to three percent of the gross premiums less return  
302.28 premiums paid by an insured whose home state is Minnesota.

302.29 (b) A tax is imposed on ~~persons, firms, or corporations~~ a person, firm, corporation,  
302.30 or purchasing group as defined in section 60E.02, or any member of a purchasing group,  
302.31 that ~~procure~~ procures insurance directly from a nonadmitted insurer. The rate of tax is  
302.32 equal to two percent of the gross premiums less return premiums paid by an insured  
302.33 whose home state is Minnesota.

303.1 (c) No state other than the home state of an insured may require any premium tax  
303.2 payment for nonadmitted insurance. When Minnesota is the home state of the insured,  
303.3 as provided under section 297I.01, 100 percent of the gross premiums are taxable in  
303.4 Minnesota with no allocation of the tax to other states.

303.5 **EFFECTIVE DATE.** This section is effective for premiums received after  
303.6 December 31, 2013.

303.7 Sec. 7. Minnesota Statutes 2012, section 297I.05, subdivision 11, is amended to read:

303.8 Subd. 11. **Retaliatory provisions.** (a) If any other state or country imposes any  
303.9 taxes, fines, deposits, penalties, licenses, or fees upon any insurance companies of this  
303.10 state and their agents doing business in another state or country that are in addition to or in  
303.11 excess of those imposed by the laws of this state upon foreign insurance companies and  
303.12 their agents doing business in this state, the same taxes, fines, deposits, penalties, licenses,  
303.13 and fees are imposed upon every similar insurance company of that state or country and  
303.14 their agents doing or applying to do business in this state.

303.15 (b) If any conditions precedent to the right to do business in any other state or  
303.16 country are imposed by the laws of that state or country, beyond those imposed upon  
303.17 foreign companies by the laws of this state, the same conditions precedent are imposed  
303.18 upon every similar insurance company of that state or country and their agents doing or  
303.19 applying to do business in that state.

303.20 (c) For purposes of this subdivision, "taxes, fines, deposits, penalties, licenses, or  
303.21 fees" means an amount of money that is deposited in the general revenue fund of the state  
303.22 or other similar fund in another state or country and is not dedicated to a special purpose  
303.23 or use or money deposited in the general revenue fund of the state or other similar fund in  
303.24 another state or country and appropriated to the commissioner of commerce or insurance  
303.25 for the operation of the Department of Commerce or other similar agency with jurisdiction  
303.26 over insurance. Taxes, fines, deposits, penalties, licenses, or fees do not include:

303.27 (1) special purpose obligations or assessments imposed in connection with particular  
303.28 kinds of insurance, including but not limited to assessments imposed in connection with  
303.29 residual market mechanisms; or

303.30 (2) assessments made by the insurance guaranty association, life and health  
303.31 guarantee association, or similar association.

303.32 (d) This subdivision applies to taxes imposed under subdivisions 1<sub>;</sub> 3<sub>;</sub> 4<sub>;</sub> ~~6;~~ and 12,  
303.33 paragraph (a), clauses (1) and (2); and 14.

303.34 (e) This subdivision does not apply to insurance companies organized or domiciled  
303.35 in a state or country, the laws of which do not impose retaliatory taxes, fines, deposits,

304.1 penalties, licenses, or fees or which grant, on a reciprocal basis, exemptions from  
304.2 retaliatory taxes, fines, deposits, penalties, licenses, or fees to insurance companies  
304.3 domiciled in this state.

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

304.5 Sec. 8. Minnesota Statutes 2012, section 297I.05, subdivision 12, is amended to read:

304.6 Subd. 12. **Other entities.** (a) A tax is imposed equal to two percent of:

304.7 (1) gross premiums less return premiums written for risks resident or located in  
304.8 Minnesota by a risk retention group;

304.9 (2) gross premiums less return premiums received by an attorney in fact acting  
304.10 in accordance with chapter 71A;

304.11 (3) gross premiums less return premiums received pursuant to assigned risk policies  
304.12 and contracts of coverage under chapter 79; and

304.13 (4) the direct funded premium received by the reinsurance association under section  
304.14 79.34 from self-insurers approved under section 176.181 and political subdivisions that  
304.15 self-insure; and

304.16 ~~(5) gross premiums less return premiums paid to an insurer other than a licensed  
304.17 insurance company or a surplus lines broker for coverage of risks resident or located in  
304.18 Minnesota by a purchasing group or any members of the purchasing group to a broker or  
304.19 agent for the purchasing group.~~

304.20 (b) A tax is imposed on a joint self-insurance plan operating under chapter 60F. The  
304.21 rate of tax is equal to two percent of the total amount of claims paid during the fund year,  
304.22 with no deduction for claims wholly or partially reimbursed through stop-loss insurance.

304.23 (c) A tax is imposed on a joint self-insurance plan operating under chapter 62H.  
304.24 The rate of tax is equal to two percent of the total amount of claims paid during the  
304.25 fund's fiscal year, with no deduction for claims wholly or partially reimbursed through  
304.26 stop-loss insurance.

304.27 (d) A tax is imposed equal to the tax imposed under section 297I.05, subdivision 5,  
304.28 on the gross premiums less return premiums on all coverages received by an accountable  
304.29 provider network or agents of an accountable provider network in Minnesota, in cash or  
304.30 otherwise, during the year.

304.31 **EFFECTIVE DATE.** This section is effective for premiums received after  
304.32 December 31, 2013.

304.33 Sec. 9. Minnesota Statutes 2012, section 297I.30, subdivision 1, is amended to read:



305.1 Subdivision 1. **General rule.** On or before March 1, every taxpayer subject to  
305.2 taxation under section 297I.05, subdivisions 1 to 5<sub>2</sub>; 7, paragraph (b)<sub>2</sub>; 12, ~~paragraphs (a),~~  
305.3 ~~clauses (1) to (4), (b), (c), and (d)<sub>2</sub>~~; and 14, shall file an annual return for the preceding  
305.4 calendar year in the form prescribed by the commissioner.

305.5 **EFFECTIVE DATE.** This section is effective for premiums received after  
305.6 December 31, 2013.

305.7 Sec. 10. Minnesota Statutes 2012, section 297I.30, subdivision 2, is amended to read:

305.8 Subd. 2. **Surplus lines brokers and purchasing groups.** On or before February  
305.9 15 and August 15 of each year, every surplus lines broker subject to taxation under  
305.10 section 297I.05, subdivision 7, paragraph (a), ~~and every purchasing group or member of~~  
305.11 ~~a purchasing group subject to tax under section 297I.05, subdivision 12, paragraph (a),~~  
305.12 ~~clause (5)~~; shall file a return with the commissioner for the preceding six-month period  
305.13 ending December 31, or June 30, in the form prescribed by the commissioner.

305.14 **EFFECTIVE DATE.** This section is effective for premiums received after  
305.15 December 31, 2013.

305.16 Sec. 11. **REPEALER.**

305.17 Minnesota Statutes 2012, section 289A.60, subdivision 31, is repealed.

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

## 305.19 **ARTICLE 17**

### 305.20 **DEPARTMENT OF REVENUE PROPERTY AND MINERALS PROVISIONS**

305.21 Section 1. Minnesota Statutes 2012, section 123A.455, subdivision 1, is amended to  
305.22 read:

305.23 Subdivision 1. **Definitions.** "Split residential property parcel" means a parcel of  
305.24 real estate that is located within the boundaries of more than one school district and that  
305.25 is classified as residential property under:

305.26 (1) section 273.13, subdivision 22, paragraph (a) or (b);

305.27 (2) section 273.13, subdivision 25, paragraph (b), clause (1); or

305.28 (3) section 273.13, subdivision 25, paragraph (c), ~~clause (1).~~

305.29 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and  
305.30 thereafter.

306.1 Sec. 2. Minnesota Statutes 2012, section 270.077, is amended to read:

306.2 **270.077 TAXES CREDITED TO STATE AIRPORTS FUND.**

306.3 All taxes levied under sections 270.071 to 270.079 must be collected by the  
306.4 commissioner and credited to the state airports fund created in section 360.017.

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

306.6 Sec. 3. Minnesota Statutes 2012, section 270.41, subdivision 5, is amended to read:

306.7 Subd. 5. **Prohibited activity.** A licensed assessor or other person employed by an  
306.8 assessment jurisdiction or contracting with an assessment jurisdiction for the purpose  
306.9 of valuing or classifying property for property tax purposes is prohibited from making  
306.10 appraisals or analyses, accepting an appraisal assignment, or preparing an appraisal report  
306.11 as defined in section 82B.021, subdivisions 2, 4, 6, and 7, on any property within the  
306.12 assessment jurisdiction where the individual is employed or performing the duties of the  
306.13 assessor under contract. Violation of this prohibition shall result in immediate revocation  
306.14 of the individual's license to assess property for property tax purposes. This prohibition  
306.15 must not be construed to prohibit an individual from carrying out any duties required  
306.16 for the proper assessment of property for property tax purposes or performing duties  
306.17 enumerated in section 273.061, subdivision 7 or 8. If a formal resolution has been adopted  
306.18 by the governing body of a governmental unit, which specifies the purposes for which  
306.19 such work will be done, this prohibition does not apply to appraisal activities undertaken  
306.20 on behalf of and at the request of the governmental unit that has employed or contracted  
306.21 with the individual. The resolution may only allow appraisal activities which are related to  
306.22 condemnations, right-of-way acquisitions, land exchanges, or special assessments.

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

306.24 Sec. 4. Minnesota Statutes 2012, section 270C.34, subdivision 1, is amended to read:

306.25 Subdivision 1. **Authority.** (a) The commissioner may abate, reduce, or refund any  
306.26 penalty or interest that is imposed by a law administered by the commissioner, or imposed  
306.27 by section 270.0725, subdivision 1 or 2, or 270.075, subdivision 2, as a result of the late  
306.28 payment of tax or late filing of a return, or any part of an additional tax charge under  
306.29 section 289A.25, subdivision 2, or 289A.26, subdivision 4, if the failure to timely pay the  
306.30 tax or failure to timely file the return is due to reasonable cause, or if the taxpayer is located  
306.31 in a presidentially declared disaster or in a presidentially declared state of emergency area  
306.32 or in an area declared to be in a state of emergency by the governor under section 12.31.

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

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

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

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

307.10 Sec. 5. Minnesota Statutes 2012, section 272.01, subdivision 2, is amended to read:

307.11 Subd. 2. **Exempt property used by private entity for profit.** (a) When any real or  
307.12 personal property which is exempt from ad valorem taxes, and taxes in lieu thereof, is  
307.13 leased, loaned, or otherwise made available and used by a private individual, association,  
307.14 or corporation in connection with a business conducted for profit, there shall be imposed a  
307.15 tax, for the privilege of so using or possessing such real or personal property, in the same  
307.16 amount and to the same extent as though the lessee or user was the owner of such property.

307.17 (b) The tax imposed by this subdivision shall not apply to:

307.18 (1) property leased or used as a concession in or relative to the use in whole  
307.19 or part of a public park, market, fairgrounds, port authority, economic development  
307.20 authority established under chapter 469, municipal auditorium, municipal parking facility,  
307.21 municipal museum, or municipal stadium;

307.22 (2) property of an airport owned by a city, town, county, or group thereof which is:

307.23 (i) leased to or used by any person or entity including a fixed base operator; and

307.24 (ii) used as a hangar for the storage or repair of aircraft or to provide aviation goods,  
307.25 services, or facilities to the airport or general public;

307.26 the exception from taxation provided in this clause does not apply to:

307.27 (i) property located at an airport owned or operated by the Metropolitan Airports  
307.28 Commission or by a city of over 50,000 population according to the most recent federal  
307.29 census or such a city's airport authority; or

307.30 (ii) hangars leased by a private individual, association, or corporation in connection  
307.31 with a business conducted for profit other than an aviation-related business;

307.32 (3) property constituting or used as a public pedestrian ramp or concourse in  
307.33 connection with a public airport;

308.1 (4) property constituting or used as a passenger check-in area or ticket sale counter,  
308.2 boarding area, or luggage claim area in connection with a public airport but not the  
308.3 airports owned or operated by the Metropolitan Airports Commission or cities of over  
308.4 50,000 population or an airport authority therein. Real estate owned by a municipality  
308.5 in connection with the operation of a public airport and leased or used for agricultural  
308.6 purposes is not exempt;

308.7 (5) property leased, loaned, or otherwise made available to a private individual,  
308.8 corporation, or association under a cooperative farming agreement made pursuant to  
308.9 section 97A.135; or

308.10 (6) property leased, loaned, or otherwise made available to a private individual,  
308.11 corporation, or association under section 272.68, subdivision 4.

308.12 (c) Taxes imposed by this subdivision are payable as in the case of personal property  
308.13 taxes and shall be assessed to the lessees or users of real or personal property in the same  
308.14 manner as taxes assessed to owners of real or personal property, except that such taxes  
308.15 shall not become a lien against the property. When due, the taxes shall constitute a debt due  
308.16 from the lessee or user to the state, township, city, county, and school district for which the  
308.17 taxes were assessed and shall be collected in the same manner as personal property taxes.  
308.18 If property subject to the tax imposed by this subdivision is leased or used jointly by two or  
308.19 more persons, each lessee or user shall be jointly and severally liable for payment of the tax.

308.20 (d) The tax on real property of the federal government, the state or any of its political  
308.21 subdivisions that is leased by, loaned, or otherwise made available to a private individual,  
308.22 association, or corporation and becomes taxable under this subdivision or other provision  
308.23 of law must be assessed and collected as a personal property assessment. The taxes do  
308.24 not become a lien against the real property.

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

308.26 Sec. 6. Minnesota Statutes 2012, section 272.02, subdivision 97, is amended to read:

308.27 Subd. 97. **Property used in business of mining subject to net proceeds tax.** The  
308.28 following property used in the business of mining that is subject to the net proceeds tax  
308.29 under section 298.015 is exempt:

308.30 (1) deposits of ores, metals, and minerals and the lands in which they are contained;

308.31 (2) all real and personal property used in mining, quarrying, producing, or refining  
308.32 ores, minerals, or metals, including lands occupied by or used in connection with the  
308.33 mining, quarrying, production, or ore refining facilities; and

308.34 (3) concentrate ~~or direct reduced ore.~~

309.1 This exemption applies for each year that a person subject to tax under section  
309.2 298.015 uses the property for mining, quarrying, producing, or refining ores, metals, or  
309.3 minerals.

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

309.5 Sec. 7. Minnesota Statutes 2012, section 272.03, subdivision 9, is amended to read:

309.6 Subd. 9. **Person.** "Person" ~~includes~~ means an individual, association, estate, trust,  
309.7 partnership, firm, company, or corporation.

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

309.9 Sec. 8. Minnesota Statutes 2012, section 273.114, subdivision 6, is amended to read:

309.10 Subd. 6. **Additional taxes.** (a) When real property which is being, or has been  
309.11 valued and assessed under this section is sold, transferred, or no longer qualifies under  
309.12 subdivision 2, the portion sold, transferred, or no longer qualifying shall be subject to  
309.13 additional taxes in the amount equal to the difference between the taxes determined in  
309.14 accordance with subdivision 3 and the amount determined under subdivision 4, provided  
309.15 that the amount determined under subdivision 4 shall not be greater than it would have  
309.16 been had the actual bona fide sale price of the real property at an arm's-length transaction  
309.17 been used in lieu of the market value determined under subdivision 4. The additional taxes  
309.18 shall be extended against the property on the tax list for taxes payable in the current year,  
309.19 provided that no interest or penalties shall be levied on the additional taxes if timely paid  
309.20 and provided that the additional taxes shall only be levied with respect to the current year  
309.21 plus two prior years that the property has been valued and assessed under this section.

309.22 (b) In the case of a sale or transfer, the additional taxes under paragraph (a) shall not  
309.23 be extended against the property if the new owner submits a successful application under  
309.24 this section by the later of May 1 of the current year or 30 days after the sale or transfer.

309.25 (c) For the purposes of this section, the following events do not constitute a sale or  
309.26 transfer for property that qualified under subdivision 2 prior to the event:

309.27 (1) death of a property owner when the surviving owners retain ownership of the  
309.28 property;

309.29 (2) divorce of a married couple when one of the spouses retains ownership of the  
309.30 property;

309.31 (3) marriage of a single property owner when that owner retains ownership of the  
309.32 property in whole or in part;

310.1 (4) the organization or reorganization of a farm ownership entity that is not prohibited  
310.2 from owning agricultural land in this state under section 500.24, if all owners maintain the  
310.3 same beneficial interest both before and after the organization or reorganization; and

310.4 (5) transfer of the property to a trust or trustee, provided that the individual owners  
310.5 of the property are the grantors of the trust and they maintain the same beneficial interest  
310.6 both before and after placement of the property in trust.

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

310.8 Sec. 9. Minnesota Statutes 2012, section 273.13, subdivision 23, is amended to read:

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

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

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

310.29 (c) Class 2b rural vacant land consists of parcels of property, or portions thereof,  
310.30 that are unplatted real estate, rural in character and not used for agricultural purposes,  
310.31 including land used for growing trees for timber, lumber, and wood and wood products,  
310.32 that is not improved with a structure. The presence of a minor, ancillary nonresidential  
310.33 structure as defined by the commissioner of revenue does not disqualify the property from  
310.34 classification under this paragraph. Any parcel of 20 acres or more improved with a  
310.35 structure that is not a minor, ancillary nonresidential structure must be split-classified, and

311.1 ten acres must be assigned to the split parcel containing the structure. Class 2b property  
311.2 has a net class rate of one percent of market value unless it is part of an agricultural  
311.3 homestead under paragraph (a), or qualifies as class 2c under paragraph (d).

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

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

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

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

311.25 "Agricultural purposes" as used in this section means the raising, cultivation, drying,  
311.26 or storage of agricultural products for sale, or the storage of machinery or equipment  
311.27 used in support of agricultural production by the same farm entity. For a property to be  
311.28 classified as agricultural based only on the drying or storage of agricultural products,  
311.29 the products being dried or stored must have been produced by the same farm entity as  
311.30 the entity operating the drying or storage facility. "Agricultural purposes" also includes  
311.31 enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or  
311.32 the federal Conservation Reserve Program as contained in Public Law 99-198 or a similar  
311.33 state or federal conservation program if the property was classified as agricultural (i)  
311.34 under this subdivision for the assessment year 2002 taxes payable in 2003 because of its  
311.35 enrollment in a qualifying program and the land remains enrolled or (ii) in the year prior

312.1 to its enrollment. Agricultural classification shall not be based upon the market value of  
 312.2 any residential structures on the parcel or contiguous parcels under the same ownership.

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

312.6 (f) ~~Real estate of~~ Agricultural land under this section also includes:

312.7 (1) contiguous acreage that is less than ten acres, which is in size and exclusively or  
 312.8 intensively used in the preceding year for raising or cultivating agricultural products, shall  
 312.9 be considered as agricultural land. To qualify under this paragraph, property that includes  
 312.10 a residential structure must be used intensively for one of the following purposes:; or

312.11 (2) contiguous acreage that contains a residence and is less than 11 acres in size, if  
 312.12 the contiguous acreage exclusive of the house, garage, and surrounding one acre of land  
 312.13 was used in the preceding year for one or more of the following three uses:

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

313.24 (1) wholesale and retail sales;

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

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

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

313.29 the assessor shall classify the part of the parcel used for agricultural purposes as class  
313.30 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its  
313.31 use. The grading, sorting, and packaging of raw agricultural products for first sale is  
313.32 considered an agricultural purpose. A greenhouse or other building where horticultural  
313.33 or nursery products are grown that is also used for the conduct of retail sales must be  
313.34 classified as agricultural if it is primarily used for the growing of horticultural or nursery  
313.35 products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of

314.1 those products. Use of a greenhouse or building only for the display of already grown  
314.2 horticultural or nursery products does not qualify as an agricultural purpose.

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

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

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

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

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

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

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

314.34 (1) a legal description of the property;

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

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

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

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

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

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

315.26 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and  
315.27 thereafter.

315.28 Sec. 10. Minnesota Statutes 2012, section 273.13, subdivision 25, is amended to read:

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

316.1 (b) Class 4b includes:

316.2 (1) residential real estate containing less than four units that does not qualify as class  
316.3 4bb, other than seasonal residential recreational property;

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

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

316.7 (4) unimproved property that is classified residential as determined under subdivision  
316.8 33.

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

316.10 (c) Class 4bb includes:

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

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

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

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

316.19 (d) Class 4c property includes:

316.20 (1) except as provided in subdivision 22, paragraph (c), real and personal property  
316.21 devoted to commercial temporary and seasonal residential occupancy for recreation  
316.22 purposes, for not more than 250 days in the year preceding the year of assessment. For  
316.23 purposes of this clause, property is devoted to a commercial purpose on a specific day  
316.24 if any portion of the property is used for residential occupancy, and a fee is charged for  
316.25 residential occupancy. Class 4c property under this clause must contain three or more  
316.26 rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room,  
316.27 or individual camping site equipped with water and electrical hookups for recreational  
316.28 vehicles. A camping pad offered for rent by a property that otherwise qualifies for class  
316.29 4c under this clause is also class 4c under this clause regardless of the term of the rental  
316.30 agreement, as long as the use of the camping pad does not exceed 250 days. In order for a  
316.31 property to be classified under this clause, either (i) the business located on the property  
316.32 must provide recreational activities, at least 40 percent of the annual gross lodging receipts  
316.33 related to the property must be from business conducted during 90 consecutive days,  
316.34 and either (A) at least 60 percent of all paid bookings by lodging guests during the year  
316.35 must be for periods of at least two consecutive nights; or (B) at least 20 percent of the  
316.36 annual gross receipts must be from charges for providing recreational activities, or (ii) the

317.1 business must contain 20 or fewer rental units, and must be located in a township or a city  
317.2 with a population of 2,500 or less located outside the metropolitan area, as defined under  
317.3 section 473.121, subdivision 2, that contains a portion of a state trail administered by the  
317.4 Department of Natural Resources. For purposes of item (i)(A), a paid booking of five or  
317.5 more nights shall be counted as two bookings. Class 4c property also includes commercial  
317.6 use real property used exclusively for recreational purposes in conjunction with other class  
317.7 4c property classified under this clause and devoted to temporary and seasonal residential  
317.8 occupancy for recreational purposes, up to a total of two acres, provided the property is  
317.9 not devoted to commercial recreational use for more than 250 days in the year preceding  
317.10 the year of assessment and is located within two miles of the class 4c property with which  
317.11 it is used. In order for a property to qualify for classification under this clause, the owner  
317.12 must submit a declaration to the assessor designating the cabins or units occupied for 250  
317.13 days or less in the year preceding the year of assessment by January 15 of the assessment  
317.14 year. Those cabins or units and a proportionate share of the land on which they are located  
317.15 must be designated class 4c under this clause as otherwise provided. The remainder of the  
317.16 cabins or units and a proportionate share of the land on which they are located will be  
317.17 designated as class 3a. The owner of property desiring designation as class 4c property  
317.18 under this clause must provide guest registers or other records demonstrating that the units  
317.19 for which class 4c designation is sought were not occupied for more than 250 days in the  
317.20 year preceding the assessment if so requested. The portion of a property operated as a  
317.21 (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other  
317.22 nonresidential facility operated on a commercial basis not directly related to temporary and  
317.23 seasonal residential occupancy for recreation purposes does not qualify for class 4c. For  
317.24 the purposes of this paragraph, "recreational activities" means renting ice fishing houses,  
317.25 boats and motors, snowmobiles, downhill or cross-country ski equipment; providing  
317.26 marina services, launch services, or guide services; or selling bait and fishing tackle;  
317.27 (2) qualified property used as a golf course if:  
317.28 (i) it is open to the public on a daily fee basis. It may charge membership fees or  
317.29 dues, but a membership fee may not be required in order to use the property for golfing,  
317.30 and its green fees for golfing must be comparable to green fees typically charged by  
317.31 municipal courses; and  
317.32 (ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).  
317.33 A structure used as a clubhouse, restaurant, or place of refreshment in conjunction  
317.34 with the golf course is classified as class 3a property;

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

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

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

318.10 For purposes of this clause:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

320.29 Class 4c property has a class rate of 1.5 percent of market value, except that (i) each  
320.30 parcel of noncommercial seasonal residential recreational property under clause (12)  
320.31 has the same class rates as class 4bb property, (ii) manufactured home parks assessed  
320.32 under clause (5), item (i), have the same class rate as class 4b property, and the market  
320.33 value of manufactured home parks assessed under clause (5), item (ii), has the same class  
320.34 rate as class 4d property if more than 50 percent of the lots in the park are occupied by  
320.35 shareholders in the cooperative corporation or association and a class rate of one percent if  
320.36 50 percent or less of the lots are so occupied, (iii) commercial-use seasonal residential



321.1 recreational property and marina recreational land as described in clause (11), has a  
321.2 class rate of one percent for the first \$500,000 of market value, and 1.25 percent for the  
321.3 remaining market value, (iv) the market value of property described in clause (4) has a  
321.4 class rate of one percent, (v) the market value of property described in clauses (2), (6), and  
321.5 (10) has a class rate of 1.25 percent, and (vi) that portion of the market value of property  
321.6 in clause (9) qualifying for class 4c property has a class rate of 1.25 percent.

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

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

321.17 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and  
321.18 thereafter.

321.19 Sec. 11. Minnesota Statutes 2012, section 273.19, subdivision 1, is amended to read:

321.20 Subdivision 1. **Tax-exempt property; lease.** Except as provided in subdivision 3 or  
321.21 4, tax-exempt property held under a lease for a term of at least one year, and not taxable  
321.22 under section 272.01, subdivision 2, or under a contract for the purchase thereof, shall be  
321.23 considered, for all purposes of taxation, as the property of the person holding it. In this  
321.24 subdivision, "tax-exempt property" means property owned by the United States, the state  
321.25 or any of its political subdivisions, a school, or any religious, scientific, or benevolent  
321.26 society or institution, incorporated or unincorporated, or any corporation whose property  
321.27 is not taxed in the same manner as other property. This subdivision does not apply to  
321.28 property exempt from taxation under section 272.01, subdivision 2, paragraph (b), clauses  
321.29 (2), (3), and (4), or to property exempt from taxation under section 272.0213.

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

321.31 Sec. 12. Minnesota Statutes 2012, section 273.372, subdivision 4, is amended to read:

321.32 Subd. 4. **Administrative appeals.** (a) Companies that submit the reports under  
321.33 section 270.82 or 273.371 by the date specified in that section, or by the date specified by

322.1 the commissioner in an extension, may appeal administratively to the commissioner prior  
322.2 to bringing an action in court ~~by submitting.~~

322.3 (b) Companies that must submit reports under section 270.82 must submit a written  
322.4 request with to the commissioner for a conference within ten days after the date of the  
322.5 commissioner's valuation certification or notice to the company, or by ~~May~~ June 15,  
322.6 whichever is earlier.

322.7 (c) Companies that submit reports under section 273.371 must submit a written  
322.8 request to the commissioner for a conference within ten days after the date of the  
322.9 commissioner's valuation certification or notice to the company, or by July 1, whichever  
322.10 is earlier.

322.11 (d) The commissioner shall conduct the conference upon the commissioner's entire  
322.12 files and records and such further information as may be offered. The conference must  
322.13 be held no later than 20 days after the date of the commissioner's valuation certification  
322.14 or notice to the company, or by the date specified by the commissioner in an extension.  
322.15 Within 60 days after the conference the commissioner shall make a final determination of  
322.16 the matter and shall notify the company promptly of the determination. The conference  
322.17 is not a contested case hearing.

322.18 ~~(b)~~ (e) In addition to the opportunity for a conference under paragraph (a), the  
322.19 commissioner shall also provide the railroad and utility companies the opportunity to  
322.20 discuss any questions or concerns relating to the values established by the commissioner  
322.21 through certification or notice in a less formal manner. This does not change or modify  
322.22 the deadline for requesting a conference under paragraph (a), the deadline in section  
322.23 271.06 for appealing an order of the commissioner, or the deadline in section 278.01 for  
322.24 appealing property taxes in court.

322.25 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2014.

322.26 Sec. 13. Minnesota Statutes 2012, section 273.39, is amended to read:

322.27 **273.39 RURAL AREA.**

322.28 As used in sections 273.39 to 273.41, the term "rural area" shall be deemed to mean  
322.29 any area of the state not included within the boundaries of any ~~incorporated~~ statutory  
322.30 city or home rule charter city, and such term shall be deemed to include both farm and  
322.31 nonfarm population thereof.

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

322.33 Sec. 14. Minnesota Statutes 2012, section 279.06, subdivision 1, is amended to read:

323.1 Subdivision 1. **List and notice.** Within five days after the filing of such list, the  
323.2 court administrator shall return a copy thereof to the county auditor, with a notice prepared  
323.3 and signed by the court administrator, and attached thereto, which may be substantially in  
323.4 the following form:

323.5 State of Minnesota )

323.6 ) ss.

323.7 County of ..... )

323.8 District Court

323.9 ..... Judicial District.

323.10 The state of Minnesota, to all persons, companies, or corporations who have or claim  
323.11 any estate, right, title, or interest in, claim to, or lien upon, any of the several parcels of  
323.12 land described in the list hereto attached:

323.13 The list of taxes and penalties on real property for the county of .....  
323.14 remaining delinquent on the first Monday in January, ....., has been filed in the office of  
323.15 the court administrator of the district court of said county, of which that hereto attached is a  
323.16 copy. Therefore, you, and each of you, are hereby required to file in the office of said court  
323.17 administrator, on or before the 20th day after the publication of this notice and list, your  
323.18 answer, in writing, setting forth any objection or defense you may have to the taxes, or any  
323.19 part thereof, upon any parcel of land described in the list, in, to, or on which you have or  
323.20 claim any estate, right, title, interest, claim, or lien, and, in default thereof, judgment will  
323.21 be entered against such parcel of land for the taxes on such list appearing against it, and  
323.22 for all penalties, interest, and costs. Based upon said judgment, the land shall be sold to  
323.23 the state of Minnesota on the second Monday in May, ..... ~~The period of redemption for~~  
323.24 ~~all lands sold to the state at a tax judgment sale shall be three years from the date of sale to~~  
323.25 ~~the state of Minnesota if the land is within an incorporated area unless it is:~~

323.26 ~~(a) nonagricultural homesteaded land as defined in section 273.13, subdivision 22;~~

323.27 ~~(b) homesteaded agricultural land as defined in section 273.13, subdivision 23,~~  
323.28 ~~paragraph (a);~~

323.29 ~~(c) seasonal residential recreational land as defined in section 273.13, subdivisions~~  
323.30 ~~22, paragraph (c), and 25, paragraph (d), clause (1), in which event the period of~~  
323.31 ~~redemption is five years from the date of sale to the state of Minnesota;~~

323.32 ~~(d) abandoned property and pursuant to section 281.173 a court order has been~~  
323.33 ~~entered shortening the redemption period to five weeks; or~~

323.34 ~~(e) vacant property as described under section 281.174, subdivision 2, and for which~~  
323.35 ~~a court order is entered shortening the redemption period under section 281.174.~~

323.36 The period of redemption for all other lands sold to the state at a tax judgment sale  
323.37 shall be five years from the date of sale.

324.1 Inquiries as to the proceedings set forth above can be made to the county auditor of  
324.2 ..... county whose address is .....

324.3 (Signed) ..... ,  
324.4 Court Administrator of the District Court of the  
324.5 County of .....  
324.6 (Here insert list.)

324.7 The notice must contain a narrative description of the various periods to redeem  
324.8 specified in sections 281.17, 281.173, and 281.174, in the manner prescribed by the  
324.9 commissioner of revenue under subdivision 2.

324.10 The list referred to in the notice shall be substantially in the following form:

324.11 List of real property for the county of ....., on which taxes remain  
324.12 delinquent on the first Monday in January, .....

324.13 Town of (Fairfield),  
324.14 Township (40), Range (20),

324.15 Names (and Current  
324.16 Filed Addresses) for  
324.17 the Taxpayers and Fee  
324.18 Owners and in Addition  
324.19 Those Parties Who Have  
324.20 Filed Their Addresses

324.21 Pursuant to section Subdivision of Tax Parcel Total Tax  
324.22 276.041 Section Section Number and Penalty  
324.23 \$ cts.

324.24 John Jones (825 Fremont S.E. 1/4 of S.W. 1/4 10 23101 2.20  
324.25 Fairfield, MN 55000)

324.26 Bruce Smith (2059 Hand That part of N.E. 1/4 21 33211 3.15  
324.27 Fairfield, MN 55000) of S.W. 1/4 desc. as  
324.28 and Fairfield State follows: Beg. at the  
324.29 Bank (100 Main Street S.E. corner of said N.E.  
324.30 Fairfield, MN 55000) 1/4 of S.W. 1/4; thence  
324.31 N. along the E. line of  
324.32 said N.E. 1/4 of S.W.  
324.33 1/4 a distance of 600  
324.34 ft.; thence W. parallel  
324.35 with the S. line of said  
324.36 N.E. 1/4 of S.W. 1/4  
324.37 a distance of 600 ft.;  
324.38 thence S. parallel with  
324.39 said E. line a distance of  
324.40 600 ft. to S. line of said  
324.41 N.E. 1/4 of S.W. 1/4;  
324.42 thence E. along said S.  
324.43 line a distance of 600 ft.  
324.44 to the point of beg.

324.45 As to platted property, the form of heading shall conform to circumstances and be  
324.46 substantially in the following form:

325.1	City of (Smithtown)				
325.2	Brown's Addition, or Subdivision				
325.3	Names (and Current				
325.4	Filed Addresses) for				
325.5	the Taxpayers and Fee				
325.6	Owners and in Addition				
325.7	Those Parties Who Have				
325.8	Filed Their Addresses				
325.9	Pursuant to section			Tax Parcel	Total Tax
325.10	276.041	Lot	Block	Number	and Penalty
325.11					\$ cts.
325.12	John Jones (825 Fremont	15	9	58243	2.20
325.13	Fairfield, MN 55000)				
325.14	Bruce Smith (2059 Hand	16	9	58244	3.15
325.15	Fairfield, MN 55000)				
325.16	and Fairfield State				
325.17	Bank (100 Main Street				
325.18	Fairfield, MN 55000)				

325.19 The names, descriptions, and figures employed in parentheses in the above forms are  
 325.20 merely for purposes of illustration.

325.21 The name of the town, township, range or city, and addition or subdivision, as the  
 325.22 case may be, shall be repeated at the head of each column of the printed lists as brought  
 325.23 forward from the preceding column.

325.24 Errors in the list shall not be deemed to be a material defect to affect the validity  
 325.25 of the judgment and sale.

325.26 **EFFECTIVE DATE.** This section is effective for lists and notices required after  
 325.27 December 31, 2013.

325.28 Sec. 15. Minnesota Statutes 2012, section 290B.04, subdivision 2, is amended to read:

325.29 Subd. 2. **Approval; recording.** The commissioner shall approve all initial  
 325.30 applications that qualify under this chapter and shall notify qualifying homeowners on or  
 325.31 before December 1. The commissioner may investigate the facts or require confirmation  
 325.32 in regard to an application. The commissioner shall record or file a notice of qualification  
 325.33 for deferral, including the names of the qualifying homeowners and a legal description  
 325.34 of the property, in the office of the county recorder, or registrar of titles, whichever is  
 325.35 applicable, in the county where the qualifying property is located. The notice must state  
 325.36 that it serves as a notice of lien and that it includes deferrals under this section for future  
 325.37 years. The commissioner shall prescribe the form of the notice. Execution of the notice  
 325.38 by the original or facsimile signature of the commissioner or a delegate entitles them to  
 325.39 be recorded, and no other attestation, certification, or acknowledgment is necessary. The

326.1 homeowner shall pay the recording or filing fees for the notice, which, notwithstanding  
326.2 section 357.18, shall be paid by the homeowner at the time of satisfaction of the lien.

326.3 **EFFECTIVE DATE.** This section is effective for notices that are both executed  
326.4 and recorded after June 30, 2013.

326.5 Sec. 16. Minnesota Statutes 2012, section 298.01, subdivision 3, is amended to read:

326.6 Subd. 3. **Occupation tax; other ores.** Every person engaged in the business of  
326.7 mining, refining, or producing ores, metals, or minerals in this state, except iron ore or  
326.8 taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided  
326.9 in this subdivision. For purposes of this subdivision, mining includes the application of  
326.10 hydrometallurgical processes. Hydrometallurgical processes are processes that extract  
326.11 the ores, metals, or minerals, by use of aqueous solutions that leach, concentrate, and  
326.12 recover the ore, metal, or mineral. The tax is determined in the same manner as the tax  
326.13 imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.17,  
326.14 subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax must  
326.15 be computed by applying to taxable income the rate of 2.45 percent. A person subject  
326.16 to occupation tax under this section shall apportion its net income on the basis of the  
326.17 percentage obtained by taking the sum of:

326.18 (1) 75 percent of the percentage which the sales made within this state in connection  
326.19 with the trade or business during the tax period are of the total sales wherever made in  
326.20 connection with the trade or business during the tax period;

326.21 (2) 12.5 percent of the percentage which the total tangible property used by the  
326.22 taxpayer in this state in connection with the trade or business during the tax period is of  
326.23 the total tangible property, wherever located, used by the taxpayer in connection with the  
326.24 trade or business during the tax period; and

326.25 (3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred  
326.26 in this state or paid in respect to labor performed in this state in connection with the trade  
326.27 or business during the tax period are of the taxpayer's total payrolls paid or incurred in  
326.28 connection with the trade or business during the tax period.

326.29 The tax is in addition to all other taxes.

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

326.31 Sec. 17. Minnesota Statutes 2012, section 298.018, is amended to read:

326.32 **298.018 DISTRIBUTION OF PROCEEDS.**

327.1 Subdivision 1. **Within taconite assistance area.** The proceeds of the tax paid  
327.2 under sections 298.015 and 298.016 on ores, metals, or minerals ~~and energy resources~~  
327.3 mined or extracted within the taconite assistance area defined in section 273.1341, shall  
327.4 be allocated as follows:

327.5 (1) five percent to the city or town within which the minerals or energy resources  
327.6 are mined or extracted;

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

327.9 (3) ten percent to the school district within which the minerals or energy resources  
327.10 are mined or extracted;

327.11 (4) 20 percent to a group of school districts comprised of those school districts  
327.12 wherein the mineral or energy resource was mined or extracted or in which there is a  
327.13 qualifying municipality as defined by section 273.134, paragraph (b), in direct proportion  
327.14 to school district indexes as follows: for each school district, its pupil units determined  
327.15 under section 126C.05 for the prior school year shall be multiplied by the ratio of the  
327.16 average adjusted net tax capacity per pupil unit for school districts receiving aid under  
327.17 this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year  
327.18 ending prior to distribution to the adjusted net tax capacity per pupil unit of the district.  
327.19 Each district shall receive that portion of the distribution which its index bears to the sum  
327.20 of the indices for all school districts that receive the distributions;

327.21 (5) 20 percent to the county within which the minerals or energy resources are  
327.22 mined or extracted;

327.23 (6) 20 percent to St. Louis County acting as the counties' fiscal agent to be  
327.24 distributed as provided in sections 273.134 to 273.136;

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

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

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

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

327.30 Subd. 2. **Outside taconite assistance area.** The proceeds of the tax paid under  
327.31 sections 298.015 and 298.016 on ores, metals, or minerals ~~and energy resources~~ mined  
327.32 or extracted outside of the taconite assistance area defined in section 273.1341, shall  
327.33 be deposited in the general fund.

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

327.35 Sec. 18. Minnesota Statutes 2012, section 373.01, subdivision 1, is amended to read:

328.1 Subdivision 1. **Public corporation; listed powers.** (a) Each county is a body politic  
328.2 and corporate and may:

328.3 (1) Sue and be sued.

328.4 (2) Acquire and hold real and personal property for the use of the county, and lands  
328.5 sold for taxes as provided by law.

328.6 (3) Purchase and hold for the benefit of the county real estate sold by virtue of  
328.7 judicial proceedings, to which the county is a party.

328.8 (4) Sell, lease, and convey real or personal estate owned by the county, and give  
328.9 contracts or options to sell, lease, or convey it, and make orders respecting it as deemed  
328.10 conducive to the interests of the county's inhabitants.

328.11 (5) Make all contracts and do all other acts in relation to the property and concerns  
328.12 of the county necessary to the exercise of its corporate powers.

328.13 (b) No sale, lease, or conveyance of real estate owned by the county, except the lease  
328.14 of a residence acquired for the furtherance of an approved capital improvement project, nor  
328.15 any contract or option for it, shall be valid, without first advertising for bids or proposals in  
328.16 the official newspaper of the county for three consecutive weeks and once in a newspaper  
328.17 of general circulation in the area where the property is located. The notice shall state the  
328.18 time and place of considering the proposals, contain a legal description of any real estate,  
328.19 and a brief description of any personal property. Leases that do not exceed \$15,000 for any  
328.20 one year may be negotiated and are not subject to the competitive bid procedures of this  
328.21 section. All proposals estimated to exceed \$15,000 in any one year shall be considered at  
328.22 the time set for the bid opening, and the one most favorable to the county accepted, but the  
328.23 county board may, in the interest of the county, reject any or all proposals.

328.24 (c) Sales of personal property the value of which is estimated to be \$15,000 or  
328.25 more shall be made only after advertising for bids or proposals in the county's official  
328.26 newspaper, on the county's Web site, or in a recognized industry trade journal. At the same  
328.27 time it posts on its Web site or publishes in a trade journal, the county must publish in the  
328.28 official newspaper, either as part of the minutes of a regular meeting of the county board  
328.29 or in a separate notice, a summary of all requests for bids or proposals that the county  
328.30 advertises on its Web site or in a trade journal. After publication in the official newspaper,  
328.31 on the Web site, or in a trade journal, bids or proposals may be solicited and accepted by  
328.32 the electronic selling process authorized in section 471.345, subdivision 17. Sales of  
328.33 personal property the value of which is estimated to be less than \$15,000 may be made  
328.34 either on competitive bids or in the open market, in the discretion of the county board.  
328.35 "Web site" means a specific, addressable location provided on a server connected to the



329.1 Internet and hosting World Wide Web pages and other files that are generally accessible  
329.2 on the Internet all or most of a day.

329.3 (d) Notwithstanding anything to the contrary herein, the county may, when acquiring  
329.4 real property for county highway right-of-way, exchange parcels of real property of  
329.5 substantially similar or equal value without advertising for bids. The estimated values for  
329.6 these parcels shall be determined by the county assessor.

329.7 (e) Notwithstanding anything in this section to the contrary, the county may, when  
329.8 acquiring real property for purposes other than county highway right-of-way, exchange  
329.9 parcels of real property of substantially similar or equal value without advertising for  
329.10 bids. The estimated values for these parcels must be determined by the county assessor  
329.11 or a private appraisal performed by a licensed Minnesota real estate appraiser. For the  
329.12 purpose of determining for the county the estimated values of parcels proposed to be  
329.13 exchanged, the county assessor need not be licensed under chapter 82B. Before giving  
329.14 final approval to any exchange of land, the county board shall hold a public hearing on  
329.15 the exchange. At least two weeks before the hearing, the county auditor shall post a  
329.16 notice in the auditor's office and the official newspaper of the county of the hearing that  
329.17 contains a description of the lands affected.

329.18 (f) If real estate or personal property remains unsold after advertising for and  
329.19 consideration of bids or proposals the county may employ a broker to sell the property.  
329.20 The broker may sell the property for not less than 90 percent of its appraised market value  
329.21 as determined by the county. The broker's fee shall be set by agreement with the county but  
329.22 may not exceed ten percent of the sale price and must be paid from the proceeds of the sale.

329.23 (g) A county or its agent may rent a county-owned residence acquired for the  
329.24 furtherance of an approved capital improvement project subject to the conditions set  
329.25 by the county board and not subject to the conditions for lease otherwise provided by  
329.26 paragraph (a), clause (4), and paragraphs (b), (c), (d), (f), and (h).

329.27 (h) In no case shall lands be disposed of without there being reserved to the county  
329.28 all iron ore and other valuable minerals in and upon the lands, with right to explore for,  
329.29 mine and remove the iron ore and other valuable minerals, nor shall the minerals and  
329.30 mineral rights be disposed of, either before or after disposition of the surface rights,  
329.31 otherwise than by mining lease, in similar general form to that provided by section 93.20  
329.32 for mining leases affecting state lands. The lease shall be for a term not exceeding 50  
329.33 years, and be issued on a royalty basis, the royalty to be not less than 25 cents per ton of  
329.34 2,240 pounds, and fix a minimum amount of royalty payable during each year, whether  
329.35 mineral is removed or not. Prospecting options for mining leases may be granted for

330.1 periods not exceeding one year. The options shall require, among other things, periodical  
 330.2 showings to the county board of the results of exploration work done.

330.3 (i) Notwithstanding anything in this subdivision to the contrary, the county may,  
 330.4 when selling real property owned in fee simple that cannot be improved because of  
 330.5 noncompliance with local ordinances regarding minimum area, shape, frontage, or access,  
 330.6 proceed to sell the nonconforming parcel without advertising for bid. At the county's  
 330.7 discretion, the real property may be restricted to sale to adjoining landowners or may be  
 330.8 sold to any other interested party. The property shall be sold to the highest bidder, but in no  
 330.9 case shall the property be sold for less than 90 percent of its fair market value as determined  
 330.10 by the county assessor. All owners of land adjoining the land to be sold shall be given a  
 330.11 written notice at least 30 days before the sale. This paragraph shall be liberally construed to  
 330.12 encourage the sale of nonconforming real property and promote its return to the tax roles.

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

330.14 Sec. 19. **REPEALER.**

330.15 Minnesota Statutes 2012, sections 272.69; and 273.11, subdivisions 1a and 22, are  
 330.16 repealed.

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

## 330.18 **ARTICLE 18**

### 330.19 **DEPARTMENT OF REVENUE MISCELLANEOUS PROVISIONS**

330.20 Section 1. Minnesota Statutes 2012, section 16A.46, is amended to read:

#### 330.21 **16A.46 LOST OR DESTROYED WARRANT DUPLICATE; INDEMNITY.**

330.22 Subdivision 1. **Duplicate warrant.** The commissioner may issue a duplicate of an  
 330.23 unpaid warrant to an owner if the owner certifies that the original was lost or destroyed. The  
 330.24 commissioner may require certification be documented by affidavit. The commissioner  
 330.25 may refuse to issue a duplicate of an unpaid state warrant. If the commissioner acts in  
 330.26 good faith, the commissioner is not liable, whether the application is granted or denied.

330.27 Subd. 2. **Original warrant is void.** When the duplicate is issued, the original is  
 330.28 void. The commissioner may require an indemnity bond from the applicant to the state for  
 330.29 double the amount of the warrant for anyone damaged by the issuance of the duplicate.  
 330.30 The commissioner may refuse to issue a duplicate of an unpaid state warrant. If the  
 330.31 commissioner acts in good faith the commissioner is not liable, whether the application is

331.1 ~~granted or denied~~ is not liable to any holder who took the void original warrant for value,  
331.2 whether or not the commissioner required an indemnity bond from the applicant.

331.3 Subd. 3. Unpaid refund or rebate. For an unpaid refund or rebate issued under a  
331.4 tax law administered by the commissioner of revenue that has been lost or destroyed, an  
331.5 affidavit is not required for the commissioner to issue a duplicate if the duplicate is issued  
331.6 to the same name and Social Security number as the original warrant and that information  
331.7 is verified on a tax return filed by the recipient.

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

331.9 Sec. 2. Minnesota Statutes 2012, section 270C.38, subdivision 1, is amended to read:

331.10 Subdivision 1. **Sufficient notice.** (a) If no method of notification of a written  
331.11 determination or action of the commissioner is otherwise specifically provided for by  
331.12 law, notice of the determination or action sent postage prepaid by United States mail to  
331.13 the taxpayer or other person affected by the determination or action at the taxpayer's  
331.14 or person's last known address, is sufficient. If the taxpayer or person being notified is  
331.15 deceased or is under a legal disability, or, in the case of a corporation being notified that  
331.16 has terminated its existence, notice to the last known address of the taxpayer, person, or  
331.17 corporation is sufficient, unless the department has been provided with a new address by a  
331.18 party authorized to receive notices from the commissioner.

331.19 (b) If a taxpayer or other person agrees to accept notification by electronic means,  
331.20 notice of a determination or action of the commissioner sent by electronic mail to the  
331.21 taxpayer's or person's last known electronic mailing address as provided for in section  
331.22 325L.08 is sufficient.

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

331.24 Sec. 3. Minnesota Statutes 2012, section 270C.42, subdivision 2, is amended to read:

331.25 Subd. 2. **Penalty for failure to pay electronically.** In addition to other applicable  
331.26 penalties imposed by law, after notification from the commissioner to the taxpayer that  
331.27 payments for a tax payable to the commissioner are required to be made by electronic  
331.28 means, and the payments are remitted by some other means, there is a penalty in the  
331.29 amount of five percent of each payment that should have been remitted electronically.  
331.30 After the commissioner's initial notification to the taxpayer that payments are required to  
331.31 be made by electronic means, the commissioner is not required to notify the taxpayer in  
331.32 subsequent periods if the initial notification specified the amount of tax liability at which a  
331.33 taxpayer is required to remit payments by electronic means. The penalty can be abated

332.1 under the abatement procedures prescribed in section 270C.34 if the failure to remit the  
332.2 payment electronically is due to reasonable cause. The penalty bears interest at the rate  
332.3 specified in section 270C.40 from the ~~due date of the payment of the tax~~ provided in  
332.4 section 270C.40, subdivision 3, to the date of payment of the penalty.

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

332.6 Sec. 4. Minnesota Statutes 2012, section 287.385, subdivision 7, is amended to read:

332.7 Subd. 7. **Interest on penalties.** A penalty imposed under this chapter bears interest  
332.8 from the date ~~payment was required to be paid, including any extensions,~~ provided in  
332.9 section 270C.40, subdivision 3, to the date of payment of the penalty.

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

332.11 Sec. 5. Minnesota Statutes 2012, section 289A.55, subdivision 9, is amended to read:

332.12 Subd. 9. **Interest on penalties.** (a) A penalty imposed under section 289A.60,  
332.13 subdivision 1, 2, 2a, 4, 5, 6, or 21 bears interest from the date ~~the return or payment~~  
332.14 ~~was required to be filed or paid, including any extensions~~ provided in section 270C.40,  
332.15 subdivision 3, to the date of payment of the penalty.

332.16 (b) A penalty not included in paragraph (a) bears interest only if it is not paid within  
332.17 60 days from the date of notice. In that case interest is imposed from the date of notice  
332.18 to the date of payment.

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

332.20 Sec. 6. Minnesota Statutes 2012, section 289A.60, subdivision 4, is amended to read:

332.21 Subd. 4. **Substantial understatement of liability; penalty.** (a) The commissioner  
332.22 of revenue shall impose a penalty for substantial understatement of any tax payable to the  
332.23 commissioner, except a tax imposed under chapter 297A.

332.24 (b) There must be added to the tax an amount equal to 20 percent of the amount of any  
332.25 underpayment attributable to the understatement. There is a substantial understatement of  
332.26 tax for the period if the amount of the understatement for the period exceeds the greater of:

332.27 (1) ten percent of the tax required to be shown on the return for the period; or

332.28 (2)(i) \$10,000 in the case of a mining company or a corporation, other than an S  
332.29 corporation as defined in section 290.9725, when the tax is imposed by chapter 290 or  
332.30 section 298.01 or 298.015, or

332.31 (ii) \$5,000 in the case of any other taxpayer, and in the case of a mining company or  
332.32 a corporation any tax not imposed by chapter 290 or section 298.01 or 298.015.

333.1 (c) For a corporation, other than an S corporation, there is also a substantial  
333.2 understatement of tax for any taxable year if the amount of the understatement for the  
333.3 taxable year exceeds the lesser of:

333.4 (1) ten percent of the tax required to be shown on the return for the taxable year  
333.5 (or, if greater, \$10,000); or

333.6 (2) \$10,000,000.

333.7 (d) The term "understatement" means the excess of the amount of the tax required  
333.8 to be shown on the return for the period, over the amount of the tax imposed that is  
333.9 shown on the return. The excess must be determined without regard to items to which  
333.10 subdivision 27 applies. The amount of the understatement shall be reduced by that part of  
333.11 the understatement that is attributable to the tax treatment of any item by the taxpayer if  
333.12 (1) there is or was substantial authority for the treatment, or (2)(i) any item with respect to  
333.13 which the relevant facts affecting the item's tax treatment are adequately disclosed in the  
333.14 return or in a statement attached to the return and (ii) there is a reasonable basis for the tax  
333.15 treatment of the item. The exception for substantial authority under clause (1) does not  
333.16 apply to positions listed by the Secretary of the Treasury under section 6662(d)(3) of the  
333.17 Internal Revenue Code. A corporation does not have a reasonable basis for its tax treatment  
333.18 of an item attributable to a multiple-party financing transaction if the treatment does not  
333.19 clearly reflect the income of the corporation within the meaning of section 6662(d)(2)(B)  
333.20 of the Internal Revenue Code. The special rules in cases involving tax shelters provided in  
333.21 section 6662(d)(2)(C) of the Internal Revenue Code shall apply and shall apply to a tax  
333.22 shelter the principal purpose of which is the avoidance or evasion of state taxes.

333.23 (e) The commissioner may abate all or any part of the addition to the tax provided  
333.24 by this section on a showing by the taxpayer that there was reasonable cause for the  
333.25 understatement, or part of it, and that the taxpayer acted in good faith. The additional tax  
333.26 and penalty shall bear interest ~~at the rate~~ as specified in section 270C.40 ~~from the time~~  
333.27 ~~the tax should have been paid~~ until paid.

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

333.29 Sec. 7. Minnesota Statutes 2012, section 296A.01, is amended by adding a subdivision  
333.30 to read:

333.31 Subd. 8b. **Biobutanol.** "Biobutanol" means isobutyl alcohol produced by  
333.32 fermenting agriculturally generated organic material that is to be blended with gasoline  
333.33 and meets either:

- 334.1 (1) the initial ASTM Standard Specification for Butanol for Blending with Gasoline  
 334.2 for use as an Automotive Spark-Ignition Engine Fuel once it has been released by ASTM  
 334.3 for general distribution; or
- 334.4 (2) in the absence of an ASTM Standard Specification, the following list of  
 334.5 requirements:
- 334.6 (i) visually free of sediment and suspended matter;  
 334.7 (ii) clear and bright at the ambient temperature of 21 degrees Celsius or the ambient  
 334.8 temperature whichever is higher;
- 334.9 (iii) free of any adulterant or contaminant that can render it unacceptable for its  
 334.10 commonly used applications;
- 334.11 (iv) contains not less than 96 volume percent isobutyl alcohol;  
 334.12 (v) contains not more than 0.4 volume percent methanol;  
 334.13 (vi) contains not more than 1.0 volume percent water as determined by ASTM  
 334.14 standard test method E203 or E1064;
- 334.15 (vii) acidity (as acetic acid) of not more than 0.007 mass percent as determined  
 334.16 by ASTM standard test method D1613;
- 334.17 (viii) solvent washed gum content of not more than 5.0 milligrams per 100 milliliters  
 334.18 as determined by ASTM standard test method D381;
- 334.19 (ix) sulfur content of not more than 30 parts per million as determined by ASTM  
 334.20 standard test method D2622 or D5453; and
- 334.21 (x) contains not more than 4 parts per million total inorganic sulfate.

334.22 Sec. 8. Minnesota Statutes 2012, section 296A.01, subdivision 19, is amended to read:

334.23 Subd. 19. **E85.** "E85" means a petroleum product that is a blend of agriculturally  
 334.24 derived denatured ethanol and gasoline or natural gasoline that typically contains not more  
 334.25 than 85 percent ethanol by volume, but at a minimum must contain ~~60~~ 51 percent ethanol by  
 334.26 volume. For the purposes of this chapter, the energy content of E85 will be considered to be  
 334.27 82,000 BTUs per gallon. E85 produced for use as a motor fuel in alternative fuel vehicles  
 334.28 as defined in subdivision 5 must comply with ASTM specification ~~D5798-07~~ D5798-11.

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

334.30 Sec. 9. Minnesota Statutes 2012, section 296A.22, subdivision 1, is amended to read:

334.31 Subdivision 1. **Penalty for failure to pay tax, general rule.** Upon the failure of  
 334.32 any person to pay any tax or fee when due, a penalty of one percent per day for the first  
 334.33 ten days of delinquency shall accrue, and thereafter the tax, fees, and penalty shall bear  
 334.34 interest at the rate specified in section 270C.40 until paid.

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

335.2 Sec. 10. Minnesota Statutes 2012, section 296A.22, subdivision 3, is amended to read:

335.3 Subd. 3. **Operating without license.** If any person operates as a distributor, special  
 335.4 fuel dealer, bulk purchaser, or motor carrier without first securing the license required  
 335.5 under this chapter, any tax or fee imposed by this chapter shall become immediately due  
 335.6 and payable. A penalty of 25 percent is imposed upon the tax and fee due. The tax, and  
 335.7 fees, and penalty shall bear interest at the rate specified in section 270C.40. The penalty  
 335.8 imposed in this subdivision shall bear interest from the date provided in section 270C.40,  
 335.9 subdivision 3, to the date of payment of the penalty.

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

335.11 Sec. 11. Minnesota Statutes 2012, section 297B.11, is amended to read:

335.12 **297B.11 REGISTRAR AS AGENT OF COMMISSIONER OF REVENUE;**  
 335.13 **POWERS.**

335.14 The state commissioner of revenue is charged with the administration of the  
 335.15 sales tax on motor vehicles. The commissioner may prescribe all rules not inconsistent  
 335.16 with the provisions of this chapter, necessary and advisable for the proper and efficient  
 335.17 administration of the law. The collection of this sales tax on motor vehicles shall be  
 335.18 carried out by the motor vehicle registrar who shall act as the agent of the commissioner  
 335.19 and who shall be subject to all rules not inconsistent with the provisions of this chapter,  
 335.20 that may be prescribed by the commissioner.

335.21 The provisions of chapters 270C, 289A, and 297A relating to the commissioner's  
 335.22 authority to audit, assess, and collect the tax, and to issue refunds and to hear appeals,  
 335.23 are applicable to the sales tax on motor vehicles. The commissioner may impose civil  
 335.24 penalties as provided in chapters 289A and 297A, and the additional tax and penalties  
 335.25 are subject to interest at the rate provided in section 270C.40 from the date provided in  
 335.26 section 270C.40, subdivision 3, until paid.

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

335.28 Sec. 12. Minnesota Statutes 2012, section 297E.14, subdivision 7, is amended to read:

335.29 Subd. 7. **Interest on penalties.** (a) A penalty imposed under section 297E.12,  
 335.30 subdivision 1, 2, 3, 4, or 5, bears interest from the date ~~the return or payment was required~~  
 335.31 ~~to be filed or paid, including any extensions~~ provided in section 270C.40, subdivision  
 335.32 3, to the date of payment of the penalty.

336.1 (b) A penalty not included in paragraph (a) bears interest only if it is not paid within  
336.2 ten days from the date of notice. In that case interest is imposed from the date of notice  
336.3 to the date of payment.

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

336.5 Sec. 13. Minnesota Statutes 2012, section 297F.09, subdivision 9, is amended to read:

336.6 Subd. 9. **Interest.** The amount of tax not timely paid, ~~together with any penalty~~  
336.7 ~~imposed in this section,~~ bears interest at the rate specified in section 270C.40 from the  
336.8 time such tax should have been paid until paid. The penalty imposed in this section bears  
336.9 interest at the rate specified in section 270C.40 from the date provided in section 270C.40,  
336.10 subdivision 3, to the date of payment of the penalty. Any interest and penalty is added to  
336.11 the tax and collected as a part of it.

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

336.13 Sec. 14. Minnesota Statutes 2012, section 297F.18, subdivision 7, is amended to read:

336.14 Subd. 7. **Interest on penalties.** (a) A penalty imposed under section 297F.19,  
336.15 subdivisions 2 to 7, bears interest from the date ~~the return or payment was required to be~~  
336.16 ~~filed or paid, including any extensions~~ provided in section 270C.40, subdivision 3, to the  
336.17 date of payment of the penalty.

336.18 (b) A penalty not included in paragraph (a) bears interest only if it is not paid within  
336.19 ten days from the date of the notice. In that case interest is imposed from the date of notice  
336.20 to the date of payment.

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

336.22 Sec. 15. Minnesota Statutes 2012, section 297G.09, subdivision 8, is amended to read:

336.23 Subd. 8. **Interest.** The amount of tax not timely paid, ~~together with any penalty~~  
336.24 ~~imposed by this chapter,~~ bears interest at the rate specified in section 270C.40 from the  
336.25 time the tax should have been paid until paid. Any penalty imposed by this chapter bears  
336.26 interest from the date provided in section 270C.40, subdivision 3, to the date of payment  
336.27 of the penalty. Any interest and penalty is added to the tax and collected as a part of it.

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

336.29 Sec. 16. Minnesota Statutes 2012, section 297G.17, subdivision 7, is amended to read:



337.1 Subd. 7. **Interest on penalties.** (a) A penalty imposed under section 297G.18,  
337.2 subdivisions 2 to 7, bears interest from the date ~~the return or payment was required to be~~  
337.3 ~~filed or paid, including any extensions~~ provided in section 270C.40, subdivision 3, to the  
337.4 date of payment of the penalty.

337.5 (b) A penalty not included in paragraph (a) bears interest only if it is not paid within  
337.6 ten days from the date of the notice. In that case interest is imposed from the date of notice  
337.7 to the date of payment.

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

337.9 Sec. 17. Minnesota Statutes 2012, section 297I.80, subdivision 1, is amended to read:

337.10 Subdivision 1. **Payable to commissioner.** (a) When interest is required under this  
337.11 section, interest is computed at the rate specified in section 270C.40.

337.12 (b) If a tax or surcharge is not paid within the time named by law for payment, the  
337.13 unpaid tax or surcharge bears interest from the date the tax or surcharge should have been  
337.14 paid until the date the tax or surcharge is paid.

337.15 (c) Whenever a taxpayer is liable for additional tax or surcharge because of a  
337.16 redetermination by the commissioner or other reason, the additional tax or surcharge  
337.17 bears interest from the time the tax or surcharge should have been paid until the date the  
337.18 tax or surcharge is paid.

337.19 (d) A penalty bears interest from the date ~~the return or payment was required to be~~  
337.20 ~~filed or paid~~ provided in section 270C.40, subdivision 3, to the date of payment of the  
337.21 penalty.

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

337.23 Sec. 18. Minnesota Statutes 2012, section 469.319, subdivision 4, is amended to read:

337.24 Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under  
337.25 chapter 290 or 297A or local taxes collected pursuant to section 297A.99, a business must  
337.26 file an amended return with the commissioner of revenue and pay any taxes required  
337.27 to be repaid within 30 days after becoming subject to repayment under this section.  
337.28 The amount required to be repaid is determined by calculating the tax for the period or  
337.29 periods for which repayment is required without regard to the exemptions and credits  
337.30 allowed under section 469.315.

337.31 (b) For the repayment of taxes imposed under chapter 297B, a business must pay any  
337.32 taxes required to be repaid to the motor vehicle registrar, as agent for the commissioner of  
337.33 revenue, within 30 days after becoming subject to repayment under this section.

338.1 (c) For the repayment of property taxes, the county auditor shall prepare a tax  
338.2 statement for the business, applying the applicable tax extension rates for each payable  
338.3 year and provide a copy to the business and to the taxpayer of record. The business must  
338.4 pay the taxes to the county treasurer within 30 days after receipt of the tax statement. The  
338.5 business or the taxpayer of record may appeal the valuation and determination of the  
338.6 property tax to the Tax Court within 30 days after receipt of the tax statement.

338.7 (d) The provisions of chapters 270C and 289A relating to the commissioner's  
338.8 authority to audit, assess, and collect the tax and to hear appeals are applicable to the  
338.9 repayment required under paragraphs (a) and (b). The commissioner may impose civil  
338.10 penalties as provided in chapter 289A, and the additional tax and penalties are subject  
338.11 to interest at the rate provided in section 270C.40<sup>5</sup>. The additional tax shall bear interest  
338.12 from 30 days after becoming subject to repayment under this section until the date the  
338.13 tax is paid. Any penalty imposed pursuant to this section shall bear interest from the date  
338.14 provided in section 270C.40, subdivision 3, to the date of payment of the penalty.

338.15 (e) If a property tax is not repaid under paragraph (c), the county treasurer shall  
338.16 add the amount required to be repaid to the property taxes assessed against the property  
338.17 for payment in the year following the year in which the auditor provided the statement  
338.18 under paragraph (c).

338.19 (f) For determining the tax required to be repaid, a reduction of a state or local sales or  
338.20 use tax is deemed to have been received on the date that the good or service was purchased  
338.21 or first put to a taxable use. In the case of an income tax or franchise tax, including the  
338.22 credit payable under section 469.318, a reduction of tax is deemed to have been received  
338.23 for the two most recent tax years that have ended prior to the date that the business became  
338.24 subject to repayment under this section. In the case of a property tax, a reduction of tax is  
338.25 deemed to have been received for the taxes payable in the year that the business became  
338.26 subject to repayment under this section and for the taxes payable in the prior year.

338.27 (g) The commissioner may assess the repayment of taxes under paragraph (d) any  
338.28 time within two years after the business becomes subject to repayment under subdivision  
338.29 1, or within any period of limitations for the assessment of tax under section 289A.38,  
338.30 whichever period is later. The county auditor may send the statement under paragraph  
338.31 (c) any time within three years after the business becomes subject to repayment under  
338.32 subdivision 1.

338.33 (h) A business is not entitled to any income tax or franchise tax benefits, including  
338.34 refundable credits, for any part of the year in which the business becomes subject to  
338.35 repayment under this section nor for any year thereafter. Property is not exempt from tax  
338.36 under section 272.02, subdivision 64, for any taxes payable in the year following the year

339.1 in which the property became subject to repayment under this section nor for any year  
339.2 thereafter. A business is not eligible for any sales tax benefits beginning with goods  
339.3 or services purchased or first put to a taxable use on the day that the business becomes  
339.4 subject to repayment under this section.

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

339.6 Sec. 19. Minnesota Statutes 2012, section 469.340, subdivision 4, is amended to read:

339.7 Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under  
339.8 chapter 290 or 297A or local taxes collected pursuant to section 297A.99, a business must  
339.9 file an amended return with the commissioner of revenue and pay any taxes required to be  
339.10 repaid within 30 days after ceasing to do business in the zone. The amount required to be  
339.11 repaid is determined by calculating the tax for the period or periods for which repayment  
339.12 is required without regard to the exemptions and credits allowed under section 469.336.

339.13 (b) For the repayment of property taxes, the county auditor shall prepare a tax  
339.14 statement for the business, applying the applicable tax extension rates for each payable  
339.15 year and provide a copy to the business. The business must pay the taxes to the county  
339.16 treasurer within 30 days after receipt of the tax statement. The taxpayer may appeal the  
339.17 valuation and determination of the property tax to the Tax Court within 30 days after  
339.18 receipt of the tax statement.

339.19 (c) The provisions of chapters 270C and 289A relating to the commissioner's  
339.20 authority to audit, assess, and collect the tax and to hear appeals are applicable to the  
339.21 repayment required under paragraph (a). The commissioner may impose civil penalties as  
339.22 provided in chapter 289A, and the additional tax and penalties are subject to interest at the  
339.23 rate provided in section 270C.40; The additional tax shall bear interest from 30 days after  
339.24 ceasing to do business in the biotechnology and health sciences industry zone until the  
339.25 date the tax is paid. Any penalty imposed pursuant to this section shall bear interest from  
339.26 the date provided in section 270C.40, subdivision 3, to the date of payment of the penalty.

339.27 (d) If a property tax is not repaid under paragraph (b), the county treasurer shall add  
339.28 the amount required to be repaid to the property taxes assessed against the property for  
339.29 payment in the year following the year in which the treasurer discovers that the business  
339.30 ceased to operate in the biotechnology and health sciences industry zone.

339.31 (e) For determining the tax required to be repaid, a tax reduction is deemed to have  
339.32 been received on the date that the tax would have been due if the taxpayer had not been  
339.33 entitled to the exemption, or on the date a refund was issued for a refundable credit.

339.34 (f) The commissioner may assess the repayment of taxes under paragraph (c) any  
339.35 time within two years after the business ceases to operate in the biotechnology and health

- 340.1 sciences industry zone, or within any period of limitations for the assessment of tax under
- 340.2 section 289A.38, whichever period is later.
- 340.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

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ARTICLE 2	REFUND .....	Page.Ln 20.14
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**16A.725 HEALTH IMPACT FUND AND FUND REIMBURSEMENTS.**

Subdivision 1. **Health impact fund.** There is created in the state treasury a health impact fund to which must be credited all revenue from the health impact fee under section 256.9658 and any floor stocks fee enacted into law.

Subd. 2. **Certified tobacco expenditures.** By April 30 of each year, the commissioner of human services shall certify to the commissioner of management and budget the state share, by fund, of tobacco use attributable costs for the previous fiscal year in Minnesota health care programs, including medical assistance, general assistance medical care, and MinnesotaCare, or other applicable expenditures.

Subd. 3. **Fund reimbursements.** (a) Each fiscal year, the commissioner of management and budget shall first transfer from the health impact fund to the general fund an amount sufficient to offset the general fund cost of the certified expenditures under subdivision 2 or the balance of the fund, whichever is less.

(b) If any balance remains in the health impact fund after the transfer in paragraph (a), the commissioner of management and budget shall transfer to the health care access fund the amount sufficient to offset the health care access fund cost of the certified expenditures in subdivision 2, or the balance of the fund, whichever is less.

**256.9658 TOBACCO HEALTH IMPACT FEE.**

Subdivision 1. **Purpose.** A tobacco use health impact fee is imposed on and collected from cigarette distributors and tobacco products distributors to recover for the state health costs related to or caused by tobacco use and to reduce tobacco use, particularly by youths.

Subd. 2. **Definitions.** The definitions under section 297F.01 apply to this section.

Subd. 3. **Fee imposed.** (a) A fee 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 of cigarettes. The fee is imposed at the following rates:

(1) on cigarettes weighing not more than three pounds per thousand, 37.5 mills on each cigarette; and

(2) on cigarettes weighing more than three pounds per thousand, 75 mills on each cigarette.

(b) A fee is imposed upon all tobacco products in this state and upon any person engaged in business as a distributor in an amount equal to the liability for tax under section 297F.05, subdivision 3, or on a consumer of tobacco products equal to the tax under section 297F.05, subdivision 4. Liability for the fee is in addition to the tax under section 297F.05, subdivision 3 or 4.

Subd. 4. **Payment.** A distributor must pay the fee at the same time and in the same manner as provided for payment of tax under chapter 297F.

Subd. 5. **Fee on use of unstamped cigarettes.** Any person, other than a distributor, that purchases or possesses cigarettes that have not been stamped and on which the fee imposed under this section has not been paid is liable for the fee under this section on the possession or use of those cigarettes.

Subd. 6. **Administration.** The audit, assessment, interest, appeal, refund, penalty, enforcement, administrative, and collection provisions of chapters 270C and 297F apply to the fee imposed under this section.

Subd. 7. **Cigarette stamp.** (a) The stamp in section 297F.08 must be affixed to each package and is prima facie evidence that the fee imposed by this section has been paid.

(b) Notwithstanding any other provisions of this section, the fee due on the return is based upon actual stamps purchased during the reporting period.

Subd. 8. **License revocation.** The commissioner of revenue may revoke or suspend the license of a distributor for failure to pay the fee or otherwise comply with the requirements under this section. The provisions and procedures under section 297F.04 apply to a suspension or revocation under this subdivision.

Subd. 9. **Deposit of revenues.** The commissioner of revenue shall deposit the revenues from the fee under this section in the state treasury and credit them to the health impact fund.

**272.69 LISTING LEASED PERSONAL PROPERTY; PENALTY.**

Subdivision 1. **Filing of list with commissioner.** Any person, firm, or corporation engaged in the business of leasing items of tangible personal property which are subject to personal property taxation shall file with the commissioner of revenue not later than February 15 of each

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year a listing of all items of personal property owned by the lessor and in possession of a lessee under a lease, rental purchase option, or similar type of agreement as of the January 2 immediately preceding. The listing shall be made on forms provided by the commissioner and shall contain a brief description of each item including the serial number, if any, the location thereof, the date of manufacture, and the manufacturer's list selling price. The commissioner may grant an extension of the filing date herein prescribed for good cause shown.

Subd. 2. **List to county assessor.** Upon receipt of the listings required by subdivision 1, the commissioner of revenue shall compile a listing of all property thus located in each county and shall forward a copy of the listing together with other pertinent data to the county assessor of the county in which the property is, or was as of January 2, located in order to aid in the proper listing and assessment thereof.

Subd. 3. **Intent; agreements between lessors and lessees.** It is the intent of this section that leased personal property which is subject to personal property taxation be assessed to and the tax paid by the lessor, notwithstanding any agreement between lessor and lessee to the contrary. Any such agreement may, however, be construed as an agreement by the lessee to indemnify the lessor for the amount of personal property taxes paid. The listing required by this section shall be in lieu of any other property tax listing required by law for property required to be listed.

Subd. 4. **Penalty.** Any person, firm, or corporation, or agent, officer, or employee thereof required by this section to file a listing of personal property who shall willfully fail to file such listing or who shall willfully or knowingly omit therefrom any item or items of personal property required to be listed is guilty of a gross misdemeanor. In addition, items omitted from a listing shall be treated as omitted property subject to the provisions of section 273.02.

#### **273.11 VALUATION OF PROPERTY.**

Subd. 1a. **Limited market value.** In the case of all property classified as agricultural homestead or nonhomestead, residential homestead or nonhomestead, timber, or noncommercial seasonal residential recreational, the assessor shall compare the value with the taxable portion of the value determined in the preceding assessment.

For assessment years 2004, 2005, and 2006, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 25 percent of the difference between the current assessment and the preceding assessment.

For assessment year 2007, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 33 percent of the difference between the current assessment and the preceding assessment.

For assessment year 2008, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 50 percent of the difference between the current assessment and the preceding assessment.

This limitation shall not apply to increases in value due to improvements. For purposes of this subdivision, the term "assessment" means the value prior to any exclusion under subdivision 16.

The provisions of this subdivision shall be in effect through assessment year 2008 as provided in this subdivision.

For purposes of the assessment/sales ratio study conducted under section 127A.48, and the computation of state aids paid under chapters 122A, 123A, 123B, 124D, 125A, 126C, 127A, and 477A, market values and net tax capacities determined under this subdivision and subdivision 16, shall be used.

Subd. 22. **Lead hazard market value reduction.** Owners of property classified as class 1a, 1b, 1c, 2a, 4b, 4bb, or 4d under section 273.13 may apply for a lead hazard valuation reduction, provided that the property is located in a city which has authorized valuation reductions under this subdivision. A city that authorizes reductions under this subdivision must establish guidelines for qualifying lead hazard reduction projects and must designate an agency within the city to issue certificates of completion of qualifying projects. For purposes of this subdivision, "lead hazard reduction" has the same meaning as in section 144.9501, subdivision 17.

The property owner must obtain a certificate from the agency stating (1) that the project has been completed and (2) the total cost incurred by the owner, which must be at least \$3,000. Only projects originating after July 1, 2005, and completed before July 1, 2010, qualify for a reduction under this subdivision. The property owner shall apply for the valuation reduction to the assessor on a form prescribed by the assessor accompanied by a copy of the certificate of completion from the agency.

A qualifying property is eligible for a one-year valuation reduction equal to the actual cost incurred, to a maximum of \$20,000. If a property owner applies to the assessor for the valuation

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reduction under this subdivision between January 1 and June 30 of any year, the reduction applies for taxes payable in the following year. If a property owner applies to the assessor for the valuation reduction under this subdivision between July 1 and December 31, the reduction applies for taxes payable in the second following year. For purposes of subdivision 1a, any additional market value resulting from the lead hazard removal must be considered an increase in value due to new construction.

### **276A.01 DEFINITIONS.**

Subd. 11. **Valuation.** "Valuation" means the market value of real and personal property within a municipality as defined in subdivision 10.

### **289A.60 CIVIL PENALTIES.**

Subd. 31. **Accelerated payment of monthly sales tax liability; penalty for underpayment.** For payments made after September 1, 2010, if a vendor is required by section 289A.20, subdivision 4, paragraph (a), clause (2), item (i) or (ii), to make accelerated payments, then the penalty for underpayment is as follows:

(a) For those vendors that must remit a 90 percent payment by the 14th day of the month following the month in which the taxable event occurred, as an estimation of the monthly sales tax liability, including the liability of any fee or other tax that is to be reported on the same return as and paid with the chapter 297A taxes, for the month in which the taxable event occurred, the vendor shall pay a penalty equal to ten percent of the amount of liability that was required to be paid by the 14th day of the month, less the amount remitted by the 14th day of the month. The penalty must not be imposed, however, if the amount remitted by the 14th day of the month equals the least of: (1) 90 percent of the liability for the month preceding the month in which the taxable event occurred; (2) 90 percent of the liability for the same month in the previous calendar year as the month in which the taxable event occurred; or (3) 90 percent of the average monthly liability for the previous calendar year.

(b) For those vendors that, on or before the 20th day of the month in which the taxable event occurs, must remit to the commissioner a prepayment of the sales tax liability for the month in which the taxable event occurs equal to 67 percent of the liability for the previous month, including the liability of any fee or other tax that is to be reported on the same return as and paid with the chapter 297A taxes, for the month in which the taxable event occurred, the vendor shall pay a penalty equal to ten percent of the amount of liability that was required to be paid by the 20th of the month, less the amount remitted by the 20th of the month. The penalty must not be imposed, however, if the amount remitted by the 20th of the month equals the lesser of: (1) 67 percent of the liability of the same month in the previous calendar year as the month in which the taxable event occurred; or (2) an amount equal to the liability for the month in which the taxable event occurred.

### **290.01 DEFINITIONS.**

Subd. 6b. **Foreign operating corporation.** The term "foreign operating corporation," when applied to a corporation, means a domestic corporation with the following characteristics:

- (1) it is part of a unitary business at least one member of which is taxable in this state;
- (2) it is not a foreign sales corporation under section 922 of the Internal Revenue Code, as amended through December 31, 1999, for the taxable year;
- (3) it is not an interest charge domestic international sales corporation under sections 992, 993, 994, and 995 of the Internal Revenue Code;
- (4) either (i) it has in effect a valid election under section 936 of the Internal Revenue Code; or (ii) at least 80 percent of the gross income from all sources of the corporation in the tax year is active foreign business income; and
- (5) for purposes of this subdivision, active foreign business income means gross income that is (i) derived from sources without the United States, as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code; and (ii) attributable to the active conduct of a trade or business in a foreign country.

### **290.06 RATES OF TAX; CREDITS.**

Subd. 22a. **Nonresident's credit for taxes paid to state of domicile.** (a) Notwithstanding subdivision 22, a nonresident who is subject to tax in this state on the gain on the sale of a partnership interest, which is allocable to this state under section 290.17, subdivision 2, paragraph (c), is allowed a credit for the tax paid to the state of the individual's domicile upon the gain in



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the taxable year or a subsequent taxable year. This credit is only allowed if the state of domicile does not allow a credit for the tax paid to Minnesota on the gain.

(b) For purposes of this subdivision, the credit equals the tax paid to the state of domicile multiplied by the ratio derived by dividing the amount of gain on the sale of the partnership interest subject to tax in the other state that is also subject to tax in Minnesota by the taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue Code. The credit allowed may not reduce the taxes paid under this chapter to an amount less than the tax that would apply if the gain were excluded from taxable net income.

(c) If a nonresident taxpayer reported the gain to Minnesota and is assessed tax in the state of domicile on that same income after the Minnesota statute of limitations has expired, the taxpayer is allowed a credit for that year, 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 state of domicile and the taxpayer must submit sufficient proof to show entitlement to a credit.

(d) For the purposes of this subdivision, "another state" includes the District of Columbia, but does not include Puerto Rico or the several territories organized by Congress.

**290.0672 LONG-TERM CARE INSURANCE CREDIT.**

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 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.

Subd. 2. **Credit.** A taxpayer is allowed a credit against the tax imposed by this chapter for long-term care insurance policy premiums paid during the tax year. The credit for each policy equals 25 percent of premiums paid to the extent not deducted in determining federal taxable income. A taxpayer may claim a credit for only one policy for each qualified beneficiary. A maximum of \$100 applies to each qualified beneficiary. The maximum total credit allowed per year is \$200 for married couples filing joint returns and \$100 for all other filers. For a nonresident or part-year resident, the credit determined under this section must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

**290.0921 CORPORATE ALTERNATIVE MINIMUM TAX AFTER 1989.**

Subd. 7. **Foreign operating companies.** The income and deductions related to foreign operating companies, as defined in section 290.01, subdivision 6b, that are used to calculate Minnesota alternative minimum taxable income, are limited to the amounts included for purposes of calculating taxable income under section 290.01, subdivision 29.

**383A.80 RAMSEY COUNTY DEED AND MORTGAGE TAX.**

Subd. 4. **Expiration.** The authority to impose the tax under this section expires January 1, 2013.

**383B.80 HENNEPIN COUNTY DEED AND MORTGAGE TAX.**

Subd. 4. **Expiration.** The authority to impose the tax under this section expires January 1, 2013.

**428A.101 DEADLINE FOR SPECIAL SERVICE DISTRICT UNDER GENERAL LAW.**

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The establishment of a new special service district after June 30, 2013, requires enactment of a special law authorizing the establishment.

**428A.21 DEADLINE FOR HOUSING IMPROVEMENT DISTRICTS UNDER GENERAL LAW.**

The establishment of a new housing improvement area after June 30, 2013, requires enactment of a special law authorizing the establishment of the area.

**473F.02 DEFINITIONS.**

Subd. 13. **Valuation.** "Valuation" means the market value of real and personal property within a municipality as defined in subdivision 12.

**477A.011 DEFINITIONS.**

Subd. 2a. **Special taxing district.** "Special taxing district" means a political subdivision with the authority to levy property taxes, other than a city, county, town, or school district.

Subd. 19. **Metropolitan area.** "Metropolitan area" is the metropolitan area as defined in section 473.121, subdivision 2.

Subd. 21. **Equalized market values.** "Equalized market values" means market values that have been equalized by dividing the assessor's estimated market value for the second year prior to that in which the aid is payable by the assessment sales ratios determined by class in the assessment sales ratio study conducted by the Department of Revenue pursuant to section 127A.48 in the second year prior to that in which the aid is payable. The equalized market values equal the unequalized market values divided by the assessment sales ratio.

Subd. 29. **Adjusted revenue base.** "Adjusted revenue base" means revenue base as defined in subdivision 27 less the levy reported under section 275.62, subdivision 1, clause (2).

Subd. 31. **Population decline percentage.** "Population decline percentage" for a city is the percent decline in a city's population for the last ten years, based on the most recently available population estimate from the state demographer or a federal census. A city's population decline percentage cannot be less than zero.

Subd. 32. **Commercial industrial percentage.** "Commercial industrial percentage" for a city is 100 times the sum of the estimated market values of all real property in the city classified as class 3 under section 273.13, subdivision 24, excluding public utility property, to the total market value of all taxable real and personal property in the city. The market values are the amounts computed before any adjustments for fiscal disparities under section 276A.06 or 473F.08. The market values used for this subdivision are not equalized.

Subd. 33. **Transformed population.** "Transformed population" for a city is the city population raised to the .3308 power, times 30.5485.

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

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

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

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

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

(iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

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

- (i) the city was incorporated as a statutory city after December 1, 1993;

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- (ii) its city aid base does not exceed \$5,600; and
- (iii) the city had a population in 1996 of 5,000 or more.

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

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

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

- (1) the city had a population in 1997 of 2,500 or more;
- (2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$650 per capita;
- (3) the pre-1940 housing percentage of the city used in calculating 1999 aid under section 477A.013 is greater than 12 percent;
- (4) the 1999 local government aid of the city under section 477A.013 is less than 20 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent; and
- (5) the city aid base of the city used in calculating aid under section 477A.013 is less than \$7 per capita.

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

- (1) the city has a population in 1997 of 2,000 or more;
- (2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$455 per capita;
- (3) the net levy of the city used in calculating 1999 aid under section 477A.013 is greater than \$195 per capita; and
- (4) the 1999 local government aid of the city under section 477A.013 is less than 38 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent.

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

- (1) the city has a population in 1998 that is greater than 200 but less than 500;
- (2) the city's revenue need used in calculating aids payable in 2000 was greater than \$200 per capita;
- (3) the city net tax capacity for the city used in calculating aids available in 2000 was equal to or less than \$200 per capita;
- (4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$65 per capita; and
- (5) the city's formula aid for aids payable in 2000 was greater than zero.

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

- (1) the city had a population in 1998 that is greater than 200 but less than 500;
- (2) the city's commercial industrial percentage used in calculating aids payable in 2000 was less than ten percent;
- (3) more than 25 percent of the city's population was 60 years old or older according to the 1990 census;
- (4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$15 per capita; and
- (5) the city's formula aid for aids payable in 2000 was greater than zero.

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

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- (1) the net tax capacity of the city used in calculating its 2000 aid under section 477A.013 is less than \$810 per capita;
  - (2) the population of the city declined more than two percent between 1988 and 1998;
  - (3) the net levy of the city used in calculating 2000 aid under section 477A.013 is greater than \$240 per capita; and
  - (4) the city received less than \$36 per capita in aid under section 477A.013, subdivision 9, for aids payable in 2000.
- (k) The city aid base for a city with a population of 10,000 or more which is located outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to the lesser of:
- (1)(i) the total population of the city, as determined by the United States Bureau of the Census, in the 2000 census, (ii) minus 5,000, (iii) times 60; or
  - (2) \$2,500,000.
- (l) The city aid base is increased by \$50,000 in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$50,000 in calendar year 2002 only, provided that:
- (1) the city is located in the seven-county metropolitan area;
  - (2) its population in 2000 is between 10,000 and 20,000; and
  - (3) its commercial industrial percentage, as calculated for city aid payable in 2001, was greater than 25 percent.
- (m) The city aid base for a city is increased by \$150,000 in calendar years 2002 to 2011 and by an additional \$75,000 in calendar years 2009 to 2014 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2002 only and by \$75,000 in calendar year 2009 only, provided that:
- (1) the city had a population of at least 3,000 but no more than 4,000 in 1999;
  - (2) its home county is located within the seven-county metropolitan area;
  - (3) its pre-1940 housing percentage is less than 15 percent; and
  - (4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900 per capita.
- (n) The city aid base for a city is increased by \$200,000 beginning in calendar year 2003 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2003 only, provided that the city qualified for an increase in homestead and agricultural credit aid under Laws 1995, chapter 264, article 8, section 18.
- (o) The city aid base for a city is increased by \$200,000 in 2004 only and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$200,000 in calendar year 2004 only, if the city is the site of a nuclear dry cask storage facility.
- (p) The city aid base for a city is increased by \$10,000 in 2004 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$10,000 in calendar year 2004 only, if the city was included in a federal major disaster designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by more than 40 percent between 1990 and 2000.
- (q) The city aid base for a city is increased by \$30,000 in 2009 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$25,000 in calendar year 2006 only if the city had a population in 2003 of at least 1,000 and has a state park for which the city provides rescue services and which comprised at least 14 percent of the total geographic area included within the city boundaries in 2000.
- (r) The city aid base for a city is increased by \$80,000 in 2009 and thereafter and the minimum and maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$80,000 in calendar year 2009 only, if:
- (1) as of May 1, 2006, at least 25 percent of the tax capacity of the city is proposed to be placed in trust status as tax-exempt Indian land;
  - (2) the placement of the land is being challenged administratively or in court; and
  - (3) due to the challenge, the land proposed to be placed in trust is still on the tax rolls as of May 1, 2006.
- (s) The city aid base for a city is increased by \$100,000 in 2007 and thereafter and the minimum and maximum total amount of aid it may receive under this section is also increased in calendar year 2007 only, provided that:
- (1) the city has a 2004 estimated population greater than 200 but less than 2,000;
  - (2) its city net tax capacity for aids payable in 2006 was less than \$300 per capita;
  - (3) the ratio of its pay 2005 tax levy compared to its city net tax capacity for aids payable in 2006 was greater than 110 percent; and

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

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

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

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

- (1) is located outside of the Minneapolis-St. Paul standard metropolitan statistical area;
- (2) has a 2005 population greater than 7,000 but less than 8,000; and
- (3) has a 2005 net tax capacity per capita of less than \$500.

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

- (1) the city is located in the seven-county metropolitan area;
- (2) its population in 2006 is less than 200; and
- (3) the percentage of its housing stock built before 1940, according to the 2000 United States Census, is greater than 40 percent.

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

(y) In calendar year 2010 only, the city aid base for a city is increased by \$225,000 if it was eligible for a \$450,000 payment in calendar year 2008 under Minnesota Statutes 2006, section 477A.011, subdivision 36, paragraph (e), and the second half of the payment under that paragraph in December 2008 was canceled due to the governor's unallotment. The payment under this paragraph is not subject to any aid reductions under section 477A.0134 or any future unallotment of the city aid under section 16A.152.

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

- (1) the city's 2010 population is less than 100 and its population growth between 2000 and 2010 was more than 55 percent; and
- (2) its commercial industrial percentage as defined in subdivision 32, based on assessments for calendar year 2010, payable in 2011, is greater than 15 percent.

Subd. 39. **Road accidents factor.** "Road accidents factor" means the average annual number of vehicular accidents occurring on public roads, streets, and alleys in the jurisdiction as reported to the commissioner of revenue by the commissioner of public safety by July 1 of the aid calculation year using the most recent three-year period for which the commissioner of public safety has complete information, divided by the jurisdiction's population.

Subd. 40. **Metropolitan area factor.** "Metropolitan area factor" means 35.20915 for cities located in the metropolitan area.

Subd. 41. **Small city aid base.** (a) "Small city aid base" for a city with a population less than 5,000 is equal to \$8.50 multiplied by its population. The small city aid base for all other cities is equal to zero.

(b) For calendar year 2010 and subsequent years, the small city aid base for a city, as determined in paragraph (a), is multiplied by the ratio of the appropriation under section 477A.03, subdivision 2a, for the year in which the aid is paid to the appropriation under that section for aids payable in 2009.

Subd. 42. **City jobs base.** (a) "City jobs base" for a city with a population of 5,000 or more is equal to the product of (1) \$25.20, (2) the number of jobs per capita in the city, and (3) its population. For cities with a population less than 5,000, the city jobs base is equal to zero. For a city receiving aid under subdivision 36, paragraph (k), its city jobs base is reduced by the lesser of 36 percent of the amount of aid received under that paragraph or \$1,000,000. No city's city jobs base may exceed \$4,725,000 under this paragraph.

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(b) For calendar year 2010 and subsequent years, the city jobs base for a city, as determined in paragraph (a), is multiplied by the ratio of the appropriation under section 477A.03, subdivision 2a, for the year in which the aid is paid to the appropriation under that section for aids payable in 2009.

(c) For purposes of this subdivision, "jobs per capita in the city" means (1) the average annual number of employees in the city based on the data from the Quarterly Census of Employment and Wages, as reported by the Department of Employment and Economic Development, for the most recent calendar year available as of May 1, 2008, divided by (2) the city's population for the same calendar year as the employment data. The commissioner of the Department of Employment and Economic Development shall certify to the city the average annual number of employees for each city by June 1, 2008. A city may challenge an estimate under this paragraph by filing its specific objection, including the names of employers that it feels may have misreported data, in writing with the commissioner by June 20, 2008. The commissioner shall make every reasonable effort to address the specific objection and adjust the data as necessary. The commissioner shall certify the estimates of the annual employment to the commissioner of revenue by July 15, 2008, including any estimates still under objection.

**477A.013 MUNICIPAL GOVERNMENT DISTRIBUTIONS.**

Subd. 11. **Aid payments in 2011 and 2012.** Notwithstanding aids calculated or certified for 2011 under subdivision 9, for 2011 and 2012, each city shall receive an aid distribution under this section equal to the lesser of (1) the total amount of aid it received under this section in 2010 after the reductions under sections 477A.0133 and 477A.0134, and reduced by the amount of payments made under section 477A.011, subdivision 36, paragraphs (y) and (z), or (2) the amount it was certified to receive in 2011 under subdivision 9. In 2011 only, a city that qualifies for the aid base adjustment under section 477A.011, subdivision 36, paragraph (aa), shall receive the amount that it was certified to receive in 2011. In 2012, a city that qualifies for the aid base adjustment under section 477A.011, subdivision 36, paragraph (aa), shall receive the amount that it was certified to receive in 2011, minus the aid base adjustment provided under section 477A.011, subdivision 36, paragraph (aa).

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

(b) Notwithstanding aids calculated for 2013 under subdivision 9, each city with a population under 5,000 shall receive an aid distribution under this section equal to any additional city aid base authorized in calendar year 2013 under section 477A.011, subdivision 36, paragraph (z), plus the greater of (1) its aid distribution under this section in 2012 or (2) its amount that it is calculated to receive under subdivision 9.

**477A.0133 2009 AND 2010 AID REDUCTIONS.**

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

(b) The "2009 revenue base" for a statutory or home rule charter city is the sum of the city's certified property tax levy for taxes payable in 2009, plus the amount of local government aid under section 477A.013, subdivision 9, that the city was certified to receive in 2009, plus the amount of taconite aids under sections 298.28 and 298.282 that the city was certified to receive in 2009, including any amounts required to be placed in a special fund for distribution in a later year.

(c) The "2009 revenue base" for a county is the sum of the county's certified property tax levy for taxes payable in 2009, plus the amount of county program aid under section 477A.0124 that the county was certified to receive in 2009, plus the amount of taconite aids under sections 298.28 and 298.282 that the county was certified to receive in 2009, including any amounts required to be placed in a special fund for distribution in a later year.

(d) The "2009 revenue base" for a town is the sum of the town's certified property tax levy for taxes payable in 2009, plus the amount of aid under section 477A.013 that the town was certified to receive in 2009, plus the amount of taconite aids under sections 298.28 and 298.282 that the town was certified to receive in 2009, including any amounts required to be placed in a special fund for distribution in a later year.

(e) "Population" means the population of the county, city, or town for 2007 based on information available to the commissioner of revenue in July 2009.

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(f) "Adjusted net tax capacity" means the amount of net tax capacity for the county, city, or town, computed using equalized market values according to section 477A.011, subdivision 20, for aid payable in 2009.

(g) "Adjusted net tax capacity per capita" means the jurisdiction's adjusted net tax capacity divided by its population.

**Subd. 2. 2009 aid reductions.** (a) The commissioner of revenue must compute a 2009 aid reduction amount for each county.

The aid reduction amount is zero for a county with a population of less than 5,000, and is zero for a county containing the Shooting Star Casino property that was removed from the tax rolls in 2009.

For all other counties, the aid reduction amount is equal to 1.188968672 percent of the county's 2009 revenue base.

The reduction amount is limited to the sum of the amount of county program aid under section 477A.0124 that the county was certified to receive in 2009, plus the amount of market value credit reimbursements under section 273.1384 payable to the county in 2009 before the reductions in this section.

The reduction amount is applied first to reduce the amount payable to the county in 2009 as county program aid under section 477A.013 and then, if necessary, to reduce the amount payable to the county in 2009 as market value credit reimbursements under section 273.1384.

No county's aid or reimbursements are reduced to less than zero under this section.

(b) The commissioner of revenue must compute a 2009 aid reduction amount for each city.

The aid reduction amount is zero for any city with a population of less than 1,000 that has an adjusted net tax capacity per capita amount less than the statewide average adjusted net tax capacity amount per capita for all cities. The aid reduction amount is also zero for a city located outside the seven-county metropolitan area, with a 2006 population greater than 3,500, a pre-1940 housing percentage greater than 29 percent, a commercial-industrial percentage less than nine percent, and a population decline percentage of zero based on the data used to certify the 2009 local government aid distribution under section 477A.013.

For all other cities, the aid reduction amount is equal to 3.3127634 percent of the city's 2009 revenue base.

The reduction amount is limited to the sum of the amount of local government aid under section 477A.013, subdivision 9, that the city was certified to receive in 2009, plus the amount of market value credit reimbursements under section 273.1384 payable to the city in 2009 before the reductions in this section.

The reduction amount for a city is further limited to \$22 per capita.

The reduction amount is applied first to reduce the amount payable to the city in 2009 as local government aid under section 477A.013 and then, if necessary, to reduce the amount payable to the city in 2009 as market value credit reimbursements under section 273.1384.

No city's aid or reimbursements are reduced to less than zero under this section.

(c) The commissioner of revenue must compute a 2009 aid reduction amount for each town.

The aid reduction amount is zero for any town with a population of less than 1,000 that has an adjusted net tax capacity per capita amount less than the statewide average adjusted net tax capacity amount per capita for all towns.

For all other towns, the aid reduction amount is equal to 1.735103 percent of the town's 2009 revenue base.

The reduction amount is limited to \$5 per capita.

The reduction amount is applied to reduce the amount payable to the town in 2009 as market value credit reimbursements under section 273.1384.

No town's reimbursements are reduced to less than zero under this section.

**Subd. 3. 2010 aid reductions.** (a) The commissioner of revenue must compute a 2010 aid reduction amount for each county.

The aid reduction amount is zero for a county with a population of less than 5,000, and is zero for a county containing the Shooting Star Casino property that was removed from the tax rolls in 2009.

For all other counties, the aid reduction amount is equal to 2.41396687 percent of the county's 2009 revenue base.

The reduction amount is limited to the sum of the amount of county program aid under section 477A.0124 that the county was certified to receive in 2009, plus the amount of market value credit reimbursements under section 273.1384 payable to the county in 2009 before the reductions in this section.

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The reduction amount is applied first to reduce the amount payable to the county in 2010 as county program aid under section 477A.013 and then, if necessary, to reduce the amount payable to the county in 2010 as market value credit reimbursements under section 273.1384.

No county's aid or reimbursements are reduced to less than zero under this section.

(b) The commissioner of revenue must compute a 2010 aid reduction amount for each city.

The aid reduction amount is zero for any city with a population of less than 1,000 that has an adjusted net tax capacity per capita amount less than the statewide average adjusted net tax capacity amount per capita for all cities.

For all other cities, the aid reduction amount is equal to 7.643803025 percent of the city's 2009 revenue base.

The reduction amount is limited to the sum of the amount of local government aid under section 477A.013, subdivision 9, that the city was certified to receive in 2010, plus the amount of market value credit reimbursements under section 273.1384 payable to the city in 2010 before the reductions in this section.

The reduction amount for a city is further limited to \$55 per capita.

The reduction amount is applied first to reduce the amount payable to the city in 2010 as local government aid under section 477A.013 and then, if necessary, to reduce the amount payable to the city in 2010 as market value credit reimbursements under section 273.1384.

No city's aid or reimbursements are reduced to less than zero under this section.

(c) The commissioner of revenue must compute a 2010 aid reduction amount for each town.

The aid reduction amount is zero for any town with a population of less than 1,000 that has an adjusted net tax capacity per capita amount less than the statewide average adjusted net tax capacity amount per capita for all towns.

For all other towns, the aid reduction amount is equal to 3.660798 percent of the town's 2009 revenue base.

The reduction amount is limited to \$10 per capita.

The reduction amount is applied to reduce the amount payable to the town in 2010 as market value credit reimbursements under section 273.1384.

No town's reimbursements are reduced to less than zero under this section.

#### **477A.0134 ADDITIONAL 2010 AID AND CREDIT REDUCTIONS.**

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

(b) The "2010 revenue base" for a county is the sum of the county's certified property tax levy for taxes payable in 2010, plus the amount of county program aid under section 477A.0124 that the county was certified to receive in 2010, plus the amount of taconite aids under sections 298.28 and 298.282 that the county was certified to receive in 2010 including any amounts required to be placed in a special fund for distribution in a later year.

(c) The "2010 revenue base" for a statutory or home rule charter city is the sum of the city's certified property tax levy for taxes payable in 2010, plus the amount of local government aid under section 477A.013, subdivision 9, that the city was certified to receive in 2010, plus the amount of taconite aids under sections 298.28 and 298.282 that the city was certified to receive in 2010 including any amounts required to be placed in a special fund for distribution in a later year.

Subd. 2. **2010 reductions; counties and cities.** The commissioner of revenue must compute additional 2010 aid and credit reimbursement reduction amounts for each county and city under this section, after implementing any reduction of county program aid under section 477A.0124, local government aid under section 477A.013, or market value credit reimbursements under section 273.1384, to reflect the reductions under section 477A.0133.

The additional reduction amounts under this section are limited to the sum of the amount of county program aid under section 477A.0124, local government aid under section 477A.013, and market value credit reimbursements under section 273.1384 payable to the county or city in 2010 before the reductions in this section, but after the reductions under section 477A.0133.

The reduction amount under this section is applied first to reduce the amount payable to the county or city in 2010 as market value credit reimbursements under section 273.1384, and then if necessary, to reduce the amount payable as either county program aid under section 477A.0124 in the case of a county, or local government aid under section 477A.013 in the case of a city.

No aid or reimbursement amount is reduced to less than zero under this section.

The additional 2010 aid reduction amount for a county is equal to 1.82767 percent of the county's 2010 revenue base. The additional 2010 aid reduction amount for a city is equal to the



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lesser of (1) 3.4287 percent of the city's 2010 revenue base or (2) \$28 multiplied by the city's 2008 population.

*Laws 2006, chapter 259, article 11, section 3, as amended by Laws 2008, chapter 154, article 1, section 4*

Sec. 4. Laws 2006, chapter 259, article 11, section 3, is amended to read:

Sec. 3. **MAHNOMEN COUNTY; COUNTY, CITY, SCHOOL DISTRICT, PROPERTY TAX REIMBURSEMENT.**

Subdivision 1. **Aid appropriation.** \$600,000 is appropriated annually from the general fund to the commissioner of revenue to be used to make payments to compensate for the loss of property tax revenue related to the trust conversion application of the Shooting Star Casino. The commissioner shall pay the county of Mahnomen, \$450,000; the city of Mahnomen, \$80,000; and Independent School District No. 432, Mahnomen, \$70,000. The payments shall be made on July 20, of 2008 and each subsequent year.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2008 and thereafter.

*Laws 2009, chapter 88, article 4, section 23, as amended by Laws 2010, chapter 389, article 5, section 4*

Sec. 23. **ROCHESTER FOOD AND BEVERAGE TAX.**

Subdivision 1. **Authorization.** Notwithstanding Minnesota Statutes, section 477A.016, or any other law or charter provision, the city of Rochester may impose a tax of one percent on the gross receipts on all sales of food and beverages by restaurants and places of refreshment, as defined by resolution of the city, that occur in the city. For purposes of this section, "food and beverages" include retail on-sale of intoxicating liquor and fermented malt beverages.

Subd. 2. **Use of proceeds.** The proceeds of this tax shall be used for (1) paying the cost of collection; (2) to pay for construction, renovation, improvement, and expansion of the Mayo Civic Center Complex and related skyway access, lighting, parking, or landscaping; and (3) for payment of any principal, interest, or premium on bonds issued to finance the construction, renovation, improvement, and expansion of the Mayo Civic Center Complex.

Subd. 3. **Imposition of the tax.** The tax under this section may only be imposed upon approval of the city governing body of a total financing package for the project.

Subd. 4. **Expiration of taxing authority.** The authority granted under subdivision 1 to the city to impose a one percent tax on food and beverages shall expire when the principal and interest on any bonds or other obligations issued prior to December 31, 2014, to finance the construction, renovation, improvement, and expansion of the Mayo Civic Center Complex and related skyway access, lighting, parking, or landscaping, and any bonds issued to refund such bonds, have been paid or at an earlier time as the city shall, by ordinance, determine. Any funds remaining after completion of the project and retirement or redemption of the bonds shall be placed in the general fund of the city.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Rochester and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3, and upon approval of the city governing body of a total financing package to renovate, improve, or expand the Mayo Civic Center Complex.