

**334.03 USURIOUS CONTRACTS INVALID; EXCEPTIONS.** All bonds, bills, notes, mortgages, and all other contracts and securities, and all deposits of goods, or any other thing, whereupon or whereby there shall be reserved, secured, or taken any greater sum or value for the loan or forbearance of any money, goods, or things in action than prescribed, except such instruments which are taken or received in accordance with and in reliance upon the provisions of any statute, shall be void except as to a holder in due course. No merely clerical error in the computation of interest, made without intent to avoid the provisions of this chapter, shall constitute usury. Interest at the rate of one-twelfth of eight percent for every 30 days shall not be construed to exceed eight percent per annum; nor shall the payment of interest in advance of one year, or any less time, at a rate not exceeding eight percent per annum constitute usury; and nothing herein shall prevent the purchase of negotiable mercantile paper, usurious or otherwise, for a valuable consideration, by a purchaser without notice, at any price before the maturity of the same, when there has been no intent to evade the provisions of this chapter, or where such purchase has not been a part of the original usurious transactions; but where the original holder of a usurious note sells the same to an innocent purchaser, the maker thereof, or his representatives, may recover back from the original holder the amount of principal and interest paid by him on the note. This section does not apply when the loan or forbearance is made by a lender and the lender is liable for the penalty provided in section 2 in connection with the loan or forbearance. For purposes of this section, the term "lender" means a bank or savings bank organized under the laws of this state, a federally chartered savings and loan association, a savings association organized under chapter 51A, a federally chartered credit union, a credit union organized under chapter 52, or a mortgagee or lender approved or certified by the secretary of housing and urban development or approved or certified by the administrator of veterans affairs.

**Sec. 5. EFFECTIVE DATE.** Sections 1 to 4 are effective the day following final enactment.

Approved April 23, 1980

---

**CHAPTER 607—H.F.No. 1121**

*An act relating to the operation and financing of state and local government; adopting certain federal income tax changes; allowing a subtraction of certain interest and dividend income; increasing the pension exclusion; adopting technical and conforming amendments to income tax and property tax refund provisions; providing an income tax credit for contributions to candidates for federal offices; providing a definition of "quadriplegic"; increasing low income credit amounts, eliminating indexing of that credit, and allowing it to be taken as an alternative tax; modifying provisions of the renewable energy source credit; authorizing deduction of certain interest; increasing the dependent care credit; allowing involuntary conversion treatment of divestitures*

Changes or additions indicated by underline deletions by ~~strikeout~~

required by the F.C.C.; authorizing a non-game wildlife income tax refund checkoff; providing for treatment of small business corporations; providing for taxation of mobile homes; increasing the state share of certain income maintenance payments; providing for taxation of airport concessions; eliminating certain property tax exemptions; adjusting property tax classifications and assessment ratios; increasing the homestead credit; allowing homestead of surviving spouse to retain 3cc classification; adjusting levy limitations; requiring study of agricultural land valuations; modifying the administration of the property tax refund; providing relief for substantial homestead net property tax increases in 1981; requiring state reimbursement of local taxing districts for reduced property tax revenue due to reduced assessment properties; providing certain state and local sales tax exemptions; authorizing certain carriers to be treated as common carriers; providing technical and conforming amendments to tax increment financing provisions; providing for adjustments to captured assessed values and original assessed values; authorizing assessment agreements; restricting use of proceeds of taconite production tax to the taconite relief area; providing for membership of IRRRB; altering source and distribution of certain payments related to taconite taxes; restating apportionment of imputed income under occupation tax provisions; adjusting maximum interest rates on industrial revenue bonds and municipal bonds; increasing limit on issues requiring public sales; eliminating minimum tax on corporations and specific exemption for corporations; providing for taxation of utility property on situs basis; adjusting computation of credit paid to owners of rights of way; restricting procedure for appeals of special assessments; requiring collection of certain debts owed to the state by taking tax refunds; increasing the metropolitan transit levy authorization; creating a joint commuter rail study commission; providing for a study of light rail transit; recodifying the laws governing the state board of investment; altering standards for the investment of state and pension assets; modifying public employee pension provisions and funding mechanisms; making certain changes in the Minneapolis employees retirement fund; authorizing contributions by corporations in relation to ballot questions; allowing deductions from state employees salaries for the Minnesota benefit association; restricting interest related to condemnation actions; providing for taxation of ethyl alcohol; reducing the excise tax on gasohol; authorizing heat-applied cigarette tax stamps; providing county option to impose gravel tax; authorizing licensure of farm wineries and providing for excise tax on wine produced on farm wineries; making reduction of excise tax on sparkling wines permanent; allowing local government to set mileage reimbursement rates; appropriating funds; providing penalties; amending Minnesota Statutes 1978, Sections 10.39, Subdivision 1; 10A.01, Subdivisions 7, 7a, 7b, 10, 10c, 15, 16, and by adding a subdivision; 10A.12, Subdivision 1; 10A.20, Subdivisions 3 and 6; 10A.32, Subdivision 3; 69.77, Subdivision 2, as amended; 69.775; 117.155; 124.212, Subdivisions 2 and 8a; 124.46, Subdivision 4; 167.42; 167.50, Subdivision 2; 168.012, Subdivision 9; 193.146, Subdivision 4; 210A.26, Subdivision 3, and by adding a subdivision; 210A.34, Subdivision 1, and by adding subdivisions; 272.01, Subdivision 2; 273.13, Subdivisions 3, 8a, 9, and 17b; 273.135, Subdivision 2; 273.19, Subdivision 1; 273.36; 273.37, Subdivision 2; 275.11, Subdivision 2; 275.28, Subdivision 3; 275.51, by adding a subdivision; 275.52, Subdivisions 2 and 5; 276.04; 290.01, by adding a subdivision; 290.06, Subdivision 1; 290.067, Subdivision 2; 290.08, Subdivision 24; 290.09, Subdivisions 2 and 28; 290.095, by adding a subdivision; 290.13, by adding a subdivision; 290.17, by adding a subdivision; 290.26, Subdivision 2; 290.49, Subdivision 10; 290.971, Subdivisions 1, 3 and 6; 290.972, Subdivisions 1, 3 and 5; 290A.04, by adding

Changes or additions indicated by underline deletions by ~~strikeout~~

a subdivision; 290A.06; 290A.11, by adding a subdivision; 290A.17; 290A.18; 290A.19; 296.01, by adding a subdivision; 296.02, by adding a subdivision; 296.14, by adding a subdivision; 297.03, Subdivision 6; 297A.01, Subdivision 4; 297A.211, Subdivision 1; 298.17; 298.22, Subdivision 2; 298.223; 298.28, Subdivision 1; 340.47, Subdivisions 1 and 1a; 352.115, Subdivision 8; 352.23; 352.75, Subdivision 3; 352B.26, Subdivision 3; 352D.04, Subdivision 2; 352D.05, Subdivisions 3 and 4; 353.657, Subdivision 3; 353.661, Subdivision 3; 375.192, Subdivision 1; 422A.02; 422A.03, Subdivisions 3 and 5; 422A.05, Subdivisions 1, 3 and 5, and by adding subdivisions; 422A.06, Subdivisions 1, 3, and 5; 429.061, Subdivisions 1 and 2; 429.081; 462.631, Subdivision 1; 471.665, Subdivision 3; 472A.02, by adding a subdivision; 474.06; 475.55; 475.60, Subdivision 2; 475.73, Subdivision 1; 490.123, Subdivision 1; 490.124, Subdivision 1; and Chapters 273; 290; 298; and 477A, by adding sections; and Minnesota Statutes, 1979 Supplement, Sections 15A.081, Subdivision 1; 43.064; 256.82; 256D.03, Subdivision 2; 256D.36, Subdivision 1; 272.02, Subdivision 1; 273.13, Subdivisions 4, 5a, 6, 7, 14a and 19; 273.42; 273.73, Subdivisions 7, 8, 10, 11 and 12; 273.74, Subdivision 3; 273.75, Subdivisions 1, 2, 5 and 6; 273.76, Subdivisions 1, 2, 3, and by adding subdivisions; 273.77; 273.78; 273.86, Subdivision 4; 275.125, Subdivision 9; 275.50, Subdivision 5; 275.51, Subdivision 3d; 290.01, Subdivision 20; 290.06, Subdivisions 11, 3c, 3d, 3f, and 14; 290.067, Subdivision 1; 290.081; 290.09, Subdivision 3; 290.091; 290.095, Subdivision 1; 290.14; 290.17, Subdivision 1; 290.37, Subdivision 1; 290A.03, Subdivision 3; 297A.25, Subdivision 1; 352D.02, Subdivision 1; 353.023; 422A.03, Subdivisions 1 and 2; 422A.08, Subdivision 2; 422A.09, Subdivision 3; 424A.02, by adding a subdivision; 424A.04; 471.665, Subdivision 1; 473.446, Subdivision 1; and 473F.08, Subdivision 6; and Laws 1979, Chapter 293, Section 10, Subdivision 1, and by adding a subdivision; and Chapter 303, Article II, Section 39; and repealing Minnesota Statutes 1978, Sections 11.01; 11.015; 11.04; 11.05; 11.06; 11.08; 11.10; 11.11; 11.115; 11.117, Subdivisions 1, 2, 3, 5 and 7; 11.12; 11.13; 11.14; 11.15; 11.16; 11.17; 11.18; 11.19; 11.20; 11.21; 11.22; 11.23; 11.24; 11.25; 11.26; 11.27; 11.28; 290.21, Subdivision 2; 290.971, Subdivision 5; 360.303; 422A.05, Subdivisions 2 and 4; 422A.07; 458.53; Minnesota Statutes, 1979 Supplement, Sections 11.117, Subdivisions 4 and 6; 11.118; 11.145; 273.122; 290.23, Subdivision 16; 340.47, Subdivision 1b; and Laws 1979, Chapter 293, Section 10, Subdivision 2.

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

**ARTICLE 1**  
**INCOME TAX**

Section 1. Minnesota Statutes, 1979 Supplement, Section 290.01, Subdivision 20, is amended to read:

Subd. 20. **GROSS INCOME.** Except as otherwise provided in this chapter, the term "gross income," as applied to corporations includes every kind of compensation for labor or personal services of every kind from any private or public employment, office, position or services; income derived from the ownership or use of property; gains or profits derived from every kind of disposition of, or every kind of dealing in, property; income derived from the transaction of any trade or business; and income derived from any source: except that gross income shall not include "exempt function income" of a "homeowners association" as those terms are defined in Section 528 of the Internal Revenue Code of 1954, as amended through December 31, 1979.

Changes or additions indicated by underline deletions by ~~strikeout~~

For each of the taxable years beginning after December 31, 1960 and prior to January 1, 1971, the term "gross income" in its application to individuals, estates, and trusts, shall mean the adjusted gross income as computed for federal income tax purposes as defined in the Internal Revenue Code of 1954, as amended through December 31, 1970 for the applicable taxable year, with the modifications specified in this section.

For each of the taxable years beginning after December 31, 1970, the term "gross income" in its application to individuals, estates, and trusts shall mean the adjusted gross income as computed for federal income tax purposes as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with the modifications specified in this section.

(i) The Internal Revenue Code of 1954, as amended through December 31, 1970, shall be in effect for taxable years beginning after December 31, 1970 and prior to January 1, 1973.

(ii) The Internal Revenue Code of 1954, as amended through December 31, 1972, shall be in effect for taxable years beginning after December 31, 1972.

(iii) The Internal Revenue Code of 1954, as amended through December 31, 1973, shall be in effect for taxable years beginning after December 31, 1973.

(iv) The Internal Revenue Code of 1954, as amended through December 31, 1974, shall be in effect for the taxable years beginning after December 31, 1974.

(v) The Internal Revenue Code of 1954, as amended through December 31, 1976, including the amendments made to section 280A (relating to licensed day care centers) in H.R. 3477 as it passed the Congress on May 16, 1977, shall be in effect for the taxable years beginning after December 31, 1976. The provisions of the Tax Reform Act of 1976, P.L. 94-455, which affect adjusted gross income shall become effective for purposes of this chapter at the same time they become effective for federal income tax purposes. Section 207 (relating to extension of period for nonrecognition of gain on sale or exchange of residence) and section 402 (relating to time for making contributions to pension plans of self employed people) of P.L. 94-12 shall be effective for taxable years beginning after December 31, 1974.

~~The amendments made to sections 219(c) (3) and 220(e) (4) (extending the time for which a taxpayer is deemed to have made a contribution to an individual retirement account for the taxable year) by section 157(a) of P.L. 95-600 shall be effective for taxable years beginning after December 31, 1977.~~

The provisions of section 4 of P.L. 95-458, and sections 131, 133, 134, 141, 152, 156, 157, and 405 of P.L. 95-600 (relating to pensions, individual retirement accounts, deferred compensation plans, and to the sale of a residence) shall be effective at the same time that these provisions became effective for federal income tax purposes.

Changes or additions indicated by underline deletions by ~~strikeout~~

(vi) The Internal Revenue Code of 1954, as amended through December 31, 1979, shall be in effect for taxable years beginning after December 31, 1979.

For taxable years beginning after December 31, 1980 and before January 1, 1983, the provisions of section 404 (relating to partial exclusions of dividends and interest received by individuals) of the Crude Oil Windfall Profit Tax Act of 1980, P.L. 96-223, shall apply.

References to the Internal Revenue Code of 1954 in clauses (a), (b) and (c) following shall mean the code in effect for the purpose of defining gross income for the applicable taxable year.

(a) Modifications increasing federal adjusted gross income. There shall be added to federal adjusted gross income:

(1) Interest income on obligations of any state other than Minnesota or a political subdivision of any ~~such~~ other state exempt from federal income taxes under the Internal Revenue Code of 1954;

(2) Interest income on obligations of any authority, commission, or instrumentality of the United States, which the laws of the United States exempt from federal income tax, but not from state income taxes;

(3) Income taxes imposed by this state or any other taxing jurisdiction, to the extent deductible in determining federal adjusted gross income and not credited against federal income tax;

(4) Interest on indebtedness incurred or continued to purchase or carry securities the income from which is exempt from tax under this chapter, to the extent deductible in determining federal adjusted gross income;

(5) Amounts received as reimbursement for an expense of sickness or injury which was deducted in a prior taxable year to the extent that the deduction for ~~such~~ the reimbursed expenditure resulted in a tax benefit;

(6) The amount of any federal income tax overpayment for any previous taxable year, received as refund or credited to another taxable year's income tax liability, proportionate to the percentage of federal income tax that was claimed as a deduction in determining Minnesota income tax for ~~such~~ the previous taxable year.

The overpayment refund or credit, determined with respect to a husband and wife on a joint federal income tax return for a previous taxable year, shall be reported on joint or separate Minnesota income tax returns. In the case of separate Minnesota returns, the overpayment shall be reported by each spouse proportionately according to the relative amounts of federal income tax claimed as a deduction on his or her separate Minnesota income tax return for such previous taxable year;

(7) In the case of a change of residence from Minnesota to another state or nation, the amount of moving expenses which exceed total reimbursements and which were therefore deducted in arriving at federal adjusted gross income;

Changes or additions indicated by underline deletions by ~~strikeout~~

(8) In the case of property disposed of on or after January 1, 1973, the amount of any increase in the taxpayer's federal tax liability under section 47 of the Internal Revenue Code of 1954, as amended through December 31, 1976, to the extent of the credit under section 38 of the Internal Revenue Code of 1954, as amended through December 31, 1976, that was previously allowed as a deduction either under section 290.01, subdivision 20 (b) (7) or under section 290.09, subdivision 24;

(9) Expenses and losses arising from a farm which are not allowable under section 290.09, subdivision 29;

(10) Expenses and depreciation attributable to substandard buildings disallowed by section 290.101;

(11) The amount by which the gain determined pursuant to section 41.59, subdivision 2 exceeds the amount of such gain included in federal adjusted gross income;

(12) To the extent deducted in computing the taxpayer's federal adjusted gross income for the taxable year, losses realized recognized upon a transfer of property to the spouse or former spouse of the taxpayer in exchange for the release of the spouse's marital rights;

(13) Interest income from qualified scholarship funding bonds as defined in section 103(e) of the Internal Revenue Code of 1954, as amended through December 31, 1976, if the nonprofit corporation is domiciled outside of Minnesota; and

(14) Exempt-interest dividends, as defined in section 852(b)(5)(A) of the Internal Revenue Code of 1954, as amended through December 31, 1976, not included in federal adjusted gross income pursuant to section 852(b)(5)(B) of the Internal Revenue Code of 1954, as amended through December 31, 1976, except for that portion of such exempt-interest dividends derived from interest income on obligations of the state of Minnesota, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities;

(15) The amount of any excluded gain realized recognized by a trust on the sale or exchange of property as defined in section 641(c)(1) of the Internal Revenue Code of 1954;

(16) An amount equal to one-sixth of any gain from the sale or other disposition of property deducted under sections 1202(a) and 1202(c)(1) of the Internal Revenue Code of 1954;

(17) To the extent not included in the taxpayer's federal adjusted gross income, the amount of any gain, from the sale or other disposition of property having a lower adjusted basis for Minnesota income tax purposes than for federal income tax purposes. This modification shall not exceed the difference in basis. If the gain is considered a long term capital gain for federal income tax purposes, the modification shall be limited to 50 percent of the portion of the gain. This

Changes or additions indicated by underline deletions by ~~strikeout~~

modification is limited to property that qualified for the energy credit contained in section 290.06, subdivision 14, and to property acquired in exchange for the release of the taxpayer's marital rights contained in section 290.14, clause (9); and

(18) The amount of any loss from a source outside of Minnesota which is not allowed under section 290.17 including any capital loss or net operating loss carryforwards or carrybacks resulting from the loss.

(b) Modifications reducing federal adjusted gross income. There shall be subtracted from federal adjusted gross income:

(1) Interest income on obligations of any authority, commission or instrumentality of the United States to the extent includible in gross income for federal income tax purposes but exempt from state income tax under the laws of the United States;

(2) The portion of any gain, from the sale or other disposition of property having a higher adjusted basis for Minnesota income tax purposes than for federal income tax purposes, that does not exceed such difference in basis; but if such gain is considered a long-term capital gain for federal income tax purposes, the modification shall be limited to 50 per centum of ~~such~~ the portion of the gain. This modification shall not be applicable if the difference in basis is due to disallowance of depreciation pursuant to section 290.101.

(3) Interest or dividend income on securities to the extent exempt from income tax under the laws of this state authorizing the issuance of ~~such~~ the securities but includible in gross income for federal income tax purposes;

(4) Losses, not otherwise reducing federal adjusted gross income assignable to Minnesota, arising from events or transactions which are assignable to Minnesota under the provisions of sections 290.17 to 290.20, including any capital loss or net operating loss carryforwards or carrybacks resulting from ~~such~~ the losses;

(5) If included in federal adjusted gross income, the amount of any credit received, whether received as a refund or credit to another taxable year's income tax liability, pursuant to chapter 290A, and the amount of any overpayment of income tax to Minnesota, or any other state, for any previous taxable year, whether ~~such~~ the amount is received as a refund or credited to another taxable year's income tax liability;

(6) To the extent included in federal adjusted gross income, or the amount reflected as the ordinary income portion of a lump sum distribution under section 402(e) of the Internal Revenue Code of 1954, notwithstanding any other law to the contrary, the amount received by any person (i) from the United States, its agencies or instrumentalities, the Federal Reserve Bank or from the state of Minnesota or any of its political or governmental subdivisions or from any other state or its political or governmental subdivisions, or a Minnesota volunteer firefighter's relief association, by way of payment as a pension, public employee retirement benefit, or any combination thereof, or (ii) as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 404, 405,

Changes or additions indicated by underline deletions by ~~strikeout~~

408, 409 or 409A of the Internal Revenue Code of 1954, as amended through ~~December 31, 1977~~. The maximum amount of this subtraction shall be ~~\$10,000~~ \$11,000 less the amount by which the individual's federal adjusted gross income, plus the ordinary income portion of a lump sum distribution as defined in section 402(e) of the Internal Revenue Code of 1954, exceeds \$17,000. In the case of a volunteer firefighter who receives an involuntary lump sum distribution of his pension or retirement benefits, the maximum amount of this subtraction shall be ~~\$10,000~~ \$11,000; this subtraction shall not be reduced by the amount of the individual's federal adjusted gross income in excess of \$17,000;

(7) *In the case of property acquired on or after January 1, 1973, the amount of any credit to the taxpayer's federal tax liability under section 38 of the Internal Revenue Code of 1954, as amended through December 31, 1976, but only to the extent that the credit is connected with or allocable against the production or receipt of income included in the measure of the tax imposed by this chapter;*

(8) *To the extent included in the taxpayer's federal adjusted gross income for the taxable year, gain ~~realized~~ recognized upon a transfer of property to the spouse or former spouse of the taxpayer in exchange for the release of the spouse's marital rights;*

(9) *The amount of any distribution from a qualified pension or profit sharing plan included in federal adjusted gross income in the year of receipt to the extent of any contribution not previously allowed as a deduction by reason of a change in federal law which was not adopted by Minnesota law for a taxable year beginning in 1974 or later;*

(10) *Interest, including payment adjustment to the extent that it is applied to interest, earned by the seller of the property on a family farm security loan executed after ~~December 31, 1977~~ and before January 1, 1982 that is guaranteed by the commissioner of agriculture as provided in sections 41.51 to 41.60;*

(11) *The amount of gain on the sale of the taxpayer's residence excluded from the federal gross income of the taxpayer pursuant to section 121 of the Internal Revenue Code of 1954, as amended through December 31, 1978 provided that a taxpayer who elects under that section shall not, for the purpose of this subdivision, also take an exclusion according to the provisions of section 121 of the Internal Revenue Code, as amended through December 31, 1976;*

(12) *The first \$3,000 of compensation for personal services in the armed forces of the United States or the United Nations, and the next \$2,000 of compensation for personal services in the armed forces of the United States or the United Nations wholly performed outside the state of Minnesota. This modification does not apply to compensation defined in clause (b)(6); and*

(13) *The amount of any income earned for personal services rendered outside of Minnesota prior to the date when the taxpayer became a resident of Minnesota. This modification does not apply to compensation defined in clause (b)(6);*



(13) In the case of wages or salaries paid or incurred on or after January 1, 1977, the amount of any credit for employment of certain new employees under sections 44B and 51 to 53 of the Internal Revenue Code of 1954 which is claimed as a credit against the taxpayer's federal tax liability, but only to the extent that the credit is connected with or allocable against the production or receipt of income included in the measure of the tax imposed by this chapter;

(14) In the case of work incentive program expenses paid or incurred on or after January 1, 1979, the amount of any credit for expenses of work incentive programs under sections 40, 50A and 50B of the Internal Revenue Code of 1954 which is claimed as a credit against the taxpayer's federal tax liability, but only to the extent that the credit is connected with or allocable against the production or receipt of income included in the measure of the tax imposed by this chapter;

(15) Unemployment compensation to the extent includible in gross income for federal income tax purposes under section 85 of the Internal Revenue Code of 1954;

(16) To the extent included in federal adjusted gross income, severance pay that may be treated as a lump sum distribution under the provisions of section 290.032, subdivision 5;

(17) The amount of any income or gain which is not assignable to Minnesota under the provisions of section 290.17; and

(18) Minnesota exempt-interest dividends as provided by section 2.

(c) Modifications affecting shareholders of electing small business corporations under section 1372 of the Internal Revenue Code of 1954, or section 290.972 of this chapter.

(1) Shareholders in a small business corporation, which has elected to be so taxed under the Internal Revenue Code of 1954, but has not made an election under section 290.972 of this chapter, shall deduct from federal adjusted gross income the amount of any imputed income from ~~such~~ the corporation and shall add to federal adjusted gross income the amount of any loss claimed as a result of ~~such~~ stock ownership. Also there shall be added to federal adjusted gross income the amount of any distributions in cash or property made by said corporation to its shareholders during the taxable year.

(2) In cases where the small business corporation has made an election under section 1372 of the Internal Revenue Code of 1954, but has not elected under section 290.972 of this chapter and ~~said~~ the corporation is liquidated or the individual shareholder disposes of ~~his~~ the stock and there is no capital loss reflected in federal adjusted gross income because of the fact that corporate losses have exhausted the shareholders basis for federal purposes, ~~such~~ the shareholders shall be entitled, nevertheless, to a capital loss commensurate to their Minnesota basis for the stock.

(3) In cases where the election under section 1372 of the Internal Revenue Code of 1954 antedates the election under section 290.972 of this chapter and at

Changes or additions indicated by underline deletions by ~~strikeout~~

the close of the taxable year immediately preceding the effective election under section 290.972 the corporation has a reserve of undistributed taxable income previously taxed to shareholders under the provisions of the Internal Revenue Code of 1954, in the event and to the extent that ~~such~~ the reserve is distributed to shareholders ~~such~~ the distribution shall be taxed as a dividend for purposes of this act.

Items of gross income includible within these definitions shall be deemed ~~such~~ regardless of the form in which received. Items of gross income shall be included in gross income of the taxable year in which received by a taxpayer unless properly to be accounted for as of a different taxable year under methods of accounting permitted by section 290.07, except that (1) amounts transferred from a reserve or other account, if in effect transfers to surplus, shall, to the extent that ~~such~~ the amounts were accumulated through deductions from gross income or entered into the computation of taxable net income during any taxable year, be treated as gross income for the year in which the transfer occurs, but only to the extent that ~~such~~ the amounts resulted in a reduction of the tax imposed by this act, and (2) amounts received as refunds on account of taxes deducted from gross income during any taxable year shall be treated as gross income for the year in which actually received, but only to the extent that such amounts resulted in a reduction of the tax imposed by this act.

(d) Modification in computing taxable income of the estate of a decedent. Amounts allowable under section 291.07, subdivision 1(2) in computing Minnesota inheritance tax liability shall not be allowed as a deduction in computing the taxable income of the estate unless there is filed within the time and in the manner and form prescribed by the commissioner a statement that the amounts have not been allowed as a deduction under section 291.07 and a waiver of the right to have ~~such~~ the amounts allowed at any time as deductions under section 291.07. The provisions of this paragraph shall not apply with respect to deductions allowed under section 290.077 (relating to income in respect of decedents). *In the event that the election made for federal tax purposes under section 642(g) of the Internal Revenue Code of 1954 differs from the election made under this paragraph appropriate modification of the estate's federal taxable income shall be made to implement the election made under this paragraph in accordance with regulations prescribed by the commissioner.*

Sec. 2. Minnesota Statutes 1978. Section 290.01, is amended by adding a subdivision to read:

Subd. 27. MINNESOTA EXEMPT-INTEREST DIVIDENDS. If, at the close of each quarter of its taxable year, at least 50 percent of the value (as defined in section 851(c)(4) of the Internal Revenue Code of 1954 as amended through December 31, 1979) of the total assets of a regulated investment company (as defined and limited by section 851 of the Internal Revenue Code of 1954 as amended through December 31, 1979 and to which sections 851 to 855 of the Code apply for the taxable year) consists of obligations described in subdivision 20, clause (b)(1), or section 290.08, subdivision 8, determined without regard to section 290.08, subdivision 13, the company shall be qualified to pay Minnesota exempt-interest dividends, as defined herein, to its shareholders.

Changes or additions indicated by underline deletions by ~~strikeout~~

(A) A Minnesota exempt-interest dividend means any dividend or part thereof (other than a capital gain dividend as defined in subdivision 21, clause (5) or an exempt-interest dividend as defined in section 852(b)(5)(A) of the Internal Revenue Code of 1954, as amended through December 31, 1979) paid by a regulated investment company and designated by it as a Minnesota exempt-interest dividend in a written notice mailed to its shareholders not later than 45 days after the close of its taxable year. If the aggregate amount so designated with respect to a taxable year of the company, including Minnesota exempt-interest dividends paid after the close of the taxable year as described in section 290.21, subdivision 6, is greater than the excess of—

(i) The amount of interest that would be excludable from gross income under section 290.08, subdivision 8 determined without regard to section 290.08, subdivision 13, if the company were subject to chapter 290, whether or not the company is subject to chapter 290, over

(ii) The amounts that would be disallowed as deductions under section 290.09, subdivisions 3(b) and 13, if the company were subject to chapter 290, whether or not the company is subject to chapter 290, as a result of the company's ownership of obligations described in section 290.08, subdivision 8, determined without regard to section 290.08, subdivision 13,

the portion of such distribution which shall constitute a Minnesota exempt-interest dividend shall be only that proportion of the amount so designated as the amount of the excess for the taxable year bears to the amount so designated.

(B) A Minnesota exempt-interest dividend shall be treated by the shareholders for all purposes of chapter 290 as an item of interest excludable from gross income under subdivision 20, clause (b)(1), and section 290.08, subdivision 8, subject to section 290.08, subdivision 13. Such purposes include but are not limited to—

(i) The determination of gross income and taxable income,

(ii) The determination of distributable net income under section 290.23,

(iii) The allowance of, or calculation of the amount of, any credit or deduction, and

(iv) The determination of the basis in the hands of any shareholder of any share of stock of the company.

Sec. 3. Minnesota Statutes, 1979 Supplement, Section 290.06, Subdivision 11, is amended to read:

Subd. 11. **CONTRIBUTIONS TO POLITICAL PARTIES AND CANDIDATES.** In lieu of the credit against taxable net income provided by section 290.21, subdivision 3, clause (e), a taxpayer may take a credit against the tax due under this chapter of 50 percent ~~but not more than \$50~~ of his contributions to a ~~political party and candidate.~~ candidates for elective state or federal public office and to any political party. The maximum credit for an individual shall not exceed \$50 and, for a married couple, filing jointly, may take a similar credit of shall not

Changes or additions indicated by underline deletions by ~~strikeout~~

more than exceed \$100. No credit shall be allowed under this subdivision for a contribution to any candidate, other than a candidate for elective judicial office or federal office, who has not signed an agreement to limit his campaign expenditures as provided in section 10A.32, subdivision 3b. ~~The commissioner of revenue shall provide in the tax instruction booklet language understandable to a person of average intelligence which states that the taxpayer may only claim a credit against his tax due for contributions to candidates for (a) judicial office or (b) statewide or legislative office who have agreed to limit their expenditures. For purposes of this subdivision, "candidate" means a candidate as defined in section 10A.01, subdivision 5 other than a county court, probate court or county municipal court judgeship. The department of revenue shall provide on the first page of the Minnesota tax form an appropriate provision for the credit provided by this subdivision. For purposes of this subdivision, a political party means a major political party as defined by section 10A.01, subdivision 12.~~

This credit shall be allowed only if the contribution is verified in the manner the commissioner of revenue shall prescribe.

Sec. 4. Minnesota Statutes, 1979 Supplement, Section 290.06, Subdivision 3c, is amended to read:

Subd. 3c. **CREDITS AGAINST TAX.** Notwithstanding the provisions of subdivision 3a for taxable years which begin after December 31, 1978 and before January 1, 1980, the taxes due under the computation in accordance with section 290.06 shall be credited with the following amounts:

(1) In the case of an unmarried individual and in the case of the estate of a decedent, \$55, and in the case of a trust, \$5;

(2) In the case of a married individual, living with a spouse, \$110. If the spouses file separate, combined or joint returns the personal credits may be taken by either or divided between them;

(3) In the case of an individual, \$55 for each person (other than a spouse) dependent upon and receiving his chief support from the taxpayer. One taxpayer only shall be allowed this credit with respect to any given dependent. A payment to a divorced or separated spouse, other than a payment for support of minor children under a temporary order or final decree of dissolution or legal separation, shall not be considered a payment by the other spouse for the support of any dependent.

(4) (a) In the case of an unmarried individual who has attained the age of 65 before the close of his taxable year, an additional \$55;

(b) In the case of an unmarried individual who is blind at the close of the taxable year, an additional \$55;

(c) In the case of a married individual, living with a spouse, an additional \$55 for each spouse who has attained the age of 65 before the close of the individual's taxable year, and an additional \$55 for each spouse who is blind at the close of the individual's taxable year. If such husband and wife make sepa-

rate, combined or joint returns, these credits may be taken by either or divided between them;

(d) In the case of an individual, another \$55 for each person, other than a spouse, who is blind and dependent upon and receiving his chief support from the taxpayer;

(e) For the purposes of sub-paragraphs (b), (c) and (d) of paragraph (4), an individual is blind if his central visual acuity does not exceed 20/200 in the better eye with correcting lenses, or if his visual acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees.

(f) In the case of an unmarried individual who is deaf at the close of the taxable year, an additional \$55.

(g) In the case of a married individual, an additional \$55 for each spouse who is deaf at the close of the taxable year. If the spouses file separate, combined or joint returns, these credits may be taken by either or divided between them.

(h) In the case of an individual, an additional \$55 for each person (other than a spouse) who is deaf and dependent upon and receiving his chief support from the taxpayer.

(i) For the purposes of subparagraphs (f), (g) and (h) of paragraph (4), an individual is deaf if the average loss in the speech frequencies (500-2000 Hertz) in the better ear, unaided, is 92 decibels, American National Standards Institute, or worse.

(5) (a) In the case of an unmarried individual who is a quadriplegic at the close of the taxable year, an additional \$55;

(b) In the case of a married individual, living with a spouse, an additional \$55 for each spouse who is a quadriplegic at the close of the taxable year. If the spouses file separate, combined or joint returns, these credits may be taken by either or divided between them ; and

(c) In the case of an individual, another \$55 for each person, other than a spouse, who is quadriplegic and dependent upon and receiving his chief support from the taxpayer ~~and who is a quadriplegic at the close of the taxable year and~~

(d) For the purposes of subparagraphs (a), (b) and (c) of paragraph (5), "quadriplegic" means an individual who has a congenital or traumatic partial or total loss of all four limbs or who has a disability that substantially impairs the functioning of all four limbs.

(6) In the case of an insurance company, it shall receive a credit on the tax computed as above equal in amount to any taxes based on premiums paid by it during the period for which the tax under Extra Session Laws 1967, Chapter 32, is imposed by virtue of any law of this state, other than the surcharge on premiums imposed by Extra Session Laws 1933, Chapter 53, as amended;

(7) In the case of a non-resident individual, credits under paragraphs 1, 2, 3, 4 and 5 shall be apportioned in the proportion of the gross income from sources in Minnesota to the gross income from all sources, and in any event a minimum credit of \$5 shall be allowed.

Sec. 5. Minnesota Statutes, 1979 Supplement, Section 290.06, Subdivision 3d. is amended to read:

Subd. 3d. **LOW INCOME ALTERNATIVE TAX.** ~~The taxes due as computed in accordance with section 290.06, subdivisions 2c, 3c, and 3e shall be credited with the following amounts~~ A claimant as defined in 290.012 may pay a tax computed under this subdivision in lieu of the tax computed under sections 290.06, subdivisions 2c, 3c, 3f, 9, 9a, 11, 14 and 290.081 without the provisions of section 290.012 and this subdivision :

(1) For taxable years beginning after December 31, 1978: ~~A credit equal to his tax liability in the case of 1979, the alternative tax shall be zero for the following claimants :~~

- (a) An unmarried claimant with an income of ~~\$5,500~~ \$5,800 or less;
- (b) A claimant with one dependent, with an income of ~~\$7,000~~ \$7,400 or less;
- (c) A claimant with two dependents, with an income of ~~\$8,000~~ \$8,800 or less;
- (d) A claimant with three dependents, with an income of ~~\$8,900~~ \$10,000 or less;
- (e) A claimant with four dependents, with an income of ~~\$9,600~~ \$10,500 or less; and
- (f) A claimant with five or more dependents, with an income of ~~\$10,000~~ \$11,000 or less.

(2) In the case of a claimant with an income in excess of that set forth in the appropriate category of clause (1), he may pay a tax equal to 15 percent of that portion of his income that is in excess of the amount set forth in the appropriate category of clause (1), or his tax obligation as it would have been in the absence of section 290.012 and this subdivision, whichever is less.

(3) The total income of the claimant and his spouse, if any, shall be the figure employed for the purposes of this subdivision. No individual dependent upon and receiving his chief support from any other individual may be a claimant under section 290.012 and this subdivision. The commissioner of revenue shall prescribe the additional forms or alterations in existing forms as necessary to comply with the provisions of section 290.012 and this subdivision. All claimants shall submit their returns on these forms.

The commissioner of revenue shall provide alternative tax tables which will include these credits.

Changes or additions indicated by underline deletions by ~~strikeout~~

(4) For taxable years beginning after December 31, 1980, the commissioner of revenue shall determine and announce by October 1 of 1981 and each subsequent year, the percentage increase from August, 1980 to, in 1981, August, 1981, and, in subsequent years, from August of the preceding year to August of the current year in the revised all urban consumer price index for the Minneapolis-St. Paul metropolitan area prepared by the United States department of labor with 1967 as a base year. Each year, the income exclusion amounts contained in clause (1) shall be increased by the determined percentage, rounded to the nearest dollar to produce the inflation adjusted exclusion amounts for the taxable year.

Sec. 6. Minnesota Statutes, 1979 Supplement, Section 290.06, Subdivision 3f, is amended to read:

Subd. 3f. CREDITS AGAINST TAX. Notwithstanding the provisions of subdivision 3a, and subject to the provisions of subdivision 3g for taxable years which begin after December 31, 1979, the taxes due under the computation in accordance with this section shall be credited with the following amounts:

(1) In the case of an unmarried individual and in the case of the estate of a decedent, \$60, and in the case of a trust, \$5;

(2) In the case of a married individual, living with a spouse, \$120. If the spouses file separate, combined or joint returns the personal credits may be taken by either or divided between them;

(3) In the case of an individual, \$60 for each person (other than a spouse) dependent upon and receiving his chief support from the taxpayer. One taxpayer only shall be allowed this credit with respect to any given dependent. A payment to a divorced or separated spouse, other than a payment for support of minor children under a temporary order or final decree of dissolution or legal separation, shall not be considered a payment by the other spouse for the support of any dependent.

(4) (a) In the case of an unmarried individual who has attained the age of 65 before the close of his taxable year, an additional \$60;

(b) In the case of an unmarried individual who is blind at the close of the taxable year, an additional \$60;

(c) In the case of a married individual, living with a spouse, an additional \$60 for each spouse who has attained the age of 65 before the close of the individual's taxable year, and an additional \$60 for each spouse who is blind at the close of the individual's taxable year. If the spouses file separate, combined or joint returns, these credits may be taken by either or divided between them;

(d) In the case of an individual, another \$60 for each person, other than a spouse, who is blind and dependent upon and receiving his chief support from the taxpayer;

(e) For the purposes of sub-paragraphs (b), (c) and (d) of paragraph (4), an individual is blind if his central visual acuity does not exceed 20/200 in the

better eye with correcting lenses, or if his visual acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees.

(f) In the case of an unmarried individual who is deaf at the close of the taxable year, an additional \$60.

(g) In the case of a married individual, an additional \$60 for each spouse who is deaf at the close of the taxable year. If the spouses file separate, combined or joint returns, these credits may be taken by either or divided between them.

(h) In the case of an individual, an additional \$60 for each person (other than a spouse) who is deaf and dependent upon and receiving his chief support from the taxpayer.

(i) For the purposes of subparagraphs (f), (g) and (h) of paragraph (4), an individual is deaf if the average loss in the speech frequencies (500-2000 Hertz) in the better ear, unaided, is 92 decibels, American National Standards Institute, or worse.

(5) (a) *In the case of an unmarried individual who is a quadriplegic at the close of the taxable year, an additional \$60;*

(b) *In the case of a married individual, living with a spouse, an additional \$60 for each spouse who is a quadriplegic at the close of the taxable year. If the spouses file separate, combined or joint returns, these credits may be taken by either or divided between them ; and*

(c) *In the case of an individual, another \$60 for each person, other than a spouse, who is quadriplegic and dependent upon and receiving his chief support from the taxpayer, ~~and who is a quadriplegic at the close of the taxable year;~~ and*

(d) *For the purposes of subparagraphs (a), (b) and (c) of paragraph 5, "quadriplegic" means an individual who has a congenital or traumatic partial or total loss of all four limbs or who has a disability that substantially impairs the functioning of all four limbs.*

(6) In the case of an insurance company, it shall receive a credit on the tax computed as above equal in amount to any taxes based on premiums paid by it during the period for which the tax under Extra Session Laws 1967, Chapter 32, is imposed by virtue of any law of this state, other than the surcharge on premiums imposed by Extra Session Laws 1933, Chapter 53, as amended.

(7) In the case of a non-resident individual, credits under paragraphs 1, 2, 3, 4 and 5 shall be apportioned in the proportion of the gross income from sources in Minnesota to the gross income from all sources, and in any event a minimum credit of \$5 shall be allowed.

Sec. 7. Minnesota Statutes, 1979 Supplement, Section 290.06, Subdivision 14, is amended to read:

Changes or additions indicated by underline deletions by ~~strikeout~~



Subd. 14. **RESIDENTIAL ENERGY CREDIT.** A credit of 20 percent of the first \$10,000 of renewable energy source expenditures, including the expenditures described in clauses (a), (b) and (d) if made by an individual taxpayer on a Minnesota building of six dwelling units or less and expenditures for biomass conversion equipment described in clause (c), may be deducted from the tax due under this chapter for the taxable year in which the expenditures were made. For purposes of this subdivision, the term "building" shall include a condominium or townhouse used by the taxpayer as a residence. In the case of qualifying expenditures incurred in connection with a building under construction by a contractor, the credit shall be deducted from the tax liability of the first individual to purchase the building for use as a principal residence or for residential rental purposes; the contractor shall not be eligible for the credit given pursuant to this subdivision for that expenditure.

A "renewable energy source expenditure" which qualifies shall include:

(a) Expenditures which qualify for the federal renewable energy source credit, pursuant to Section 44C of the Internal Revenue Code of 1954, as amended through December 31, 1978, and any regulations promulgated pursuant thereto, provided that, after December 31, 1980, any solar collector included in the claimed expenditure is certified by the energy agency. A solar collector is a device designed to absorb incident solar radiation, convert it to thermal energy, and transfer the thermal energy to a fluid passing through or in contact with the device. "Solar collector" shall not include passive solar energy systems as defined in clause (d);

(b) Expenditures for earth sheltered dwelling units. For purposes of this credit, an "earth sheltered dwelling unit" shall mean a structure which complies with applicable building standards and which is constructed so that:

(1) 80 percent or more of the ~~wall~~ roof area is covered with a minimum depth of 12 inches of earth; and

(2) 50 percent or more of the wall area is covered with a minimum depth of 12 inches of earth; and

(3) Those portions of the structure not insulated with a minimum of seven feet of earth shall have additional insulation;

(c) Expenditures for biomass conversion equipment located in Minnesota which produces ethanol, methane or methanol for use as a gaseous or as a liquid fuel which is not offered for sale; and

(d) Expenditures for passive solar energy systems. For purposes of this credit, a "passive solar energy system" is defined to include systems which utilize elements of the building and its operable components to heat or cool a building unit with the sun's energy by means of conduction, convection, radiation, or evaporation. A passive system shall include:

(1) Collection aperture, including glazing installed in south facing walls and roofs; and

Changes or additions indicated by underline deletions by ~~strikeout~~

(2) Storage element, including thermal mass in the form of water, masonry, rock, concrete, or other mediums which is designed to store heat collected from solar radiation.

A passive system may include:

(1) Control and distribution element, including fans, louvers, and air ducts; and/or

(2) Retention element, including movable insulation used to minimize heat loss caused by nocturnal radiation through areas used for direct solar heat gain during daylight hours.

Eligible passive expenditures shall be for equipment, materials or devices that are an integral part of the components listed above and essential to the functioning of a passive design which qualifies pursuant to rules promulgated by the commissioner of revenue in cooperation with the director of the energy agency. Expenditures for equipment, materials, or devices which are a part of the normal heating, cooling, or insulation system of a building are not eligible for the credit.

If a credit was allowed to a taxpayer under this subdivision for any prior taxable year, the dollar amount of the maximum expenditure for which a taxpayer may qualify for a credit under this subdivision in subsequent years shall be \$10,000 reduced by the amount of expenditures which a credit was claimed pursuant to this subdivision in prior years. A taxpayer shall never be allowed to claim more than \$10,000 of expenditures during the duration of the renewable energy credit.

The credit provided in this subdivision shall not be allowed in a taxable year if the amount of the credit would be less than \$10.

If the credit allowable under this subdivision exceeds the amount of tax due in a taxable year, the excess credit shall not be refunded but may be carried forward to the succeeding taxable year and added to the credit allowable for that year. No amount may be carried forward to a taxable year beginning after December 31, 1984.

A shareholder in a family farm corporation and each partner in a partnership operating a family farm shall be eligible for the credit provided by this subdivision in the same manner and to the same extent allowed a joint owner of property under ~~clause (a)~~ section 44C (d) of the Internal Revenue Code of 1954, as amended through December 31, 1979. "Family farm corporation" and "family farm" have the meanings given in section 500.24.

The credit provided in this subdivision is subject to the provisions of Section 44C, (c) (7), (d) (1) to (3), and (e), of the Internal Revenue Code of 1954, as amended through December 31, 1978, and any regulations promulgated pursuant thereto.

The commissioner of revenue in cooperation with the director of the energy agency shall promulgate rules establishing additional qualifications and definitions for the credits provided in ~~clauses (a) to (d)~~ this subdivision.

Changes or additions indicated by underline deletions by ~~strikeout~~

Notwithstanding section 290.61, the commissioner of revenue may request the energy agency to assist in the review and auditing of the information furnished by the taxpayer for purposes of claiming this credit. The provisions of section 290.61 shall apply to employees of the energy agency who receive information furnished by a taxpayer for purposes of claiming this credit.

The director of the energy agency shall promulgate rules establishing the criteria for certification of solar collectors as required by clause (a). The criteria shall:

(1) Specify the testing procedures to be used in the evaluation of solar collectors;

(2) Establish minimum levels of collector quality for safety;

(3) Provide a means to determine the maintainability and structural integrity of solar collectors;

(4) Establish a system for evaluating and rating the thermal performance of solar collectors;

(5) Specify the procedures to follow to obtain certification of a solar collector;

(6) Conform to the maximum extent practicable to the solar collector certification requirements of other states which have adopted certification procedures; and

(7) Allow for individual variation so as not to hamper the development of innovative solar collectors.

The director of the energy agency may promulgate temporary rules pursuant to section 15.0412, subdivision 5 to establish this certification procedure.

This subdivision is effective for expenditures made during taxable years beginning after December 31, 1978 and before January 1, 1983.

Sec. 8. Minnesota Statutes 1978, Section 290.08, Subdivision 24, is amended to read:

Subd. 24. **FAMILY FARM SECURITY LOAN INTEREST.** Gross income shall not include interest, including payment adjustment to the extent that it is applied to interest, earned by the seller of property on a family farm security loan executed after ~~December 31, 1977~~ and before January 1, 1982 that is guaranteed by the commissioner of agriculture as provided in sections 41.51 to 41.60.

Sec. 9. Minnesota Statutes, 1979 Supplement, Section 290.081, is amended to read:

290.081 **INCOME OF NONRESIDENTS, RECIPROCITY.** (a) The compensation received for the performance of personal or professional services within this state by an individual who resides and has his place of abode and place to which he customarily returns at least once a month in another state, shall be

Changes or additions indicated by underline deletions by ~~strikeout~~

excluded from gross income to the extent such compensation is subject to an income tax imposed by the state of his residence; provided that such state allows a similar exclusion of compensation received by residents of Minnesota for services performed therein, or

(b) Whenever a nonresident taxpayer has become liable for income taxes to the state where he resides upon his net income for the taxable year derived from the performance of personal or professional services within this state and subject to taxation under this chapter, there shall be allowed as a credit against the amount of income tax payable by him under this chapter, such proportion of the tax so paid by him to the state where he resides as his gross income subject to taxation under this chapter bears to his entire gross income upon which the tax so paid to such other state was imposed; provided, that such credit shall be allowed only if the laws of such state grant a substantially similar credit to residents of this state subject to income tax under such laws, or

(c) If any taxpayer who is a resident of this state, or a domestic corporation or corporation commercially domiciled therein, has become liable for taxes on or measured by net income to another state or a province or territory of Canada upon, if the taxpayer is an individual or a resident estate or resident trust, any income, or if it is a corporation, upon income derived from the performance of personal or professional services within such other state or province or territory of Canada and subject to taxation under this chapter he or it shall be entitled to a credit against the amount of taxes payable under this chapter, of such proportion thereof, as such gross income subject to taxation in such state or province or territory of Canada bears to his entire gross income subject to taxation under this chapter; provided (1) that such credit shall in no event exceed the amount of tax so paid to such other state or province or territory of Canada on the gross income earned within such other state or province or territory of Canada and subject to taxation under this chapter, and (2) that such credit shall not be allowed if such other state or province or territory of Canada allows residents of this state a credit against the taxes imposed by such state or province or territory of Canada for taxes payable under this chapter substantially similar to the credit provided for by paragraph (b) of this section, and (3) the allowance of such credit shall not operate to reduce the taxes payable under this chapter to an amount less than would have been payable if the gross income earned in such other state or province or territory of Canada had been excluded in computing net income under this chapter.

(d) The commissioner shall by regulation determine with respect to gross income earned in any other state the applicable clause of this section. When it is deemed to be in the best interests of the people of this state, the commissioner may determine that the provisions of clause (a) shall not apply.

(e) "Tax So Paid" as used in this section means taxes on or measured by net income payable to another state or province or territory of Canada on income earned within the taxable year for which the credit is claimed, provided that such tax is actually paid in that taxable year, or subsequent taxable years.

(f) For the purposes of clause (a), whenever the Wisconsin tax on Minnesota residents which would have been paid Wisconsin without clause (a) exceeds the Minnesota tax on Wisconsin residents which would have been paid Minnesota without clause (a), or vice versa, then the state with the net revenue loss resulting from clause (a) shall receive from the other state the amount of such loss. This provision shall be effective for all years beginning after December 31, 1972. The data used for computing the loss to either state shall be determined on or before September 30 of the year following the close of the previous calendar year.

Interest shall be payable on all delinquent balances relating to taxable years beginning after December 31, 1977. The commissioner of revenue is authorized to enter into agreements with the state of Wisconsin specifying the reciprocity payment due date, conditions constituting delinquency, interest rates, and a method for computing interest due on any delinquent amounts.

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

Notwithstanding the provisions of section 290.61, the commissioner may furnish copies of returns, reports, or other information to the taxing official of the state of Wisconsin, a member of the board of arbitration, or a consultant under joint contract with the states of Minnesota and Wisconsin for the purpose of making a determination as to the amount to be paid the other state under the provisions of this section. Prior to the release of any information under the provisions of this section, the person to whom the information is to be released shall sign an agreement which provides that he will protect the confidentiality of the returns and information revealed thereby to the extent that it is protected under the laws of the state of Minnesota.

Sec. 10. Minnesota Statutes 1978, Section 290.09, Subdivision 2, is amended to read:

**Subd. 2. TRADE OR BUSINESS EXPENSES; EXPENSES FOR PRODUCTION OF INCOME.** (a) In General. There shall be allowed as a deduction all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including

(1) A reasonable allowance for salaries or other compensation for personal services actually rendered;

(2) Traveling expenses (including the entire amount expended for meals and lodging) while away from home in the pursuit of a trade or business; and

Changes or additions indicated by underline deletions by ~~strikeout~~

(3) Rentals or other payments required to be made as a condition to the continued use or possession, for purposes of the trade or business, of property to which the taxpayer has not taken or is not taking title or in which he has no equity. For purposes of the preceding sentence, the place of residence of a member of congress within the state shall be considered his home, but amounts expended by such members within each taxable year for living expenses shall not be deductible for income tax purposes in excess of \$3,000.

(b) Expenses for Production of Income. In the case of an individual, there shall be allowed as a deduction all the ordinary and necessary expenses paid or incurred during the taxable year.

(1) For the production or collection of income;

(2) For the management, conservation, or maintenance of property held for the production of income; or

(3) In connection with the determination, collection, or refund of any tax.

(c) Campaign expenditures in an amount not to exceed the limits set out in section 210A.22, not subsequently reimbursed, which have been personally paid by a candidate for public office if the candidate has complied with the expenditure limitations set out in section 210A.22:

(No deduction shall be allowed under this clause for any contribution or gift which would be allowable as a credit under section 290.21 were it not for the percentage limitations set forth in such section);

(d) All expense money paid by the legislature to legislators;

(e) The provisions of section 280A (disallowing certain expenses in connection with the business use of the home and rental of vacation homes) of the Internal Revenue Code of 1954, as amended through December 31, ~~1976~~ 1979, shall be applicable in determining the availability of any deduction under this subdivision.

(f) Entertainment, amusement, or recreation expenses shall be allowed under this subdivision only to the extent that they qualify as a deduction under section 274 of the Internal Revenue Code of 1954, as amended through December 31, 1979.

Sec. 11. Minnesota Statutes, 1979 Supplement, Section 290.067, Subdivision 1, is amended to read:

290.067 **DEPENDENT CARE CREDIT.** Subdivision 1. **AMOUNT OF CREDIT.** A taxpayer may take as a credit against the tax due from him and his spouse, if any, under this chapter an amount equal to ~~50 percent~~ of the dependent care credit for which he is eligible pursuant to the provisions of section 44A of the Internal Revenue Code of 1954, as amended through December 31, ~~1978~~ 1979, subject to the limitations provided in subdivision 2.

Sec 12. Minnesota Statutes 1978, Section 290.067, Subdivision 2, is amended to read:

Subd. 2. **LIMITATIONS.** The credit for expenses incurred for the care of each dependent shall not exceed ~~\$150~~ \$400 in any taxable year, and the total credit for all dependents of a claimant shall not exceed ~~\$300~~ \$800 in a taxable year. The total credit shall be reduced by five percent of the amount by which the combined federal adjusted gross income of the claimant and his spouse, if any, exceeds ~~\$12,000~~ \$15,000. A married claimant shall file his income tax return for the year for which he claims the credit either jointly or separately on one form with his spouse. In the case of a married claimant only one spouse may claim the credit. No expense for which a medical expense deduction is claimed pursuant to section 290.09, subdivision 10, shall be claimed as a dependent care expense.

Sec. 13. Minnesota Statutes, 1979 Supplement, Section 290.09, Subdivision 3, is amended to read:

Subd. 3. **INTEREST.** (a) All interest paid or accrued within the taxable year on indebtedness, except as hereinafter provided.

(b) Interest paid or accrued within the taxable year on indebtedness incurred or continued to purchase or carry obligations or securities the income from which is excludable from gross income under section 290.08, or shares of a regulated investment company which during the taxable year of the holder thereof distributes Minnesota exempt-interest dividends as defined in section 2, or on indebtedness incurred or continued in connection with the purchasing or carrying of a single premium life insurance, annuity, or endowment contract, shall not be allowed as a deduction. (For purposes of this paragraph, a contract shall be treated as a single premium contract if substantially all the premiums on the contract are paid within a period of four years from the date on which the contract is purchased, or if an amount is deposited after January 1, 1955 with the insurer for payment of a substantial number of future premiums on the contract.)

(c) If personal property or educational services are purchased under a contract which provides that payment of part or all of the purchase price is to be made in installments, and in which carrying charges are separately stated but the interest charge cannot be ascertained, then the payments made during the taxable year under the contract shall be treated for purposes of this paragraph as if they included interest equal to six percent of the average unpaid balance under the contract during the taxable year, and such interest shall be allowed as a deduction. For purposes of the preceding sentence, the average unpaid balance is the sum of the unpaid balance outstanding on the first day of each month beginning during the taxable year, divided by 12. In the case of any contract to which this paragraph applies, the amount treated as interest for any taxable year shall not exceed the aggregate carrying charges which are properly attributable to such taxable year.

For purposes of this subdivision the term "educational services" means any service including lodging which is purchased from an educational institution (as defined in section 151(e) (4) of the Internal Revenue Code of 1954, as amended

through December 31, 1976) and which is provided for a student of such institution.

(d) A cash basis taxpayer may elect to deduct interest as it accrues on a reverse mortgage loan as defined in section 47.58, subdivision 1, rather than when it is actually paid. This election must be made, if at all, in the first taxable year in which it is available to the cash basis taxpayer and, if made, shall be binding on the taxpayer for each subsequent taxable year until maturity of the loan.

Sec. 14. Minnesota Statutes 1978, Section 290.09, Subdivision 28, is amended to read:

Subd. 28. **REAL ESTATE INVESTMENT TRUSTS; DEDUCTIBLE DIVIDENDS.** A "real estate investment trust," as defined in section 856 of the Internal Revenue Code of 1954, as amended through December 31, 1976 1979, and to which sections 856 to 858 860 of the Code apply for the taxable year, may deduct its dividends paid to the extent permitted by section 857(b) (2) (C) 857(b) (2) (B) of the Code ~~and its capital gains dividends paid as defined and limited by section 857(b) (3) (C) of the Code~~. Such a trust and its shareholders and beneficiaries shall be subject to all of the provisions of sections 857 and 858 of the Code which are applicable under this chapter, in determining their respective taxable net incomes, provided that the ~~excess~~ amount determined and subjected to available for the alternative tax under section 857(b) (3) (A) (ii) of the Code shall be included in gross income subject to the deduction provided by section 290.16, subdivision 4.

Sec. 15. Minnesota Statutes, 1979 Supplement, Section 290.091, is amended to read:

290.091 **MINIMUM TAX ON PREFERENCE ITEMS.** (a) In addition to all other taxes imposed by this chapter there is hereby imposed, a tax which, in the case of a resident individual, estate or trust, shall be equal to 40 percent of the amount of the taxpayer's minimum tax liability for tax preference items pursuant to the provisions of sections 56 55 to 58 and 443(d) of the Internal Revenue Code of 1954 as amended through December 31, 1976 1979 except that for purposes of the tax imposed by this section, excess itemized deductions as defined in section 57(b) shall not include any deduction taken for Minnesota income tax paid and capital gain as defined in section 57(a) of the Internal Revenue Code shall not include that portion of any gain occasioned by sale, transfer or the granting of a perpetual easement pursuant to any eminent domain proceeding or threat thereof as described in section 290.13, subdivision 5. This modification shall apply to the years in which the gain or reduction in loss is actually included in federal adjusted gross income even though amounts received pursuant to the eminent domain proceedings were received in prior years. In the case of a taxpayer other than a corporation, an amount equal to one-half of the net capital gain for the taxable year shall be used as the definition of capital gain in place of the deduction determined under section 1202 of the Internal Revenue Code. In the case of a resident individual, estate or trust having preference items which could not be taken to reduce income from sources outside the state pursuant to section 290.17, subdivision 1, or any other taxpayer the tax shall equal 40 percent of that federal

Changes or additions indicated by underline deletions by ~~strikeout~~



liability, multiplied by a fraction the numerator of which is the amount of the taxpayer's preference item income allocated to this state pursuant to the provisions of sections 290.17, subdivision 1, to 290.20, and the denominator of which is the taxpayer's total preference item income for federal purposes.

(b) In the case of a resident individual, estate or trust having preference items in taxable years beginning after December 31, 1976, and before January 1, 1978, which are not allocable to Minnesota under the provisions of sections 290.17 to 290.20 in effect for such years, the tax shall equal 40 percent of the taxpayer's federal minimum tax liability, multiplied by a fraction the numerator of which is the amount of the taxpayer's preference items allocable to Minnesota under the provisions of sections 290.17 to 290.20 in effect for ~~such~~ those years and the denominator of which is the taxpayer's total preference items for federal purposes.

~~(c) The preference items for taxable years beginning after December 31, 1978 shall not include the portion of the sale of residence excluded under section 121 of the Internal Revenue Code of 1954 as amended through December 31, 1978.~~

Sec. 16. Minnesota Statutes, 1979 Supplement, Section 290.095, Subdivision 1, is amended to read:

**290.095 OPERATING LOSS DEDUCTION.** Subdivision 1. **ALLOWANCE OF DEDUCTION.** (a) There shall be allowed as a deduction for the taxable year the amount of any net operating loss deduction as defined in subdivision 2, clause (b); provided, however, that the modifications specified in subdivision 4 shall be made in computing the taxable net income for the taxable year before the net operating loss deduction shall be allowed.

(b) A net operating loss deduction shall be available under this section only to corporate taxpayers except as provided in subdivisions 6, 7 and 9 hereof, and, with respect to individuals, ~~estates and trusts~~, no deduction shall be allowed for or with respect to losses which constitute tax preference items as set forth in section 290.17, subdivision 1.

Sec. 17. Minnesota Statutes 1978, Section 290.095, is amended by adding a subdivision to read:

Subd. 10. **PRODUCT LIABILITY LOSS CARRYBACK.** In the case of a taxpayer which has a product liability loss, as defined in section 172(i) of the Internal Revenue Code of 1954 as amended through December 31, 1979, for a taxable year beginning after September 30, 1979 (referred to as "loss year"), the product liability loss shall be a net operating loss carryback to each of the ten taxable years preceding the loss year.

Sec. 18. Minnesota Statutes 1978, Section 290.13, is amended by adding a subdivision to read:

Subd. 5a. **GAIN OR LOSS FROM SALE OR EXCHANGE TO EFFECTUATE POLICIES OF F.C.C.** If the sale or exchange of property, including

Changes or additions indicated by underline deletions by ~~strikeout~~

stock in a corporation, is certified by the Federal Communications Commission to be necessary or appropriate to effectuate a change in a policy of, or the adoption of a new policy by the commission with respect to the ownership and control of radio broadcasting stations, the sale or exchange shall, if the taxpayer so elects, be treated as an involuntary conversion of the property within the meaning of subdivision 5. For purposes of this subdivision, "radio broadcasting" includes telecasting.

For purposes of subdivision 5 as made applicable by the provisions of this subdivision, stock of a corporation operating a radio broadcasting station located in Minnesota, whether or not representing control of the corporation, shall be treated as property similar or related in service or use to the property so converted. The part of the gain, if any, on the sale or exchange to which subdivision 5 is not applied shall nevertheless not be recognized, if the taxpayer so elects, to the extent that it is applied to reduce the basis for determining gain or loss on sale or exchange of property of a character subject to the allowance for depreciation under section 290.09, subdivision 7, remaining in the hands of the taxpayer immediately after the sale or exchange, or acquired in the same taxable year and with its situs in the state of Minnesota. The manner and amount of the reduction shall be determined under regulations prescribed by the commissioner. Any election made by the taxpayer under this subdivision shall be made by a statement to that effect in his return for the taxable year in which the sale or exchange takes place, and the election shall be binding for that taxable year and all subsequent taxable years.

The basis of property acquired on a sale or exchange treated as an involuntary conversion under this subdivision shall be determined pursuant to the provisions of subdivision 5.

Sec. 19. Minnesota Statutes, 1979 Supplement, Section 290.14, is amended to read:

**290.14 GAIN OR LOSS ON DISPOSITION OF PROPERTY, BASIS.** The basis for determining the gain or loss from the sale or other disposition of property acquired on or after January 1, 1933, shall be the cost to the taxpayer of such property, with the following exceptions:

(1) If the property should have been included in the last inventory, it shall be the last inventory value thereof:

(2) If the property was acquired by gift, it shall be the same as it would be if it were being sold or otherwise disposed of by the last preceding owner not acquiring it by gift; if the facts required for this determination cannot be ascertained, it shall be the fair market value as of the date, or approximate date, of acquisition by ~~such~~ the last preceding owner, as nearly as the requisite facts can be ascertained by the commissioner:

(3) If the property was acquired by gift through an inter vivos transfer in trust, it shall be the same as it would be if it were being sold or otherwise disposed of by the grantor:

Changes or additions indicated by underline deletions by ~~strikeout~~

(4) Except as otherwise provided in this clause, the basis of property in the hands of a person acquiring the property from a decedent or to whom the property passed from a decedent shall, if not sold, exchanged or otherwise disposed of before the decedent's death by ~~sueh~~ the person, be the fair market value of the property at the date of decedent's death.

For the purposes of the preceding paragraph, the following property shall be considered to have been acquired from or to have passed from the decedent:

(a) Property acquired by bequest, devise, or inheritance, or by the decedent's estate from the decedent;

(b) Property transferred by the decedent during his lifetime in trust to pay the income for life to or on the order or direction of the decedent, with the right reserved to the decedent at all times before his death to revoke the trust;

(c) Property transferred by the decedent during his lifetime in trust to pay the income for life to or on the order or direction of the decedent with the right reserved to the decedent at all times before his death to make any change in the enjoyment thereof through the exercise of a power to alter, amend, or terminate the trust;

(d) Property passing without full and adequate consideration under a general power of appointment exercised by the decedent by will;

(e) In the case of a decedent's dying after December 31, 1956, property acquired from the decedent by reason of death, form of ownership, or other conditions (including property acquired through the exercise or non-exercise of a power of appointment), if by reason thereof the property is required to be included in determining the value of the decedent's gross estate for Minnesota inheritance tax purposes. In ~~sueh~~ this case, if the property is acquired before the death of the decedent, the basis shall be the amount determined under the first paragraph of this clause reduced by the amount allowed to the taxpayer as deductions in computing taxable net income under this chapter or prior Minnesota income tax laws for exhaustion, wear and tear, obsolescence, amortization, and depletion on ~~sueh~~ the property before the death of the decedent. ~~Sueh~~ The basis shall be applicable to the property commencing on the death of the decedent. This paragraph shall not apply to annuities described in section 290.08; and property described in paragraphs (a), (b), (c) and (d) of this clause.

This clause shall not apply to property which constitutes a right to receive an item of income in respect of a decedent under section 290.077. Nor shall it apply to restricted stock options described in section 290.078 which the employee has not exercised at death.

(5) If the property was acquired after December 31, 1932, upon an exchange described in section 290.13, subdivision 1, the basis shall be the same as in the case of the property exchanged, decreased in the amount of any money received by the taxpayer and increased in the amount of gain or decreased in the amount of loss to the taxpayer that was recognized upon ~~sueh~~ the exchange under the law applicable to the year in which the exchange was made. If the property so

acquired consisted in part of the type of property permitted by section 290.13, subdivision 1, to be received without the recognition of gain or loss, and in part of other property, the basis provided in this clause shall be allocated between the properties, other than money, received, and for the purpose of the allocation there shall be assigned to ~~such~~ the other property an amount equivalent to its fair market value at the date of the exchange. This clause shall not apply to property acquired by a corporation by the issuance of its stock or securities as the consideration, in whole or in part, for the transfer of the property to it;

(6) If substantially identical property was acquired in the place of stocks or securities which were sold or disposed of and in respect of which loss was not allowed as a deduction under section 290.09, subdivision 5, the basis in the case of property so acquired shall be the same as in the case of the stock or securities so sold or disposed of, increased by the excess of the repurchase price of ~~such~~ the property over the sale price of ~~such~~ the stock or securities, or decreased by the excess of the sale price of ~~such~~ the stock or securities over the repurchase price of ~~such~~ the property;

(7) If the property was acquired after December 31, 1932, as the result of a compulsory or involuntary conversion described in section 290.13, subdivision 5, the basis shall be the same as in the case of the property so converted, decreased in the amount of any money received by the taxpayer which was not expended in accordance with the provisions of law applicable to the year in which ~~such~~ conversion was made, determining the taxable status of the gain or loss upon ~~such~~ conversion, and increased in the amount of gain or decreased in the amount of loss to the taxpayer recognized upon ~~such~~ conversion under the law applicable to the year in which ~~such~~ conversion was made.

(8) Neither the basis nor the adjusted basis of any portion of real property shall, in the case of a lessor of ~~such~~ the property, be increased or diminished on account of income derived by the lessor in respect of ~~such~~ the property and excludable from gross income under section 290.08, subdivision 14.

If an amount representing any part of the value of real property attributable to buildings erected or other improvements made by a lessee in respect of ~~such~~ the property was included in gross income of the lessor for any taxable year beginning before January 1, 1943, the basis of each portion of ~~such~~ the property shall be properly adjusted for the amount so included in gross income.

(9) If the property was acquired by the taxpayer as a transfer of property in exchange for the release of the taxpayer's marital rights, the basis of the property shall be the same as it would be if it were being sold or otherwise disposed of by the person who transferred the property to the taxpayer.

(10) The basis of property subject to the provisions of section 1034 of the Internal Revenue Code of 1954, as amended through December 31, 1979 (relating to the rollover of gain on sale of principal residence) shall be the same as the basis for federal income tax purposes. The basis shall be increased by the amount of gain realized on the sale of a principal residence outside of Minnesota, while a nonresident of this state, which gain was not recognized because of the provisions of section 1034.

Changes or additions indicated by underline deletions by ~~strikeout~~

Sec. 20. Minnesota Statutes, 1979 Supplement, Section 290.17, Subdivision 1, is amended to read:

**290.17 GROSS INCOME, ALLOCATION TO STATE.** Subdivision 1. **INCOME OF RESIDENT INDIVIDUALS.** The gross income of individuals during the period of time when they are residents of Minnesota ~~and the gross income of resident estates and trusts~~ shall be their gross income as defined in section 290.01, subdivision 20, except that the amount of otherwise deductible losses incurred in connection with income derived from sources outside the state shall be reduced by the sum of the taxpayer's items of tax preference as defined in section 57 of the Internal Revenue Code of 1954, as amended through December 31, 1978, which are attributable to losses incurred in connection with sources of income outside the state.

Sec. 21. Minnesota Statutes 1978, Section 290.17, is amended by adding a subdivision to read:

Subd. 1a. SUBSEQUENT ADJUSTMENT. When a loss has been reduced by the amount of tax preference items pursuant to subdivision 1, and the taxpayer subsequently sells or otherwise disposes of an asset in relation to which arose an item of tax preference which caused the reduction of the loss, the taxpayer may increase the basis of the asset by the amount of the tax preference item that was used to reduce the loss. If the asset is a depletable asset, the taxpayer may elect to so increase its basis upon disposition or to reduce the amount of otherwise taxable income subsequently produced by that asset by the amount of the tax preference item.

Sec. 22. Minnesota Statutes 1978, Section 290.26, Subdivision 2, is amended to read:

Subd. 2. EMPLOYER CONTRIBUTIONS. Contributions of an employer to an employee's trust or annuity plan and compensation under a deferred-payment plan or to a simplified employee pension shall be allowed as a deduction in accordance with the provisions of ~~Section~~ Sections 404 or 408(k) of the Internal Revenue Code of 1954, as amended through December 31, ~~1976~~ 1979 as adapted to the provisions of this ~~act~~ chapter under ~~regulations~~ rules issued by the commissioner of revenue.

Sec. 23. Minnesota Statutes, 1979 Supplement, Section 290.37, Subdivision 1, is amended to read:

**290.37 FILING REQUIREMENTS FOR INDIVIDUALS.** Subdivision 1. **PERSONS MAKING RETURNS.** The commissioner of revenue shall annually determine the gross income levels at which individuals and estates shall be required to file a return for each taxable year.

The trustee or other fiduciary of property held in trust shall file a return with respect to the taxable net income of such trust if that exceeds an amount on which a tax at the rates herein provided would exceed the specific credits allowed, or if the gross income of such trust exceeds \$750, if in either case such trust belongs to the class of taxable persons.

Changes or additions indicated by underline deletions by ~~strikeout~~

Every corporation shall file a return with respect to its taxable net income if in excess of \$500, or if its gross income exceeds \$5,000. The return in this case shall be signed by an officer of the corporation.

The receivers, trustees in bankruptcy, or assignees operating the business or property of a taxpayer shall file a return with respect to the taxable net income of such taxpayer if that exceeds an amount on which a tax at the rates herein provided would exceed the specific credits allowed (or, if the taxpayer is a corporation, if the taxable net income exceeds \$500), or if such taxpayer's gross income exceeds \$5,000.

Such return shall (a) be verified or contain a written declaration that it is made under the penalties of criminal liability for wilfully making a false return, and (b) shall contain a confession of judgment for the amount of the tax shown due thereon to the extent not timely paid.

For purposes of this subdivision the term "gross income" shall mean gross income as defined in section 61 of the Internal Revenue Code of 1954, as amended through December 31, 1976, modified and adjusted in accordance with the provisions of sections 290.01, subdivision 20, clauses (b) (6) and (b) (11), 290.08, and 290.17 and 290.65.

Sec. 24. Minnesota Statutes 1978, Chapter 290, is amended by adding a section to read:

**[290.431] NON-GAME WILDLIFE CHECKOFF.** Effective with returns filed for taxable years beginning after December 31, 1979, every person who files an income tax return or property tax refund claim form may designate that \$1 or more shall be deducted from the refund that would otherwise be payable to that person and paid into a fund to be established for the management of non-game wildlife. The commissioner of revenue shall, on the first page of the income tax return and the property tax refund claim form, notify filers of their right to designate that a portion of their refund shall be paid into the non-game wildlife management fund. The sum of the amounts so designated to be paid shall be annually appropriated from the general fund to the commissioner of natural resources and credited to the non-game wildlife management fund for use by the non-game section of the division of wildlife in the department of natural resources.

Sec. 25. Minnesota Statutes 1978, Section 290.49, Subdivision 10, is amended to read:

Subd. 10. **INCORRECT DETERMINATION OF FEDERAL ADJUSTED GROSS INCOME.** Notwithstanding any other provision of this chapter, if a taxpayer whose gross income is determined under section 290.01, subdivision 20, omits from income such an amount as will under the Internal Revenue Code of 1954, as amended through December 31, 1976 extend the statute of limitations for the assessment of federal income taxes; or otherwise incorrectly determines his federal adjusted gross income resulting in adjustments by the Internal Revenue Service then the period of assessment and determination of tax shall be the same

Changes or additions indicated by underline deletions by ~~strikeout~~

as that under the Internal Revenue Code of 1954, as amended through December 31, 1976. When a change is made to federal income during the extended time provided under this subdivision, the provisions under section 290.56 regarding additional extensions apply.

Sec. 26. Minnesota Statutes 1978, Section 290.971, Subdivision 1, is amended to read:

**290.971 ELECTION OF CERTAIN SMALL BUSINESS CORPORATIONS AS TO TAXABLE STATUS; DEFINITIONS.** Subdivision 1. **SMALL BUSINESS CORPORATION.** For purposes of this chapter, the term "small business corporation" means a domestic corporation of the United States which is not a member of an affiliated group (as defined in section 1504 of the Internal Revenue Code of 1954, as amended through December 31, ~~1976~~ 1979 ) and which does not

(1) have ~~(except as provided in subdivision 5)~~ more than ten 15 shareholders;

(2) have as a shareholder a person (other than an estate and other than a trust described in subdivision 6) who is not an individual;

(3) have a nonresident alien as a shareholder; and

(4) have more than one class of stock, and has elected under the provisions of section 1372(a) of the Internal Revenue Code of 1954, as amended through December 31, ~~1976~~ 1979 to be taxed as a small business corporation under the provisions of said Internal Revenue Code of 1954, as amended through December 31, ~~1976~~ 1979 .

Sec. 27. Minnesota Statutes 1978, Section 290.971, Subdivision 3, is amended to read:

Subd. 3. **STOCK OWNED BY HUSBAND AND WIFE.** For purposes of subdivision 1(1) stock which

(1) is community property of a husband and wife (or the income from which is community income) under the applicable community property law of a state, or

(2) is held by a husband and wife as joint tenants, tenants by the entirety, or tenants in common; or

(3) ~~was, on the date of death of a spouse, stock described in paragraph (1) or (2), and is, by reason of such death, held by the estate of the deceased spouse and the surviving spouse, or by the estates of both spouses (by reason of their deaths on the same date), in the same proportion as held by the spouses before such death, or~~

(4) ~~was, on the date of the death of a surviving spouse, stock described in paragraph (3), and is, by reason of such death, held by the estates of both spouses in the same proportion as held by the spouses before their deaths, shall be treated as owned by one shareholder~~ a husband and wife (and their estates) shall be treated as one shareholder .

Changes or additions indicated by underline deletions by ~~strikeout~~

Sec. 28. Minnesota Statutes 1978, Section 290.971, Subdivision 6, is amended to read:

Subd. 6. **CERTAIN TRUSTS PERMITTED AS SHAREHOLDERS.** For purposes of subdivision 1, the following trusts may be shareholders:

(1) (a) A trust all of which is treated as owned by the grantor (who is an individual who is a citizen or resident of the United States) under sections 671 to 679 of the Internal Revenue Code of 1954, as amended through December 31, 1976 1979 .

(b) A trust which was described in subparagraph (a) immediately before the death of the grantor and which continues in existence after such death, but only for the 60-day period beginning on the day of the grantor's death. If a trust is described in the preceding sentence and if the entire corpus of the trust is includable in the gross estate of the grantor, the preceding sentence shall be applied by substituting "2-year period" for "60-day period."

(2) A trust created primarily to exercise the voting power of stock transferred to it.

(3) Any trust with respect to stock transferred to it pursuant to the terms of a will, but only for the 60 day period beginning on the day on which ~~such~~ the stock is transferred to it.

In the case of a trust described in paragraph (1), the grantor shall be treated as the shareholder.

In the case of a trust described in paragraph (2), each beneficiary of the trust shall, for the purposes of subdivision 1, paragraph (1), be treated as a shareholder.

Sec. 29. Minnesota Statutes 1978, Section 290.972, Subdivision 1, is amended to read:

**290.972 ELECTION BY SMALL BUSINESS CORPORATION.** Subdivision 1. **ELIGIBILITY.** Except as provided in subdivision 6 any small business corporation ~~subject to the laws imposed by this chapter,~~ and its shareholders may, in accordance with the provisions of this section, elect to have ~~said~~ the corporation and its shareholders taxed as though ~~said~~ the corporation were a partnership. ~~Such~~ The election shall be valid only if all persons who are shareholders in ~~such~~ the corporation on the day on which the election is made

~~(1) on the first day of the first taxable year for which such election is effective, if such election is made on or before such first day; or~~

~~(2) on the day on which the election is made, if the election is made after such first day;~~

consent to ~~such~~ the election.

Sec. 30. Minnesota Statutes 1978, Section 290.972, Subdivision 3, is amended to read:

Changes or additions indicated by underline deletions by ~~strikeout~~



Subd. 3. **WHERE AND HOW MADE.** (1) **IN GENERAL.** An election under subdivision 1 may be made by a small business corporation for any taxable year at any time during the ~~first month of such preceding taxable year~~, or at any time during the ~~month preceding such first month~~ first 75 days of the taxable year. ~~Such~~ The election shall be made in ~~such a~~ manner as the commissioner shall prescribe by ~~regulation rule~~.

(2) **TREATMENT OF CERTAIN LATE ELECTIONS.** If

(a) a small business corporation makes an election under subdivision 1 for any taxable year, and

(b) such election is made after the first 75 days of the taxable year and on or before the last day of such taxable year,

then such election shall be treated as made for the following taxable year.

(3) In case of sickness, absence, or other disability, or when in the judgment of the commissioner good cause exists, he may upon application extend the time for making the election under subdivision 1 for not more than twelve months following the close of the taxable year for which the election is sought ~~provided, however, that an application for an extension of time with respect to taxable years beginning after December 31, 1960 and prior to December 31, 1963 may be filed not later than December 31, 1965 .~~

Sec. 31. Minnesota Statutes 1978, Section 290.972, Subdivision 5, is amended to read:

Subd. 5. **TERMINATION.** (1) **NEW SHAREHOLDERS.** (A) An election under subdivision 1 made by a small business corporation shall terminate if any person who was not a shareholder in ~~such the~~ corporation

(i) ~~on the first day of the first taxable year of the corporation for which the election is effective, if such election is made on or before such first day, or~~

(ii) on the day on which the election is made ~~if such election is made after such first day ,~~

becomes a shareholder in ~~such the~~ corporation and affirmatively refuses to consent to ~~such the~~ election on or before the 60th day after the day on which he acquires the stock.

(B) If the person acquiring the stock is the estate of a decedent, the period under subparagraph (A) for affirmatively refusing to consent to the election shall expire on the 60th day after whichever of the following is the earlier:

(i) The day on which the executor or administrator of the estate qualifies; or

(ii) The last day of the taxable year of the corporation in which the decedent died.

(C) Any termination of an election under subparagraph (A) by reason of the affirmative refusal of any person to consent to ~~such~~ the election shall be effective for the taxable year of the corporation in which ~~such~~ the person becomes a shareholder in the corporation ~~and for all succeeding taxable years of the corporation or, if later, the first taxable year for which the election would otherwise have been effective, and for all succeeding taxable years of the corporation~~ .

(2) **REVOCATION.** An election under subdivision 1 made by a small business corporation may be revoked by it for any taxable year of the corporation after the first taxable year for which the election is effective. An election may be revoked only if all persons who are shareholders in the corporation on the day on which the revocation is made consent to the revocation. A revocation under this paragraph shall be effective

(A) for the taxable year in which made, if made before the close of the first month of ~~such~~ the taxable year,

(B) for the taxable year following the taxable year in which made, if made after the close of ~~such~~ the first month,

and for all succeeding taxable years of the corporation. ~~Such~~ The revocation shall be made in ~~such~~ a manner as the commissioner shall prescribe by ~~regulation~~ rule.

(3) **CEASES TO BE SMALL BUSINESS CORPORATION.** An election under subdivision 1 made by a small business corporation shall terminate if at any time

(A) after the first day of the first taxable year of the corporation for which the election is effective, if such election is made on or before such first day, or

(B) after the day on which the election is made, if such election is made after such first day,

the corporation ceases to be a small business corporation (as defined in section 290.971, subdivision 1). Such termination shall be effective for the taxable year of the corporation in which the corporation ceases to be a small business corporation and for all succeeding taxable years of the corporation.

(4) **FOREIGN INCOME.** An election under subdivision 1 made by a small business corporation shall terminate if for any taxable year of the corporation for which the election is in effect, such corporation derives more than 80 percent of its gross receipts from sources outside the United States. Such termination shall be effective for the taxable year of the corporation in which it derives more than 80 percent of its gross receipts from sources outside the United States, and for all succeeding taxable years of the corporation.

(5) **PASSIVE INVESTMENT INCOME.** (A) Except as provided in subparagraph (B), an election under subdivision 1 made by a small business corporation shall terminate if, for any taxable year of the corporation for which the election is in effect, such corporation has gross receipts more than 20 percent of which is passive investment income. Such termination shall be effective for the

taxable year of the corporation in which it has gross receipts of such amount, and for all succeeding taxable years of the corporation.

(B) Subparagraph (A) shall not apply with respect to a taxable year in which a small business corporation has gross receipts more than 20 percent of which is passive investment income, if

(i) such taxable year is the first taxable year in which the corporation commenced the active conduct of any trade or business or the next succeeding taxable year; and

(ii) the amount of passive investment income for such taxable year is less than \$3,000.

(C) For purposes of this paragraph, the term "passive investment income" means gross receipts derived from royalties, rents, dividends, interest, annuities, and sales or exchanges of stock or securities (gross receipts from such sales or exchanges being taken into account for purposes of this paragraph only to the extent of gains therefrom). Gross receipts derived from sales or exchanges of stock or securities for purposes of this paragraph shall not include amounts received by an electing small business corporation which are treated under section 331 of the Internal Revenue Code of 1954, as amended through December 31, 1976 1979 (relating to corporate liquidations), as payments in exchange for stock where the electing small business corporation owned more than 50 percent of each class of the stock of the liquidating corporation.

Sec. 32. **DIRECTION TO REVISOR.** In the next and subsequent editions of Minnesota Statutes the revisor of statutes shall substitute the words "Internal Revenue Code of 1954, as amended through December 31, 1979" for the words "Internal Revenue Code of 1954, as amended through December 31, 1976" or "Internal Revenue Code of 1954, as amended through December 31, 1977" or "Internal Revenue Code of 1954, as amended through December 31, 1978" wherever such words occur in chapter 290, except section 290.01, subdivision 20.

Sec. 33. **REPEALER.** Minnesota Statutes 1978, Section 290.971, Subdivision 5, and Minnesota Statutes, 1979 Supplement, Section 290.23, Subdivision 16 are repealed.

Sec. 34. **EFFECTIVE DATE.** Except as otherwise provided, section 1, clause (b)(13) is effective for taxable years beginning after December 31, 1976, and section 1, clauses (a)(12), (a)(17), (a)(18), (b)(6) (but only in regard to the changes relating to lump sum distributions), (b)(8), (b)(11), (b)(12), (b)(14), (b)(16), and (b)(17) are effective for taxable years beginning after December 31, 1978. For purposes of allowable carrybacks, section 1, clauses (b)(13) and (b)(14) are effective at the same time the carrybacks were allowable for federal income tax purposes. For taxable years beginning before January 1, 1980, section 1, clauses (b)(13) and (b)(14) are effective only if the taxpayer also applies the provision disallowing a portion of wages as required under section 280C of the Internal Revenue Code of 1954 for that taxable year. Section 7 is effective for expenditures made during taxable years beginning after December 31, 1978 and

before January 1, 1983, except as otherwise specifically provided. Section 1, clause (b)(10) and section 8 are effective for interest received during taxable years beginning after December 31, 1977 on loans executed before January 1, 1982. Sections 11 and 12 are effective for taxable years beginning after December 31, 1980. Section 18 is effective for sales and exchanges occurring after December 31, 1975. Sections 16, 20, 22, 23 and 26 through 31, and 33 are effective for taxable years beginning after December 31, 1978. Section 25 is effective July 1, 1980.

The rest of this article is effective for taxable years beginning after December 31, 1979, except as otherwise provided.

## ARTICLE II PROPERTY TAX

Section 1. Minnesota Statutes 1978, Section 168.012. Subdivision 9, is amended to read:

Subd. 9. Mobile homes shall not be taxed as motor vehicles using the public streets and highways and shall be exempt from the motor vehicle tax provisions of this chapter. Except as provided in section 273.13, mobile homes shall be taxed as personal property. The provisions of Minnesota Statutes 1957, Section 272.02 or any other act providing for tax exemption shall be inapplicable to *mobile homes, except such mobile homes as are held by a licensed dealer and exempted as inventory.* House trailers not used on the highway during any calendar year shall be taxed as mobile homes if occupied as human dwelling places.

Sec. 2. Minnesota Statutes, 1979 Supplement, Section 256.82, is amended to read:

256.82 **PAYMENTS BY STATE.** Based upon estimates submitted by the county agency to the state agency, which shall state the estimated required expenditures for the succeeding month, upon the direction of the state agency payment shall be made monthly in advance by the state to the counties of all federal funds available for that purpose for such succeeding month, together with an amount of state funds equal to 70 percent of the difference between the total estimated cost and the federal funds so available for payments made after December 31, 1979 and before January 1, 1981, and ~~80~~ 85 percent of the difference for payments made after December 31, 1980. Adjustment of any overestimate or underestimate made by any county shall be made upon the direction of the state agency in any succeeding month.

Sec. 3. Minnesota Statutes, 1979 Supplement, Section 256D.03, Subdivision 2, is amended to read:

Subd. 2. After December 31, 1979, and before January 1, 1981, state aid shall be paid to local agencies for 60 percent and, after December 31, 1980, for 70 ~~75~~ percent of all general assistance grants up to the standards of section 256D.01, subdivision 1, according to procedures established by the commissioner. Any local agency may, *from its own resources, make payments of general assistance at a standard higher than that established by the commissioner, without reference to the standards of section 256D.01, subdivision 1.*

Changes or additions indicated by underline deletions by ~~strikeout~~

Sec. 4. Minnesota Statutes, 1979 Supplement, Section 256D.36, Subdivision 1, is amended to read:

256D.36 [1973 CATEGORICAL AID RECIPIENTS; PROVISIONS FOR SUPPLEMENTAL AID.] Subdivision 1. Commencing January 1, 1974, the commissioner shall certify to each local agency the names of all county residents who were eligible for and did receive aid during December, 1973 pursuant to a *categorical aid program of old age assistance, aid to the blind, or aid to the disabled*. From and after January 1, 1980, until January 1, 1981, the state shall pay 70 percent and the county shall pay 30 percent of the supplemental aid calculated for each county resident certified under this section who is an applicant for or recipient of supplemental security income. After December 31, 1980, the state shall pay ~~80~~ 85 percent and the county shall pay ~~20~~ 15 percent of the aid. The amount of supplemental aid for each individual eligible under this section shall be calculated pursuant to the formula prescribed in Title II, Section 212 (a) (3) of Public Law 93-66, as amended.

Sec. 5. Minnesota Statutes 1978, Section 272.01, Subdivision 2, is amended to read:

Subd. 2. (a) When any real or personal property which for any reason is exempt from ad valorem taxes, and taxes in lieu thereof, is leased, loaned, or otherwise made available and used by a private individual, association or corporation in connection with a business conducted for profit; ~~except where such use is by way of a concession in or relative to the use in whole or part of a public park, market, fair grounds, airport, port authority, municipal auditorium, municipal museum or municipal stadium,~~ there shall be imposed a tax, for the privilege of so using or possessing such real or personal property, in the same amount and to the same extent as though the lessee or user was the owner of such property.

(b) The tax imposed by this subdivision shall not apply to (1) property leased or used by way of a concession in or relative to the use in whole or part of a public park, market, fair grounds, port authority, municipal auditorium, municipal museum or municipal stadium or (2) property constituting or used as a public pedestrian ramp, concourse, passenger check-in area or ticket sale counter, boarding area or luggage claim area in connection with a public airport.

(c) Taxes imposed by this subdivision shall be due and payable as in the case of personal property taxes and such taxes shall be assessed to such lessees or users of real or personal property in the same manner as taxes assessed to owners of real or personal property, except that such taxes shall not become a lien against the property. When due, ~~such~~ the taxes shall constitute a debt due from the lessee or user to the state, township, city, county and school district for which the taxes were assessed and shall be collected in the same manner as personal property taxes. If property subject to the tax imposed by this subdivision is leased or used jointly by two or more persons, each lessee or user shall be jointly and severally liable for payment of the tax.

Sec. 6. Minnesota Statutes, 1979 Supplement, Section 272.02, Subdivision 1, is amended to read:

Changes or additions indicated by underline deletions by ~~strikeout~~

**272.02 EXEMPT PROPERTY.** Subdivision 1. Except as provided in other subdivisions of this section or in section 272.025, or section 273.13, subdivisions 17, 17b, 17c or 17d, all property described in this section to the extent herein limited shall be exempt from taxation:

- (1) All public burying grounds;
- (2) All public schoolhouses;
- (3) All *public hospitals*;
- (4) All academies, colleges, and universities, and all seminaries of learning;
- (5) All churches, church property, and houses of worship;

(6) Institutions of purely public charity except property assessed pursuant to section 273.13, subdivisions 17, 17b, 17c or 17d :

(7) All public property exclusively used for any public purpose;

(8) All natural cheese held in storage for aging by the original Minnesota manufacturer;

(9) (a) Class 2 property of every household of the value of \$100, maintained in the principal place of residence of the owner thereof. The county auditor shall deduct such exemption from the total valuation of such property as equalized by the revenue commissioner assessed to such household, and extend the levy of taxes upon the remainder only. The term "household" as used in this section is defined to be a domestic establishment maintained either (1) by two or more persons living together within the same house or place of abode, subsisting in common and constituting a domestic or family relationship, or (2) by one person.

(b) During the period of his active service and for six months after his discharge therefrom, no member of the armed forces of the United States shall lose status of a householder under paragraph (a) which he had immediately prior to becoming a member of the armed forces.

In case there is an assessment against more than one member of a household the \$100 exemption shall be divided among the members assessed in the proportion that the assessed value of the Class 2 property of each bears to the *total assessed value of the Class 2 property of all the members assessed*. The Class 2 property of each household claimed to be exempt shall be limited to property in one taxing district, except in those cases where a single domestic establishment is maintained in two or more adjoining districts.

Bonds and certificates of indebtedness hereafter issued by the state of Minnesota, or by any county or city of the state, or any town, or any common or independent school district of the state, or any governmental board of the state, or any county or city thereof, shall hereafter be exempt from taxation; provided, that nothing herein contained shall be construed as exempting such bonds from the payment of a tax thereon, as provided for by section 291.01, when any of such

bonds constitute, in whole or in part, any inheritance or bequest, taken or received by any person or corporation.

(10) Farm machinery manufactured prior to 1930, which is used only for display purposes as a collectors item;

(11) The taxpayer shall be exempted with respect to, all agricultural products, inventories, stocks of merchandise of all sorts, all materials, parts and supplies, furniture and equipment, manufacturers material, manufactured articles including the inventories of manufacturers, wholesalers, retailers and contractors; and the furnishings of a room or apartment in a hotel, rooming house, tourist court, motel or trailer camp, tools and machinery which by law are considered as personal property, and the property described in section 272.03, subdivision 1 (c), except personal property which is part of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures. Railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80 are not exempt.

(12) Containers of a kind customarily in the possession of the consumer during the consumption of commodities, the sale of which are subject to tax under the provisions of the excise tax imposed by Extra Session Laws 1967, Chapter 32;

(13) All livestock, poultry, all horses, mules and other animals used exclusively for agricultural purposes;

(14) All agricultural tools, implements and machinery used by the owners in any agricultural pursuit.

(15) Real and personal property used primarily for the abatement and control of air, water, or land pollution to the extent that it is so used other than real property used primarily as a solid waste disposal site.

Any taxpayer requesting exemption of all or a portion of any equipment or device, or part thereof, operated primarily for the control or abatement of air or water pollution shall file an application with the commissioner of revenue. Any such equipment or device shall meet standards, regulations or criteria prescribed by the Minnesota Pollution Control Agency, and must be installed or operated in accordance with a permit or order issued by that agency. The Minnesota Pollution Control Agency shall upon request of the commissioner furnish information or advice to the commissioner. If the commissioner determines that property qualifies for exemption, he shall issue an order exempting such property from taxation. Any such equipment or device shall continue to be exempt from taxation as long as the permit issued by the Minnesota Pollution Control Agency remains in effect.

(16) Wetlands. For purposes of this subdivision, "wetlands" means land which is mostly under water, produces little if any income, and has no use except for wildlife or water conservation purposes. "Wetlands" shall be land preserved in its natural condition, drainage of which would be lawful, feasible and practical

and would provide land suitable for the production of livestock, dairy animals, poultry, fruit, vegetables, forage and grains, except wild rice. "Wetlands" shall include adjacent land which is not suitable for agricultural purposes due to the presence of the wetlands. Exemption of wetlands from taxation pursuant to this section shall not grant the public any additional or greater right of access to the wetlands or diminish any right of ownership to the wetlands.

Sec. 7. Minnesota Statutes 1978, Section 273.13, Subdivision 3, is amended to read:

Subd. 3. **CLASS 2a; MOBILE HOMES; SECTIONAL STRUCTURES.** (a) Except as provided in this subdivision all mobile homes, as defined in section 468.011, subdivision 8, shall constitute class 2a and shall be valued and assessed at 49.28 percent of the market value thereof. The valuation of class 2a property shall be subject to review and the taxes payable thereon in the manner provided in Laws 1975, Chapter 376 section 274.19. For purposes of this section, a "mobile home" means a structure transportable in one or more sections, which is built on a permanent chassis, and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and contains the plumbing, heating, air-conditioning, and electrical systems therein, including any accessory structure which is an addition or supplement to the mobile home and, when installed, becomes a part of the mobile home.

(b) A mobile home which meets each of the following criteria shall be valued and assessed as an improvement to real property, the appropriate real property classification shall apply, and the valuation shall be subject to review and the taxes payable in the manner provided for real property:

(i) The owner of the unit holds title to the land upon which it is situated;

(ii) The unit is affixed to the land by a permanent foundation or is installed at its location in accordance with the mobile homes building code contained in sections 327.31 to 327.34, and the rules adopted thereto, or is affixed to the land in a manner comparable to other real property in the taxing district; and

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

(c) A mobile home which meets each of the following criteria shall be assessed at the rate provided by the appropriate real property classification but shall be classified as 2a property, and the valuation shall be subject to review and the taxes payable thereon in the manner provided in section 274.19:

(i) The owner of the unit is a lessee of the land pursuant to the terms of a lease;

(ii) The unit is affixed to the land by a permanent foundation or is installed at its location in accordance with the mobile homes building code contained in sections 327.31 to 327.34, and the rules adopted thereto, or is affixed to the land in a manner comparable to other real property in the taxing district; and

Changes or additions indicated by underline deletions by ~~strikeout~~



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

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

(e) The commissioner of revenue may promulgate rules pursuant to the administrative procedure act for the purpose of establishing additional criteria for the classification of mobile homes and sectional structures pursuant to the provisions of this subdivision.

Sec. 8. Minnesota Statutes, 1979 Supplement, Section 273.13, Subdivision 4, is amended to read:

Subd. 4. CLASS 3. (a) Tools, implements and machinery of an electric generating, transmission or distribution system or a pipeline system transporting or distributing water, gas, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, which are fixtures, all agricultural land, except as provided by classes 1, 3b, 3e, all buildings and structures assessed as personal property and situated upon land of the state of Minnesota or the United States government which is rural in character and devoted or adaptable to rural but not necessarily agricultural use shall constitute class 3 and shall be valued and assessed at 33-1/3 percent of the market value thereof, except as provided in clause (b). Except as provided in subdivision 5a, all real property devoted to temporary and seasonal residential occupancy for recreational purposes, and which is not devoted to commercial purposes for more than 200 days in the year preceding the year of assessment, shall be class 3 property and assessed accordingly. For this purpose, property is devoted to commercial use on a specific day if it is used, or offered for use, and a fee is charged for such use.

(b) For taxes assessed in 1979 1980, payable in 1980 1981 and thereafter, agricultural land and real property devoted to temporary and seasonal residential occupancy for recreation purposes which is classified as class 3 shall be assessed at 25 19 percent of its market value, and for taxes assessed in 1980, payable in 1981 and thereafter, it shall be assessed at 22 percent of its market value. For taxes assessed in 1980, payable in 1981 and thereafter, real property devoted to temporary and seasonal residential occupancy for recreation purposes which is classified as class 3 shall be assessed at 21 percent of its market value.

Sec. 9. Minnesota Statutes, 1979 Supplement, Section 273.13, Subdivision 5a, is amended to read:

Subd. 5a. **CLASS 3A.** Class 3a shall constitute commercial use real property which abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 200 days in the year preceding the year of assessment, which includes a portion used as a homestead by the owner, with the following limitations: the area of the property which shall be included in class 3a shall not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property, up to a total of 800 feet, and 500 feet in depth measured away from the lakeshore. Class 3a shall be assessed at 12 percent of the market value thereof in ~~1979~~ 1980, for taxes payable in ~~1980~~ 1981, and thereafter. The remainder of the parcel shall be classified and assessed according to the provisions of subdivision 4.

Sec. 10. Minnesota Statutes, 1979 Supplement, Section 273.13, Subdivision 6. is amended to read:

Subd. 6. **CLASS 3B.** Agricultural land, except as provided by class 1 hereof, and which is used for the purposes of a homestead shall constitute class 3b and shall be valued and assessed at ~~12 percent of its market value in 1979;~~ for taxes payable in ~~1980~~ 1981 and thereafter as follows: the first \$50,000 of market value shall be valued and assessed at 14 percent; the remaining market value shall be valued and assessed at 19 percent. The property tax to be paid on class 3b property as otherwise determined by law less any reduction received pursuant to section 273.135 ~~regardless of whether or not the market value is in excess of the homestead base value;~~ shall be reduced by ~~50~~ 58 percent of the tax for taxes payable in ~~1980~~ 1981 ~~and 55 percent thereafter;~~ provided that the amount of said reduction shall not exceed ~~\$550 for taxes payable in 1980; and \$600 thereafter~~ \$650. Valuation subject to relief shall be limited to 240 acres of land, most contiguous surrounding, bordering, or closest to the house occupied by the owner as his dwelling place, and such other structures as may be included thereon utilized by the owner in an agricultural pursuit, provided that noncontiguous land shall constitute class 3b only if the homestead is classified as class 3b and the detached land is located in the same township or city or not farther than two townships or cities or combination thereof from the homestead. ~~If the market value is in excess of the homestead base value, the amount in excess of that sum shall be valued and assessed at 25 percent of its market value in 1979; for taxes payable in 1980; and at 22 percent thereafter.~~ The first \$12,000 market value of each tract of real estate which is rural in character and devoted or adaptable to rural but not necessarily agricultural use, used for the purpose of a homestead shall be exempt from taxation for state purposes; except as specifically provided otherwise by law.

Agricultural land as used herein, and in section 273.132, shall mean contiguous acreage of ten acres or more, primarily used during the preceding year for agricultural purposes. Agricultural use may include pasture, timber, waste, unusable wild land and land included in federal farm programs.

Real estate of less than ten acres used principally for raising poultry, livestock, fruit, vegetables or other agricultural products, shall be considered as agricultural land, if it is not used primarily for residential purposes.

Changes or additions indicated by underline deletions by ~~strikeout~~

Effective for the 1981 assessment and in subsequent years, the assessor shall determine and list separately on his records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.

Sec. 11. Minnesota Statutes, 1979 Supplement. Section 273.13, Subdivision 7, is amended to read:

Subd. 7. CLASS 3C, 3CC. All other real estate and class 2a property, except as provided by classes 1 and 3cc, which is used for the purposes of a homestead, shall constitute class 3c, and shall be valued and assessed at ~~48 percent~~ of the market value thereof in 1979; for taxes payable in 1980 1981 and at ~~47 percent~~ thereafter as follows: the first \$25,000 of market value shall be valued and assessed at 16 percent; the next \$25,000 of market value shall be valued and assessed at 22 percent; and the remaining market value shall be valued and assessed at 28 percent. The property tax to be paid on class 3c property as otherwise determined by law, less any reduction received pursuant to section 273.135  ~~regardless of whether or not the market value is in excess of the homestead base value,~~ shall be reduced by ~~50~~ 58 percent of the amount of such tax for taxes payable in 1980 1981  ~~and 55 percent thereafter;~~ provided that the amount of said reduction shall not exceed ~~\$650~~ \$550 for taxes payable in 1980; and \$600 thereafter. ~~If the market value is in excess of the sum of the homestead base value, the amount in excess of that sum shall be valued and assessed at 30 percent of market value in 1979; for taxes payable in 1980 and at 28 percent thereafter .~~ The first \$12,000 market value of each tract of such real estate used for the purposes of a homestead shall be exempt from taxation for state purposes; except as specifically provided otherwise by law. Class 3cc property shall include ~~only~~ real estate ~~which is~~ or mobile homes used for the purposes of a homestead by (a) any blind person, if such blind person is the owner thereof or if such blind person and his or her spouse are the sole owners thereof; or (b) any person (hereinafter referred to as veteran) who: (1) served in the active military or naval service of the United States and (2) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair, and (3) with assistance by the administration of veterans affairs has acquired a special housing unit with special fixtures or movable facilities made necessary by the nature of the veteran's disability  or the surviving spouse of such a deceased veteran for as long as the surviving spouse retains the special housing unit as his or her homestead; or (c) any person who: (1) is permanently and totally disabled and (2) is receiving (i) aid from any state as a result of that disability, or (ii) supplemental security income for the disabled, or (iii) workers' compensation based on a finding of total and permanent disability, or (iv) social security disability, or (v) aid under the Federal Railroad Retirement Act of 1937, 45 United States Code Annotated, Section 228b(a)5; which aid is at least 90 percent of the total income of such disabled person from all sources. Class 3cc property shall be valued and

Changes or additions indicated by underline deletions by ~~strikeout~~

assessed at five percent of the market value thereof for taxes payable in 1981 and thereafter as follows: in the case of agricultural land, including a mobile home, used for a homestead, the first \$33,000 of market value shall be valued and assessed at five percent, the next \$17,000 of market value shall be valued and assessed at 14 percent, and the remaining market value shall be valued and assessed at 19 percent; and in the case of all other real estate and mobile homes, the first \$33,000 of market value shall be valued and assessed at five percent, the next \$17,000 of market value shall be valued and assessed at 22 percent, and the remaining market value shall be valued and assessed at 28 percent. Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings him an income. The property tax to be paid on class 3cc property as otherwise determined by law, less any reduction received pursuant to section 273.135, ~~regardless of whether or not the market value is in excess of the homestead base value,~~ for all purposes shall be reduced by ~~50~~ 58 percent of the ~~amount~~ of such tax for taxes payable in ~~1980 - 1981~~ and 55 percent thereafter; provided that the amount of said reduction shall not exceed ~~\$650~~ \$550 for taxes payable in 1980; and \$600 thereafter. If the market value is in excess of the sum of \$28,000, the amount in excess of that sum shall be valued and assessed at 25 percent in 1979 for taxes payable in 1980 and 22 percent thereafter; in the case of agricultural land used for a homestead and 30 percent in the case of all other real estate used for a homestead for taxes payable in 1980 and 28 percent for taxes payable in subsequent years .

Sec. 12. Minnesota Statutes 1978, Section 273.13, Subdivision 8a, is amended to read:

Subd. 8a. **CLASS 3E.** Real estate, rural in character, and used exclusively for the purpose of growing trees for timber, lumber, wood and wood products shall constitute class 3e, and shall be valued and assessed at ~~20~~ 19 percent of the market value thereof.

Sec. 13. Minnesota Statutes 1978, Section 273.13, Subdivision 9, is amended to read:

Subd. 9. **CLASS 4a AND 4b.** All property not included in the preceding classes shall constitute class 4a and shall be valued and assessed at 43 percent of the market value thereof, except that real property which is not improved with a structure and which is not utilized as part of a commercial or industrial activity shall constitute class 4b and shall be valued and assessed at 40 percent of market value.

Sec. 14. Minnesota Statutes, 1979 Supplement, Section 273.13, Subdivision 14a, is amended to read:

Subd. 14a. **BUILDINGS AND APPURTENANCES ON LAND NOT OWNED BY OCCUPANT.** The property tax to be paid in respect of the value of all buildings and appurtenances thereto owned and used by the occupant as a permanent residence, which are located upon land subject to property taxes and the title to which is vested in a person or entity other than the occupant, for all

Changes or additions indicated by underline deletions by ~~strikeout~~

purposes shall be reduced by ~~50~~ 58 percent of the amount of the tax in respect of said value as otherwise determined by law for taxes payable in ~~1980~~ 1981, and ~~55 percent~~ thereafter, but not by more than ~~\$550~~ for taxes payable in ~~1980~~; and ~~\$600~~ thereafter \$650.

Sec. 15. Minnesota Statutes, 1979 Supplement, Section 273.13, Subdivision 19, is amended to read:

Subd. 19. **CLASS 3D, 3DD.** Residential real estate containing four or more units, other than seasonal residential, recreational and homesteads shall be classified as class 3d property and shall have a taxable value equal to ~~40~~ 38 percent of market value. Residential real estate containing three or less units, other than seasonal residential, recreational and homesteads, shall be classified as class 3dd property and shall have a taxable value equal to ~~32~~ 28 percent of market value.

Residential real estate as used in this subdivision means real property used or held for use by the owner thereof, or by his tenants or lessees as a residence for rental periods of 30 days or more, but shall not include homesteads, or real estate devoted to temporary or seasonal residential occupancy for recreational purposes. Where a portion of a parcel of property qualified for class 3d or 3dd and a portion does not qualify for class 3d or 3dd the valuation shall be apportioned according to the respective uses.

Residential real estate containing less than three units when entitled to homestead classification for one or more units shall be classed as 3b, 3c or 3cc according to the provisions of subdivisions 6 and 7.

Sec. 16. Minnesota Statutes 1978, Section 273.19, Subdivision 1, is amended to read:

**273.19 LESSEES AND EQUITABLE OWNERS.** Subdivision 1. Except as provided in subdivision 3, property held under a lease for a term of three or more years, and not taxable under section 272.01, subdivision 2, clause (b)(1), or under a contract for the purchase thereof, when the property belongs to the United States, to the state, or to any religious, scientific, or benevolent society or institution, incorporated or unincorporated, or to any railroad company or other corporation whose property is not taxed in the same manner as other property, or when the property is school or other state lands, shall be considered, for all purposes of taxation, as the property of the person so holding the same.

Sec. 17. Minnesota Statutes 1978, Section 275.11, Subdivision 2, is amended to read:

Subd. 2. In any city or statutory city, except those organized according to Chapter 8, Laws of 1895, ~~in addition to the levy limitation provided for in subdivision 1, an additional levy may be made for general fund purposes as herein provided shall be adjusted as follows:~~

If the Revised Consumer Price Index, as published by the United States Department of Labor, Bureau of Labor Statistics, for the city of Minneapolis (or if no such index is published for the city of Minneapolis, for the nearest city to

Minneapolis for which such index is published), as of December 15 of any year (or for the date nearest to December 15 if no such index is published as of December 15), shall be above 102 (using the average for the years 1947-1949 as a base), the maximum levy limit shall, subject to the restrictions of this subdivision, be increased by 3-1/3 percent for each of the first 6 points that said index may be increased and by one percent for each additional point increased above 6. A fractional point increase shall be disregarded if less than one-half point and treated as one point if one-half point, or more. In any city where more than 25 percent of the assessed valuation consists of iron ore and in any statutory city, the levy permitted by this paragraph shall be in addition to any statutory or charter limitations. In any other city, the levy authorized by this paragraph shall be made within charter limitations.

Sec. 18. Minnesota Statutes 1978, Section 275.28, Subdivision 3, is amended to read:

Subd. 3. **DESIGNATION OF YEAR OF TAX.** Beginning with property taxes payable in ~~1964~~ 1980, taxes on real and personal property shall ~~continue to be related to the year in which assessed but shall be~~ and designated by the year in which they become payable but the liens shall relate back to the assessment date preceding except as otherwise provided, ~~and further provided that such designation shall not be deemed to change the date or period to which such property taxes relate.~~

Sec. 19. Minnesota Statutes, 1979 Supplement, Section 275.50, Subdivision 5, is amended to read:

Subd. 5. Notwithstanding any other law to the contrary for taxes levied in 1979 payable in 1980 and thereafter, "special levies" means those portions of ad valorem taxes levied by governmental subdivisions to:

(a) satisfy judgments rendered against the governmental subdivision by a court of competent jurisdiction in any tort action, or to pay the costs of settlements out of court against the governmental subdivision in a tort action when substantiated by a stipulation for the dismissal of the action filed with the court of competent jurisdiction and signed by both the plaintiff and the legal representative of the governmental subdivision, but only to the extent of the increase in levy for such judgments and out of court settlements over levy year 1970, taxes payable in 1971;

(b) pay the costs of complying with any written lawful order initially issued prior to January 1, 1977 by the state of Minnesota, or the United States, or any agency or subdivision thereof, which is authorized by law, statute, special act or ordinance and is enforceable in a court of competent jurisdiction, or any stipulation agreement or permit for treatment works or disposal system for pollution abatement in lieu of a lawful order signed by the governmental subdivision and the state of Minnesota, or the United States, or any agency or subdivision thereof which is enforceable in a court of competent jurisdiction. The commissioner of revenue shall in consultation with other state departments and agencies, develop a suggested form for use by the state of Minnesota, its agencies and subdivisions in issuing orders pursuant to this subdivision:

Changes or additions indicated by underline deletions by ~~strikeout~~

(c) pay the costs to a governmental subdivision for their minimum required share of any program otherwise authorized by law, including the administrative costs of social services but not administrative costs of public assistance programs or of county welfare systems, for which matching funds have been appropriated by the state of Minnesota or the United States, but only to the extent that the costs to the governmental subdivision for the program exceed those expended in calendar year 1970, subject to rules promulgated by the commissioner of revenue pursuant to the administrative procedures act. Amounts levied pursuant to this clause which are in excess of the amount necessary to meet the minimum required share of a program shall be deducted from the general levy made in the following year;

(d) pay the costs not reimbursed by the state or federal government, of payments made to or on behalf of recipients of aid under any public assistance program authorized by law;

(e) pay the costs of principal and interest on bonded indebtedness, or, effective for taxes levied in 1973 and years thereafter, to reimburse for the amount of liquor store revenues used to pay the principal and interest due in the year preceding the year for which the levy limit is calculated on municipal liquor store bonds;

(f) pay the costs of principal and interest on certificates of indebtedness, except tax anticipation or aid anticipation certificates of indebtedness, issued for any corporate purpose except current expenses or funding an insufficiency in receipts from taxes or other sources or funding extraordinary expenditures resulting from a public emergency;

(g) fund the payments made to the Minnesota state armory building commission pursuant to section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds;

(h) provide for the bonded indebtedness portion of payments made to another political subdivision of the state of Minnesota;

(i) pay the amounts required to compensate for a decrease in revenues from public service enterprises, municipal liquor stores, licenses, permits, fines and forfeits and no other, to the extent that the aggregate of revenues from these sources in the calendar year preceding the year of levy are less than the inflation adjusted aggregate of revenues from these sources in calendar year 1971. "Revenues" from a public service enterprise or a municipal liquor store shall mean the net income or loss of such public service enterprise or municipal liquor store, determined by subtracting total expenses from total revenues, and before any contribution to or from the governmental subdivision. "Fines" for a municipal court means the net amount remaining after subtracting total municipal court expenses from total collections of municipal court fines. The "inflation adjusted aggregate of revenues in calendar year 1971" shall be the sum of (a) the aggregate of revenues received in calendar year 1971 multiplied by the total percentage increase in the consumer price index for the Minneapolis-St. Paul area from the calendar year 1971 to June of the levy year plus (b) the aggregate of revenues

received in calendar year 1971. The commissioner of revenue shall calculate and notify the governmental subdivisions of the inflation adjustment by September of the levy year. A governmental subdivision shall qualify for this special levy only if the decrease in aggregate revenues as computed herein and divided by the population of the governmental subdivision in the preceding levy year is equal to or greater than two percent of the per capita levy limitation for the preceding levy year;

(j) pay the amounts required to compensate for a decrease in mobile homes property tax receipts to the extent that the governmental subdivision's portion of the total levy in the current levy year, pursuant to section 273.13, subdivision 3, as amended, is less than the distribution of the mobile homes tax to the governmental subdivision pursuant to section 273.13, subdivision 3, in calendar year 1971;

(k) pay the amounts required, in accordance with section 275.075, to correct for a county auditor's error of omission in levy year 1971 or a subsequent levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.50 to 275.56 in the preceding levy year;

(l) pay amounts required to correct for an error of omission in the levy certified to the appropriate county auditor or auditors by the governing body of a city or town with statutory city powers in a levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.50 to 275.56 in the preceding levy year;

(m) pay the increased cost of municipal services as the result of an annexation or consolidation ordered by the Minnesota municipal board in levy year 1971 or a subsequent levy year, but only to the extent and for the levy years as provided by the board in its order pursuant to section 414.01, subdivision 15. Special levies authorized by the board shall not exceed 50 percent of the levy limit base of the governmental subdivision and may not be in effect for more than three years after the board's order;

(n) pay the increased costs of municipal services provided to new private industrial and nonresidential commercial development, to the extent that the extension of such services are not paid for through bonded indebtedness or special assessments, and not to exceed the amount determined as follows. The governmental subdivision may calculate the aggregate of:

(1) The increased expenditures necessary in preparation for the delivering of municipal services to new private industrial and nonresidential commercial development, but limited to one year's expenditures one time for each such development;

(2) The amount determined by dividing the overall levy limitation established pursuant to sections 275.50 to 275.56, and exclusive of special levies and



special assessments, by the total taxable value of the governmental subdivision, and then multiplying this quotient times the total increase in assessed value of private industrial and nonresidential commercial development within the governmental subdivision. For the purpose of this clause, the increase in the assessed value of private industrial and nonresidential commercial development is calculated as the increase in assessed value over the assessed value of the real estate parcels subject to such private development as most recently determined before the building permit was issued. In the fourth levy year subsequent to the levy year in which the building permit was issued, the increase in assessed value of the real estate parcels subject to such private development shall no longer be included in determining the special levy.

The aggregate of the foregoing amounts, less any costs of extending municipal services to new private industrial and nonresidential commercial development which are paid by bonded indebtedness or special assessments, equals the maximum amount that may be levied as a "special levy" for the increased costs of municipal services provided to new private industrial and nonresidential commercial development. In the levy year following the levy year in which the special levy made pursuant to this clause is discontinued, one-half of the amount of that special levy made in the preceding year shall be added to the permanent levy base of the governmental subdivision:

(o) recover a loss or refunds in tax receipts incurred in non-special levy funds resulting from abatements or court action in the previous year pursuant to section 275.48;

(p) pay amounts required by law to be paid to reduce unfunded accrued liability of public pension funds, including interest thereon, in accordance with the actuarial standards and guidelines specified in sections 69.71 to 69.776 and 356.215 reduced for levy year 1977 and subsequent years by 106 percent of the amount levied for that purpose in 1976, payable in 1977. For the purpose of this special levy, the estimated receipts expected from the state of Minnesota pursuant to sections 69.011 to 69.031 or any other state aid expressly intended for the support of public pension funds shall be considered as a deduction in determining the required levy for the normal costs of the public pension funds. No amount of these aids shall be considered as a deduction in determining the governmental subdivision's required levy for the reduction of the unfunded accrued liability of public pension funds;

(q) the amounts allowed under section 174.27 to establish and administer a commuter van program;

(r) pay the costs of financial assistance to local governmental units and certain administrative, engineering, and legal expenses pursuant to Laws 1979, Chapter 253, Section 3 ~~+~~

(s) compensate for revenue lost as a result of abatements or court action pursuant to sections 270.07, 270.17 or 278.01 due to a reassessment ordered by the commissioner of revenue pursuant to section 270.16.

Changes or additions indicated by underline deletions by ~~strikeout~~

Sec. 20. Minnesota Statutes 1978, Section 275.52, Subdivision 2, is amended to read:

Subd. 2. The levy limit base, as adjusted for previous increases pursuant to this section, may be increased each year by the governing body of the governmental subdivision affected thereby in the amount not to exceed in the case of a home rule charter or statutory city other than a city of the first class or a county not containing a city of the first class, eight percent, or in the case of any other governmental subdivision, six percent of the previous year's levy limit base.

Sec. 21. Minnesota Statutes 1978, Section 275.52, Subdivision 5, is amended to read:

Subd. 5. For taxes levied in 1977 1980 payable in 1978 or ~~for taxes levied in 1978 payable in 1979~~ 1981 and subsequent years a city other than a city of the first class, town, or county not containing a city of the first class which, in the preceding levy year, levied at least 98 percent of its total limited levy amount, may determine to levy in excess of the limitation provided in sections 275.50 to 275.56 by not to exceed ten percent of its levy limit base by passing a resolution setting forth the amount by which the levy limit is proposed to be exceeded. The resolution shall be published for four successive weeks in the official newspaper of the governmental subdivision or if there is no official newspaper, in a newspaper of general circulation therein, together with a notice fixing a date for a public hearing on the proposed increase which hearing shall be held not less than four weeks nor more than six weeks after the first publication of the resolution. Following the public hearing, the governing body may determine to take no further action, or in the alternative, adopt a resolution authorizing the levy as originally proposed, or adopt a resolution approving a levy in such lesser amount as it so determines. The resolution shall be published in the official newspaper of the governmental subdivision or if there is no official newspaper, in a newspaper of general circulation therein. If within 30 days thereafter, a petition signed by voters equal in number to five percent of the votes cast in the governmental subdivision in the last general election or 2,000 voters, whichever is less, requesting a referendum on the proposed resolution is filed with the clerk or recorder of the governmental subdivision if the governmental subdivision is a city or town, or with the county auditor if the governmental subdivision is a county, the resolution shall not be effective until it has been submitted to the voters at a general or special election and a majority of votes cast on the question of approving the resolution are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at any such referendum. A levy increased pursuant to this subdivision, whether not challenged or approved at a referendum held at a special or general election held prior to October 1 in any levy year, increases the allowable levy in that same levy year and provides a permanent adjustment to the levy limit base of the governmental subdivision for future levy years. There shall be no reduction in distributions of formula aids to the governmental subdivision as a result of the additional levy.

The excess levy authorized by this subdivision is a one-time levy adjustment to the levy limit base. If an adjustment was made after June 3, 1977,

Changes or additions indicated by underline deletions by ~~strikeout~~

pursuant to this subdivision, in an amount less than ten percent of the base, calculated at the time of the adjustment, an additional adjustment to the current levy limit base is authorized in an amount equal to ten percent less the percent by which it was previously adjusted.

Sec. 22. By February 15, 1981, each county assessor shall report to the commissioner of revenue on the range of average rental values of tillable agricultural land located in each township in the county and the estimated market values established in those townships in 1981.

Sec. 23. The 1979 adjusted assessed values determined under the provisions of section 124.212 shall be computed using the classification ratios which were in effect for taxes payable in 1980.

Sec. 24. **REPEALER.** Minnesota Statutes, 1979 Supplement, Section 273.122, is repealed.

Sec. 25. **EFFECTIVE DATE.** Sections 1 and 5 through 17, 19, 20 and 24 are effective for taxes levied in 1980 and subsequent years, payable in 1981 and subsequent years.

### **ARTICLE III PROPERTY TAX REFUND**

Section 1. Minnesota Statutes, 1979 Supplement, Section 290A.03, Subdivision 3, is amended to read:

Subd. 3. **INCOME.** "Income" means the sum of the following:

(a) federal adjusted gross income as defined in the Internal Revenue Code of 1954 as amended through December 31, ~~1976~~ 1979; and

(b) the sum of the following amounts to the extent not included in clause (a):

(i) additions to federal adjusted gross income as provided in Minnesota Statutes, Section 290.01, Subdivision 20, Clause (a)(1), (a)(2), (a)(3), ~~(a)(10)~~ (9), (a)(14), and (a)(15);

(ii) all nontaxable income;

(iii) recognized net long term capital gains;

(iv) dividends excluded from federal adjusted gross income under section 116 of the Internal Revenue Code of 1954;

(v) cash public assistance and relief;

(vi) any pension or annuity (including railroad retirement benefits, all payments received under the federal social security act, supplemental security income, and veterans disability pensions), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vii) nontaxable interest received from the state or federal government or any instrumentality or political subdivision thereof;

(viii) workers' compensation;

(ix) unemployment benefits;

(x) nontaxable strike benefits; and

(xi) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise. In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. "Income" does not include

(a) amounts excluded pursuant to the Internal Revenue Code, Sections 101(a), 102, 117, and 121 as amended through December 31, 1978;

(b) amounts of any pension or annuity which was exclusively funded by the claimant or spouse and which funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(c) gifts from nongovernmental sources;

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

(e) relief granted under sections 273.012, subdivision 2 of 290A.01 to 290A.21; or

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

(g) federal adjusted gross income shall be reduced by wage or salary expense, or expense of work incentive programs which are not allowed as a deduction under provisions of section 280C of the Internal Revenue Code of 1954.

Sec. 2. Minnesota Statutes 1978, Section 290A.04, is amended by adding a subdivision to read:

Subd. 2c. If the net property taxes payable on a homestead in 1981 increase more than ten percent over the net property taxes payable in 1980 on the same property, a claimant who is a homeowner shall be allowed an additional refund equal to 50 percent of the amount by which the increase exceeds ten percent. This subdivision shall not apply to any increase in the net property taxes payable attributable to improvements made to the homestead. The refund shall not exceed \$300.

For purposes of this subdivision, "net property taxes payable" means property taxes payable after reductions made pursuant to sections 273.13, subdivisions 6, 7 and 14a; and 273.115, subdivision 1; and Laws 1980, Chapter 432, Section 7; and after the deduction of tax refund amounts for which the claimant qualifies pursuant to subdivisions 2, 2a and 2b.

Changes or additions indicated by underline deletions by ~~strikeout~~

In addition to proofs required pursuant to chapter 290A, each claimant under this subdivision shall file with the property tax refund return a copy of the property tax statement for taxes payable in the preceding year or other documents required by the commissioner.

Sec. 3. Minnesota Statutes 1978, Section 290A.06, is amended to read:

**290A.06 FILING TIME LIMIT, LATE FILING.** Any claim for property taxes payable shall be filed with the department of revenue on or before August 31 of the year in which the property taxes are due and payable. Any claim for rent constituting property taxes shall be filed with the department of revenue on or before August 31 of the year following the year in which the rent was paid. The commissioner may extend the time for filing these claims for a period not to exceed six months in the case of sickness, absence, or other disability, or when in his judgment other good cause exists.

A claim filed after the original or extended due date shall be allowed, but the amount of credit shall be reduced by five percent of the amount otherwise allowable, plus an additional five percent for each month of delinquency, not exceeding a total reduction of 25 percent which may be cancelled or reduced by the commissioner in the case of sickness, absence, or other disability, or when in his judgment other good cause exists. In any event no claim shall be allowed if the initial claim is filed two years after the original due date for filing the claim.

The time limit on redetermination of claims for refund and examination of records shall be governed by sections 290.49, 290.50, and 290.56.

Sec. 4. Minnesota Statutes 1978, Section 290A.11, is amended by adding a subdivision to read:

**Subd. 1a. REDUCTION IN ASSESSED VALUE, REDETERMINATION OF CLAIMS.** If the commissioner is notified pursuant to section 375.192, subdivision-1; that a reduction in assessed value was granted and the claimant's property taxes were decreased, the department shall redetermine the claim and notify the claimant of the redetermination and the reasons therefor. The redetermination shall be final unless appealed to the Minnesota tax court within 60 days of notice thereof.

Sec. 5. Minnesota Statutes 1978, Section 290A.17, is amended to read:

**290A.17 PUBLISHING OR RELEASING INFORMATION ON CLAIMS.** The provisions of section 290.61 relating to the confidential nature of income tax returns shall be applicable to claims filed pursuant to the provisions of chapter 290A. When it is necessary to adjust or audit a claim that is required to include or recognize the income of another person, or information furnished by that person, the commissioner is authorized to disclose the income and other information of all people involved, to each person involved, so that a proper claim may be allowed.

Nothing herein shall be construed to prohibit the commissioner from publishing or releasing the information concerning amounts of property tax

Changes or additions indicated by underline deletions by ~~strikeout~~

accrued and the relief granted to taxpayers without including information which would identify individual taxpayers. The commissioner may examine income tax returns as he deems necessary and may utilize the information in legal and administrative proceedings to insure proper administration of sections 290A.01 to 290A.21, notwithstanding section 290.61.

Sec. 6. Minnesota Statutes 1978, Section 290A.18, is amended to read:

290A.18 **RIGHT TO FILE CLAIM.** If a person entitled to relief under sections 290A.01 to ~~290A.21~~ 290A.23 dies prior to ~~filling a claim or~~ receiving relief, the surviving spouse ~~of~~ dependent or personal representative of the person shall be entitled to file the claim and receive relief. ~~If there is no surviving spouse or dependent, the right to the credit shall lapse.~~

Sec. 7. Minnesota Statutes 1978, Section 290A.19, is amended to read:

290A.19 **OWNER OR MANAGING AGENT TO FURNISH RENT CERTIFICATE; PENALTY.** The owner or managing agent of any property for which rent is paid for occupancy as a homestead shall furnish a certificate of rent paid to each person who is a renter on December 31, in the form prescribed by the commissioner. If the renter moves prior to December 31, the ~~obligation of the~~ owner or managing agent shall be ~~to at his option~~ either provide the certificate to the renter at the time he moves, ~~upon the renter's request,~~ or ~~to~~ mail the certificate to the forwarding address if an address has been provided by the renter. The certificate shall be made available to the renter not later than February 15 of the year following the year in which the rent was paid. Any owner or managing agent who willfully fails to furnish a certificate as provided herein shall be liable to the commissioner for a penalty of \$20 for each act or failure to act. The penalty shall be assessed and collected in the manner provided in chapter 290 for the assessment and collection of income tax.

Sec. 8. Minnesota Statutes 1978, Section 375.192, Subdivision 1, is amended to read:

375.192 **REDUCTIONS IN ASSESSED VALUATION OF REAL PROPERTY.** Subdivision 1. Notwithstanding section 270.07, upon written application by the owner of the property, the county board of each county shall have power to grant such reduction, for the current year, of the assessed valuation of any real property in that county which erroneously has been classified, for tax purposes, as non-homestead property, as is necessary to give it the assessed valuation which it would have received if it had been classified correctly. The application shall be made on a form prescribed by the commissioner of revenue. It shall include the social security number of the applicant and a statement of facts of ownership and occupancy, and shall be sworn to by the owner of the property before an officer authorized to take acknowledgments. Before it is acted upon by the county board, the application shall be referred to the county assessor, or if the property is located in a city of the first class having a city assessor, to such assessor, who shall investigate the facts and attach his report of such investigation to the application.

Changes or additions indicated by underline deletions by ~~strikeout~~

With respect to abatements relating to the current year's tax processed through June 30, the county auditor shall notify the commissioner of revenue on or before July 31 of that same year of all applications granted pursuant to this subdivision. Subsequently, with respect to abatements relating to the current year's tax processed after June 30 through the balance of the year, the county auditor shall notify the commissioner of revenue on or before the following January 31 of all such applications granted pursuant to this subdivision. The form submitted by the county auditor shall be prescribed by the commissioner of revenue and shall contain the information which the commissioner deems necessary.

Sec. 9. **EFFECTIVE DATE.** Sections 1, 6 and 7 are effective for claims based on rent paid in 1979 and subsequent years and property taxes payable in 1980 and subsequent years. Section 3 is effective for claims based on rent paid in 1975 and subsequent years and property taxes payable in 1976 and subsequent years. Section 5 is effective the day after final enactment.

#### ARTICLE IV STATE REIMBURSEMENTS

Section 1. Minnesota Statutes 1978, Section 124.212, Subdivision 2, is amended to read:

Subd. 2. Except as may otherwise be provided in this section, the following words and phrases when used in this section shall have the meanings herein ascribed to them.

(1) "Adjusted maintenance cost" means the state and local current expense for pupils in elementary and secondary schools, exclusive of transportation, veterans training program, community services, and after reduction for receipts from the sale of authorized items sold to the individual pupil by the school such as lunches, items of personal use, or other items specifically authorized by law or under the procedures set forth in sections 120.71 to 120.76; and after reduction for receipts from quasi-school activities when the school board has assumed direction and control of same. For purposes of determining the adjusted maintenance costs, the state department of education shall use only figures from the annual financial reports of the districts for the prior year and any supplementary documents received by it on or before August 1 of the current year. For any district which has not transmitted to the department of education before August 1, its annual financial report for the prior year, the figures from the most recent financial report of that district received on or before August 1, shall be used for purposes of calculating its certified levy and foundation aid.

(2) "Adjusted assessed valuation" shall mean the assessed valuation of the taxable property notwithstanding the provisions of section 275.49 of the school district as adjusted by the equalization aid review committee. In determining adjusted assessed valuation, property which qualifies for the reimbursement specified in section 3, subdivision 1, shall be treated as if it were classified as 3b or 3c in the case of homestead property, or as 3d in the case of nonhomestead property.

Sec. 2. The 1979 adjusted assessed values for taxes payable in 1981 determined under the provisions of section 124.212 shall be adjusted so that property which qualifies for the reimbursement specified in section 3, subdivision 1, shall be treated as if it were classified as 3b or 3c in the case of homestead property, or as 3d in the case of nonhomestead property.

Sec. 3. Minnesota Statutes 1978, Chapter 273, is amended by adding a section to read:

**[273.139] REIMBURSEMENT.** Subdivision 1. (a) Each taxing jurisdiction shall receive reimbursement in 1981 and subsequent years for the difference between the tax determined pursuant to clause (b) and the tax actually payable by the owner of property which qualifies for the assessment categories described by section 273.13, subdivisions 17 and 17b, and on property that qualifies as class 3cc pursuant to section 273.13, subdivision 7.

(b) The county auditor shall calculate the tax on the property described in clause (a) in the same manner as the property would be assessed, if it were classified as 3b or 3c in the case of homestead property, or as 3d in the case of nonhomestead property.

(c) The difference between the amount calculated pursuant to clause (b) and the amount of tax actually payable by the owner on property described in clause (a) shall be certified by the county auditor and reported to the commissioner of revenue as part of the 1981 and subsequent years abstracts of tax lists required to be filed with the commissioner by section 275.29. The commissioner shall make payments on July 15 of 1981 and subsequent years to the taxing jurisdictions containing the property in the same proportion that the ad valorem tax was distributed.

Subd. 2. When computing mill rates pursuant to sections 275.08 and 275.09, the county auditor shall regard property described in subdivision 1, clause (a) as if it were valued as class 3b or 3c in the case of homestead property, or class 3d in the case of nonhomestead property.

Sec. 4. Minnesota Statutes 1978, Section 273.13, Subdivision 17b, is amended to read:

Subd. 17b. **VALUATION OF FARMERS HOME ADMINISTRATION PROPERTY IN MUNICIPALITIES OF UNDER 10,000.** Notwithstanding any other provision of law, any structure

(a) situated on real property that is used for housing for the elderly or for low and moderate income families as defined by the farmers home administration,

(b) located in a municipality of less than 10,000 population. .

(c) financed by a direct loan or insured loan from the farmers home administration, and

(d) which qualifies under subdivision 17a, shall, for 15 years from the date of the completion of the original construction or for the original term of the loan,

Changes or additions indicated by underline deletions by ~~strikeout~~



be assessed at five percent of the adjusted market value thereof, provided that the fair market value as determined by the assessor is based on the normal approach to value using normal unrestricted rents.

Sec. 5. Minnesota Statutes 1978, Section 275.51, is amended by adding a subdivision to read:

Subd. 5. LEVY LIMITATION ADJUSTMENT. For taxes payable in 1982 and subsequent years, the reduced assessment reimbursement pursuant to section 3, subdivision 1, shall be considered as part of the property tax levy subject to the limitation provided by sections 275.50 through 275.59.

Sec. 6. Minnesota Statutes 1978, Section 276.04, is amended to read:

**276.04 NOTICE OF RATES; PROPERTY TAX STATEMENTS.** On receiving the tax lists from the county auditor, the county treasurer shall, if directed by the county board, give three weeks' published notice in a newspaper specifying the rates of taxation for all general purposes and the amounts raised for each specific purpose. He shall, whether or not directed by the county board, cause to be printed on all tax statements, or on an attachment, a tabulated statement of the dollar amount due to each taxing authority and the amount to be paid to the state of Minnesota from the parcel of real property for which a particular tax statement is prepared. The dollar amounts due the state, county, township or municipality and school district shall be separately stated but the amounts due other taxing districts, if any, may be aggregated. The property tax statements for class 2a property shall contain the same information that is required on the tax statements for real property. The county treasurer shall mail to taxpayers statements of their personal property taxes due, such statements to be mailed not later than February 15 (except in the case of Class 2a property), statements of the real property taxes due shall be mailed not later than January 31; provided, that the validity of the tax shall not be affected by failure of the treasurer to mail such statement. Such real and personal property tax statements shall contain the market value, as defined in section 272.03, subdivision 8, used in determining the tax. The statement shall also include the base tax as defined in section 273.011, subdivision 4, for qualified property as defined in section 273.011 for which the credit provided for in section 273.012 is claimed. The statement shall show the amount attributable to section 273.132 as "state paid agricultural credit" and the amount attributable to section 273.13, subdivisions 6 and 7 as "state paid homestead credit". The commissioner of revenue shall provide each county auditor with the names of those persons in the assessor's district who have filed and qualified for the property tax credit pursuant to sections 273.011 and 273.012 and shall inform the assessor of the base tax of those persons. The statement shall show the reduction attributable to the aid given pursuant to section 3 and shall indicate that the reduction is paid by the state of Minnesota. If so directed by the county board, the treasurer shall visit places in the county as he deems expedient for the purpose of receiving taxes and the county board is authorized to pay the expenses of such visits and of preparing duplicate tax lists.

Sec. 7. [273.139] [Subd. 3.] There is annually appropriated from the general fund to the commissioner of revenue an amount necessary to make the payments required by section 3.

Changes or additions indicated by underline deletions by ~~strikeout~~

Sec. 8. This article is effective the day following final enactment.

ARTICLE V  
SALES TAX

Section 1. Minnesota Statutes 1978, Section 297A.01, Subdivision 4, is amended to read:

Subd. 4. A "retail sale" or "sale at retail" means a sale for any purpose other than resale in the regular course of business. Property utilized by the owner only by leasing such property to others or by holding it in an effort to so lease it, and which is put to no use by the owner other than resale after such lease or effort to lease, shall be considered property purchased for resale. Sales of building materials, supplies and equipment to owners, contractors, subcontractors or builders for the erection of buildings or the alteration, repair or improvement of real property are "retail sales" or "sales at retail" in whatever quantity sold and whether or not for purpose of resale in the form of real property or otherwise. Aircraft and parts for the repair thereof purchased by a non-profit, incorporated flying club or association utilized solely by the corporation by leasing such aircraft to shareholders of the corporation shall not be considered property purchased for resale. The leasing of the aircraft to the shareholders by the flying club or association shall not be considered a sale notwithstanding subdivision 3 of section 297A.01 if the tax imposed by this chapter was paid on the initial purchase as provided by this subdivision.

Aircraft utilized by the owner only for the purpose of being leased to others, whether or not the lessee utilizes the aircraft for flight instruction or charter service, or by holding the aircraft in an effort to lease it, and which is put to no use by the owner other than resale after the lease, shall be considered aircraft purchased for resale.

Sec. 2. Minnesota Statutes, 1979 Supplement, Section 297A.25, Subdivision 1, is amended to read:

297A.25 **EXEMPTIONS.** Subdivision 1. The following are specifically exempted from the taxes imposed by sections 297A.01 to 297A.44:

(a) The gross receipts from the sale of food products including but not limited to cereal and cereal products, butter, cheese, milk and milk products, oleomargarine, meat and meat products, fish and fish products, eggs and egg products, vegetables and vegetable products, fruit and fruit products, spices and salt, sugar and sugar products, coffee and coffee substitutes, tea, cocoa and cocoa products:

(b) The gross receipts from the sale of prescribed drugs and medicine intended for use, internal or external, in the cure, mitigation, treatment or prevention of illness or disease in human beings and products consumed by humans for the preservation of health, including prescription glasses, therapeutic and prosthetic devices, but not including cosmetics or toilet articles notwithstanding the presence of medicinal ingredients therein:

Changes or additions indicated by underline deletions by ~~strikeout~~

(c) The gross receipts from the sale of and the storage, use or other consumption in Minnesota of tangible personal property, tickets, or admissions, electricity, gas, or local exchange telephone service, which under the Constitution or laws of the United States or under the Constitution of Minnesota, the state of Minnesota is prohibited from taxing;

(d) The gross receipts from the sale of tangible personal property (i) which, without intermediate use, is shipped or transported outside Minnesota and thereafter used in a trade or business or is stored, processed, fabricated or manufactured into, attached to or incorporated into other tangible personal property transported or shipped outside Minnesota and thereafter used in a trade or business outside Minnesota, and which is not thereafter returned to a point within Minnesota, except in the course of interstate commerce (storage shall not constitute intermediate use); or (ii) which the seller delivers to a common carrier for delivery outside Minnesota, places in the United States mail or parcel post directed to the purchaser outside Minnesota, or delivers to the purchaser outside Minnesota by means of the seller's own delivery vehicles, and which is not thereafter returned to a point within Minnesota, except in the course of interstate commerce;

(e) The gross receipts from the sale of packing materials used to pack and ship household goods, the ultimate destination of which is outside the state of Minnesota and which are not thereafter returned to a point within Minnesota, except in the course of interstate commerce;

(f) The gross receipts from the sale of and storage, use or consumption of petroleum products upon which a tax has been imposed under the provisions of chapter 296, whether or not any part of said tax may be subsequently refunded;

(g) The gross receipts from the sale of clothing and wearing apparel except the following:

(i) all articles commonly or commercially known as jewelry, whether real or imitation; pearls, precious and semi-precious stones, and imitations thereof; articles made of, or ornamented, mounted or fitted with precious metals or imitations thereof; watches; clocks; cases and movements for watches and clocks; gold, gold-plated, silver, or sterling flatware or hollow ware and silver-plated hollow ware; opera glasses; lorgnettes; marine glasses; field glasses and binoculars.

(ii) articles made of fur on the hide or pelt, and articles of which such fur is the component material or chief value, but only if such value is more than three times the value of the next most valuable component material.

(iii) perfume, essences, extracts, toilet waters, cosmetics, petroleum jellies, hair oils, pomades, hair dressings, hair restoratives, hair dyes, aromatic cachous and toilet powders. The tax imposed by this act shall not apply to lotion, oil, powder, or other article intended to be used or applied only in the case of babies.

(iv) trunks, valises, traveling bags, suitcases, satchels, overnight bags, hat boxes for use by travelers, beach bags, bathing suit bags, brief cases made of leather or imitation leather, salesmen's sample and display cases, purses, handbags, pocketbooks, wallets, billfolds, card, pass, and key cases and toilet cases.

Changes or additions indicated by underline deletions by ~~strikeout~~

(h) The gross receipts from the sale of and the storage, use, or consumption of all materials, including chemicals, fuels, petroleum products, lubricants, packaging materials, including returnable containers used in packaging food and beverage products, feeds, seeds, fertilizers, electricity, gas and steam, used or consumed in agricultural or industrial production of personal property intended to be sold ultimately at retail, whether or not the item so used becomes an ingredient or constituent part of the property produced. Such production shall include, but is not limited to, research, development, design or production of any tangible personal property, manufacturing, processing (other than by restaurants and consumers) of agricultural products whether vegetable or animal, commercial fishing, refining, smelting, reducing, brewing, distilling, printing, mining, quarrying, lumbering, generating electricity and the production of road building materials. Such production shall not include painting, cleaning, repairing or similar processing of property except as part of the original manufacturing process. Machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture and fixtures, used in such production and fuel, electricity, gas or steam used for space heating or lighting, are not included within this exemption; however, accessory tools, equipment and other short lived items, which are separate detachable units used in producing a direct effect upon the product, where such items have an ordinary useful life of less than 12 months, are included within the exemption provided herein;

(i) The gross receipts from the sale of and storage, use or other consumption in Minnesota of tangible personal property (except as provided in section 297A.14) which is used or consumed in producing any publication regularly issued at average intervals not exceeding three months, and any such publication. For purposes of this subsection, "publication" as used herein shall include, without limiting the foregoing, a legal newspaper as defined by Minnesota Statutes 1965, Section 331.02, and any supplements or enclosures with or part of said newspaper; and the gross receipts of any advertising contained therein or therewith shall be exempt. For this purpose, advertising in any such publication shall be deemed to be a service and not tangible personal property, and persons or their agents who publish or sell such newspapers shall be deemed to be engaging in a service with respect to gross receipts realized from such newsgathering or publishing activities by them, including the sale of advertising. Machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture and fixtures used in such publication and fuel, electricity, gas or steam used for space heating or lighting, are not exempt;

(j) The gross receipts from all sales of tangible personal property to, and all storage, use or consumption of such property by, the United States and its agencies and instrumentalities or a state and its agencies, instrumentalities and political subdivisions;

(k) The gross receipts from the isolated or occasional sale of tangible personal property in Minnesota not made in the normal course of business of selling that kind of property, and the storage, use, or consumption of property acquired as a result of such a sale;

(l) The gross receipts from sales of rolling stock and the storage, use or other consumption of such property by railroads, freight line companies, sleeping car companies and express companies taxed on the gross earnings basis in lieu of ad valorem taxes. For purposes of this clause "rolling stock" is defined as the portable or moving apparatus and machinery of any such company which moves on the road, and includes, but is not limited to, engines, cars, tenders, coaches, sleeping cars and parts necessary for the repair and maintenance of such rolling stock.

(m) The gross receipts from sales of airflight equipment and the storage, use or other consumption of such property by airline companies taxed under the provisions of sections 270.071 to 270.079. For purposes of this clause, "airflight equipment" includes airplanes and parts necessary for the repair and maintenance of such airflight equipment, and flight simulators.

(n) The gross receipts from the sale of telephone central office telephone equipment used in furnishing intrastate and interstate telephone service to the public.

(o) The gross receipts from the sale of and the storage, use or other consumption by persons taxed under the in lieu provisions of chapter 298, of mill liners, grinding rods and grinding balls which are substantially consumed in the production of taconite, the material of which primarily is added to and becomes a part of the material being processed.

(p) The gross receipts from the sale of tangible personal property to, and the storage, use or other consumption of such property by, any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious or educational purposes if the property purchased is to be used in the performance of charitable, religious or educational functions, or any senior citizen group or association of groups that in general limits membership to persons age 55 or older and is organized and operated exclusively for pleasure, recreation and other nonprofit purposes, no part of the net earnings of which inures to the benefit of any private shareholders;

(q) The gross receipts from the sale of caskets and burial vaults;

(r) The gross receipts from the sale of cigarettes.

(s) The gross receipts from the sale of an automobile or other conveyance if the purchaser is assisted by a grant from the United States in accordance with 38 United States Code, Section 1901, as amended.

(t) The gross receipts from the sale to the licensed aircraft dealer of an aircraft for which a commercial use permit has been issued pursuant to section 360.654, if the aircraft is resold while the permit is in effect.

(u) The gross receipts from the sale of building materials to be used in the construction or remodeling of a residence when the construction or remodeling is financed in whole or in part by the United States in accordance with 38 United States Code, Sections 801 to 805, as amended. This exemption shall not be effec-

tive at time of sale of the materials to contractors, subcontractors, builders or owners, but shall be applicable only upon a claim for refund to the commissioner of revenue filed by recipients of the benefits provided in Title 38 United States Code, Chapter 21, as amended. The commissioner shall provide by regulation for the refund of taxes paid on sales exempt in accordance with this paragraph.

(v) The gross receipts from the sale of textbooks which are prescribed for use in conjunction with a course of study in a public or private school, college, university and business or trade school to students who are regularly enrolled at such institutions. For purposes of this clause a "public school" is defined as one that furnishes course of study, enrollment and staff that meets standards of the state board of education and a private school is one which under the standards of the state board of education, provides an education substantially equivalent to that furnished at a public school. Business and trade schools shall mean such schools licensed pursuant to section 141.25.

(w) The gross receipts from the sale of and the storage of material designed to advertise and promote the sale of merchandise or services, which material is purchased and stored for the purpose of subsequently shipping or otherwise transferring outside the state by the purchaser for use thereafter solely outside the state of Minnesota.

(x) The gross receipt from the sale of residential heating fuels in the following manner:

(i) all fuel oil, coal, wood, steam, propane gas, and L.P. gas sold to residential customers for residential use;

(ii) natural gas sold for residential use to customers who are metered and billed as residential users and who use natural gas for their primary source of residential heat, for the billing months of November, December, January, February, March and April;

(iii) electricity sold for residential use to customers who are metered and billed as residential users and who use electricity for their primary source of residential heat, for the billing months of November, December, January, February, March and April.

(y) The gross receipts from the sale or use of tickets or admissions to the premises of or events sponsored by an association, corporation or other group of persons which provides an opportunity for citizens of the state to participate in the creation, performance or appreciation of the arts and which qualifies as a tax-exempt organization within the meaning of section 290.05, subdivision 1, clause (i).

(z) The gross receipts from either the sales to or the storage, use or consumption of tangible personal property by an organization of military service veterans or an auxiliary unit of an organization of military service veterans, provided that:

(i) the organization or auxiliary unit is organized within the state of Minnesota and is exempt from federal taxation pursuant to section 501(c), clause (19), of the Internal Revenue Code as amended through December 31, 1978; and

(ii) the tangible personal property which is sold to or stored, used or consumed by the organization or auxiliary unit is for charitable, civic, educational, or nonprofit uses and not for social, recreational, pleasure or profit uses.

Sec. 3. Minnesota Statutes 1978, Section 297A.211, Subdivision 1, is amended to read:

**297A.211 COMMON CARRIERS AS RETAILERS.** Subdivision 1. Every person, as defined in this chapter, who is engaged in interstate for-hire transportation of tangible personal property or passengers by motor vehicle may at their option, under rules and regulations prescribed by the commissioner, register as retailers and pay the taxes imposed by this chapter in accordance with this section. Persons referred to herein are: (1) persons possessing a certificate or permit authorizing for-hire transportation of property or passengers from the interstate commerce commission or the Minnesota public service commission; or (2) persons transporting commodities defined as "exempt" in for-hire transportation in interstate commerce; or (3) persons who, pursuant to contracts with persons described in clauses (1) or (2) above, transport tangible personal property in interstate commerce. Persons qualifying under clauses (2) and (3) must maintain on a current basis the same type of mileage records that are required by persons specified in clause (1) by the interstate commerce commission. Persons who in the course of their business are transporting solely their own goods in interstate commerce may also register as retailers pursuant to rules prescribed by the commissioner and pay the taxes imposed by this chapter in accordance with this section.

**Sec. 4. [297A.141] LOCAL ADMISSIONS AND AMUSEMENT TAXES; EXEMPTION FOR ARTS ORGANIZATIONS.** No tax imposed by a local unit of government or imposed on sales taking place in a single named local unit of government on sales of admissions or amusements under a law enacted prior or subsequent to the enactment of this provision, other than a general sales tax law, shall apply to amounts charged for admission to the premises of or events sponsored by a nonprofit arts organization.

**Sec. 5. EFFECTIVE DATE.** The provisions of section 1 relating to purchases by flying clubs or associations is effective for sales after June 30, 1980. The provisions of section 1 relating to aircraft exclusively used for leasing are effective November 1, 1979. Section 2, clause (y) and section 4 are effective for tickets sold or admissions charged after July 31, 1980. Section 2, clause (z) is effective for sales made after June 30, 1980.

#### **ARTICLE VI TAX INCREMENT FINANCING**

Section 1. Minnesota Statutes, 1979 Supplement, Section 273.73, Subdivision 7, is amended to read:

**Changes or additions indicated by underline deletions by ~~strikeout~~**

Subd. 7. **ORIGINAL ASSESSED VALUE.** "Original assessed value" means the assessed value of all taxable real property within a tax increment financing district as most recently certified by the commissioner of revenue as of the date of the request by an authority for certification by the county auditor, together with subsequent adjustments as set forth in section 273.76, subdivisions 1 and 4; provided, however, that in determining the original assessed value the assessed value of real property exempt from taxation at the time of the request shall be zero except for real property which is tax exempt by reason of public ownership by the requesting authority and which has been publicly owned for less than one year prior to the date of the request for certification, in which event the assessed value of the property shall be the assessed value as most recently determined by the commissioner of revenue. For purposes of this subdivision, "real property" shall include any property normally taxable as personal property by reason of its location on or over publicly-owned property owned by a tax exempt entity.

Sec. 2. Minnesota Statutes, 1979 Supplement, Section 273.73, Subdivision 8, is amended to read:

Subd. 8. **PROJECT.** "Project" means a project as defined in section 362A.01; an industrial development district as defined in section 458.191, subdivision 1; a ~~redevelopment~~ project as defined in section 462.421, subdivision 14; a development district as defined in ~~section 472A.02, subdivision 3~~ chapter 472A or any special law; or a project as defined in section 474.02, subdivisions 1, 1a or 1b.

Sec. 3. Minnesota Statutes, 1979 Supplement, Section 273.73, Subdivision 10, is amended to read:

Subd. 10. **REDEVELOPMENT DISTRICT.** (a) "Redevelopment project district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one of the following conditions, reasonably distributed throughout the project district, exists:

(1) The land is predominantly occupied by buildings, streets, utilities or other improvements and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance; or

(2) The land is predominantly occupied by buildings, streets, utilities or other improvements and 20 percent of the buildings are structurally substandard and an additional 30 percent of the buildings are found to require substantial renovation or clearance in order to remove such existing conditions as: inadequate street layout, incompatible uses or land use relationships, overcrowding of buildings on the land, excessive dwelling unit density, obsolete buildings not suitable for improvement or conversion, or other identified hazards to the health, safety and general well being of the community; or

(3) The land is not predominantly occupied by buildings, streets, utilities or other improvements, but at least 80 percent of the total acreage of such land has a fair market value upon inclusion in the ~~project~~ redevelopment district which,

**Changes or additions indicated by underline deletions by ~~strikeout~~**



when added to the estimated cost of preparing the land for use, including utilities, if any, exceeds its anticipated fair market value after completion of said preparation; or

(4) The property consists of underutilized air rights existing over a public street, highway or right-of-way.

(b) For purposes of this subdivision, "structurally substandard" shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance. "Predominantly occupied" shall mean at least 50 percent of the parcels comprising at least 50 percent of the acreage.

Sec. 4. Minnesota Statutes, 1979 Supplement, Section 273.73, Subdivision 11, is amended to read:

Subd. 11. **HOUSING DISTRICT.** "Housing project district" means a type of tax increment financing district which consists of a project, or that part of a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income, as defined in chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts.

Sec. 5. Minnesota Statutes, 1979 Supplement, Section 273.73, Subdivision 12, is amended to read:

Subd. 12. **ECONOMIC DEVELOPMENT DISTRICT.** "Economic development project district" means a type of tax increment financing district which consists of any project, or portions of a project, not meeting the requirements found in the definition of redevelopment project district or housing project district, but which the authority finds to be in the public interest because:

(a) It will discourage commerce, industry or manufacturing from moving their operations to another state; or

(b) It will result in increased employment in the municipality; or

(c) It will result in preservation and enhancement of the tax base of the municipality.

Sec. 6. Minnesota Statutes, 1979 Supplement, Section 273.74, Subdivision 3, is amended to read:

Subd. 3. **MUNICIPALITY APPROVAL.** No county auditor shall certify the original assessed value of a tax increment financing district until the tax increment financing plan proposed for that district has been approved by the municipality in which the project district is located. If an authority which proposes to establish a tax increment financing district and the municipality are not the same, the

authority shall apply to the municipality in which the district is proposed to be located and shall obtain the approval of its tax increment financing plan by the municipality before the authority may use tax increment financing. The municipality shall approve the tax increment financing plan only after a public hearing thereon after published notice in a newspaper of general circulation in the municipality at least once not less than ten days nor more than 30 days prior to the date of the hearing. This hearing may be held before or after the approval or creation of the project or it may be held in conjunction with a hearing to approve the project. Before or at the time of approval of the tax increment financing plan, the municipality shall make the following findings:

(a) That the ~~project comprising the~~ proposed tax increment financing district is a redevelopment ~~project district~~, a housing ~~project district~~ or an economic development ~~project district~~ and the specific bases for such determination.

(b) That the proposed development or redevelopment, in the opinion of the municipality, would not occur solely through private investment within the reasonably foreseeable future and therefore the use of tax increment financing is deemed necessary.

(c) That the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole.

(d) That the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the district by private enterprise.

(e) That the municipality elects the method of tax increment computation set forth in section 273.76, subdivision 3, clause (b), if applicable.

When the municipality and the authority are not the same, the municipality shall approve or disapprove the tax increment financing plan within 60 days of submission by the authority, or the plan shall be deemed approved. When the *municipality and the authority are not the same, the municipality may not amend or modify a tax increment financing plan except as proposed by the authority pursuant to subdivision 4.* Once approved, the determination of the authority to undertake the project through the use of tax increment financing and the resolution of the governing body shall be conclusive of the findings therein and of the public need for such financing.

Sec. 7. Minnesota Statutes, 1979 Supplement, Section 273.75, Subdivision 1. is amended to read:

**273.75 LIMITATIONS.** Subdivision 1. **DURATION OF TAX INCREMENT FINANCING DISTRICTS.** Subject to the limitations contained elsewhere in this subdivision any tax increment financing district as to which bonds are outstanding, payment for which the tax increment and other revenues have been pledged, shall remain in existence at least as long as any such bonds continue to be outstanding; provided, however, the tax increment pledged to the payment of bonds and interest thereon may be discharged and the tax increment

financing district may be terminated if sufficient funds have been irrevocably deposited in the debt service fund or other escrow account held in trust for all outstanding bonds to provide for the payment of the bonds at maturity or date of redemption and interest thereon to such maturity or redemption date. provided that for bonds issued pursuant to section 273.77, clauses (a) and (b) the full faith and credit and any taxing powers of the municipality or authority shall continue to be pledged to the payment of the bonds until the principal of and interest on the bonds has been paid in full; provided, further, that no tax increment shall be paid to an authority for a tax increment financing district after three years from the date of certification of the original assessed value of the taxable real property in the district by the county auditor or three years from August 1, 1979, for tax increment financing districts authorized prior to August 1, 1979, unless within the three year period (a) bonds have been issued pursuant to section 273.77, or in aid of a project pursuant to any other law, except revenue bonds issued pursuant to chapter 474, prior to August 1, 1979, or (b) the authority has acquired property within the district, or (c) the authority has constructed or caused to be constructed public improvements within the district; and provided, further, that no tax increment shall in any event be paid to the authority from a redevelopment project district after 25 years from date of receipt by the authority of the first tax increment, after 25 years from the date of the receipt for a housing project district and after eight years from the date of the receipt, or ten years from approval of the tax increment financing plan, whichever is less, for an economic development project district.

For tax increment financing districts created prior to August 1, 1979, no tax increment shall be paid to the authority after 30 years from August 1, 1979.

Modification of a tax increment financing plan pursuant to section 273.74, subdivision 4, shall not extend the durational limitations of this subdivision.

Sec. 8. Minnesota Statutes, 1979 Supplement, Section 273.75, Subdivision 2, is amended to read:

Subd. 2. **EXCESS TAX INCREMENTS.** In any year in which the tax increment exceeds the amount necessary to pay the costs authorized by the tax increment financing plan, including the amount necessary to cancel any tax levy as provided in section 475.61, subdivision 3, the authority shall use the excess amount to (a) prepay any outstanding bonds, (b) discharge the pledge of tax increment therefor, (c) pay into an escrow account dedicated to the payment of such bond, or shall return the excess amount to the county auditor who shall distribute the excess amount to the municipality, county and school district in which the tax increment financing district is located in direct proportion to their respective mill rates.

Sec. 9. Minnesota Statutes, 1979 Supplement, Section 273.75, Subdivision 5, is amended to read:

Subd. 5. **REQUIREMENT FOR AGREEMENTS.** No more than 25 percent, by acreage, of the property to be acquired within a redevelopment project district, or ten percent, by acreage, of the property to be acquired within

a housing or economic development ~~project~~ district, as set forth in the tax increment financing plan, shall at any time be owned by an authority as a result of acquisition with the proceeds of bonds issued pursuant to section 273.77 without the authority having prior to acquisition in excess of the percentages concluded an agreement for the development or redevelopment of the property acquired and which provides recourse for the authority should the development or redevelopment not be completed.

Sec. 10. Minnesota Statutes, 1979 Supplement, Section 273.75, Subdivision 6, is amended to read:

Subd. 6. **LIMITATION ON INCREMENT.** If, after five years from the date of certification of the original assessed value of the tax increment financing district pursuant to section 273.76, no demolition, rehabilitation or renovation of property or other site preparation, including improvement of a street adjacent to a ~~property parcel~~ but not installation of utility service, has been commenced on a property parcel located within a tax increment financing district by the authority or by the owner of the ~~property parcel~~ in accordance with the tax increment financing plan, no additional tax increment may be taken from that ~~property parcel~~, and the original assessed value of that ~~property parcel~~ shall be excluded from the original assessed value of the tax increment financing district. If the authority or the owner of the ~~property parcel~~ subsequently commences demolition, rehabilitation or renovation or other site preparation on that ~~property parcel~~ including improvement of a street adjacent to that ~~property parcel~~, in accordance with the tax increment financing plan, the authority shall certify to the county auditor that the activity has commenced, and ~~the property may be added into the tax increment financing district.~~ the county auditor shall certify the most recently assessed value of that property assessed value thereof as most recently certified by the commissioner of revenue and add it to the original assessed value of the tax increment financing district. For purposes of this subdivision "parcel" means a tract or plat of land established as a single unit for purposes of assessment.

Sec. 11. Minnesota Statutes, 1979 Supplement, Section 273.76, Subdivision 1, is amended to read:

**273.76 COMPUTATION OF TAX INCREMENT.** Subdivision 1. **ORIGINAL ASSESSED VALUE.** Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original assessed value of the tax increment financing district as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original assessed value has increased or decreased as a result of a change in tax exempt status of property within the district, reduction or enlargement of the district or changes pursuant to subdivision 4. The amount to be added to the original assessed value of the district as a result of previously tax exempt real property within the district becoming taxable pursuant to section 273.18 or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the value which shall be assessed by the assessor at the time of such transfer ~~as of the date of title~~

Changes or additions indicated by underline deletions by ~~strikeout~~

~~transfer.~~ The amount to be added to the original assessed value of the district as a result of enlargements thereof shall be equal to the assessed value of the added real property as most recently certified by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 273.74, subdivision 4. The amount to be subtracted from the original assessed value of the district as a result of previously taxable real property within the district becoming tax exempt, or a reduction in the geographic area of the district, shall be the amount of original assessed value initially attributed to the property becoming tax exempt or being removed from the district. If the assessed value of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, the original assessed value of the district shall be reduced by that amount stipulation agreement, voluntary abatement made by the assessor or auditor or by order of the commissioner of revenue, the reduction shall be applied to the original assessed value of the district when the property upon which the abatement is made has not been improved since the date of certification of the district and to the captured assessed value of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor shall have the power to specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 273.74, subdivision 4.

Sec. 12. Minnesota Statutes, 1979 Supplement, Section 273.76, Subdivision 2, is amended to read:

Subd. 2. **CAPTURED ASSESSED VALUE.** The county auditor shall certify the amount of the captured assessed value to the authority each year, together with the proportion that the captured assessed value bears to the total assessed value of the real property within the tax increment financing district for that year.

(a) An authority may choose to retain any part or all of the captured assessed value for purposes of tax increment financing according to one of the two following options:

(1) If the plan provides that all the captured assessed value is necessary to finance or otherwise make permissible expenditures under section 273.75, subdivision 5 4, the authority may retain the full captured assessed value.

(2) If the plan provides that only a portion of the captured assessed value is necessary to finance or otherwise make permissible expenditures under section 273.75, subdivision 5 4, only that portion shall be set aside and the remainder shall be distributed among the affected taxing districts by the county auditor.

(b) The portion of captured assessed value that an authority intends to use for purposes of tax increment financing must be clearly stated in the tax increment financing plan.

Sec. 13. Minnesota Statutes, 1979 Supplement, Section 273.76, Subdivision 3, is amended to read:

Subd. 3. **TAX INCREMENT, RELATIONSHIP TO CHAPTER 473F.** (a) Unless the governing body elects pursuant to clause (b) the following method of computation shall apply:

**Changes or additions indicated by underline deletions by ~~strikeout~~**

(1) The original assessed value shall include any portion thereof which is subject to the area-wide tax imposed by section 473F.08, subdivision 6; in the levy and assessment of taxes in the year the district is certified and the current assessed value shall not be reduced to any extent to reflect the contribution of the municipality to the area-wide tax base pursuant to section 473F.08, subdivision 2; clause (a).

(2) In each subsequent year, the county auditor shall compute assessed valuation, mill rates and the tax increment as follows:

(i) If the authority retains the full captured assessed value, the county auditor shall include no more than the original assessed value of the real property in the tax increment financing district for purposes of determining assessed value for local mill rates. The county auditor shall compute the mill rates of all taxes levied by the state, the county, the municipality or town, the school district and every other taxing district in which the district is located in whole or in part of the aforementioned assessed value. The county auditor shall extend all mill rates against the current assessed value, including the captured assessed value, except for that portion of the current assessed value which is subject to the area-wide tax rate determined pursuant to section 473F.08, subdivision 5. In each year for which the current assessed value exceeds the original assessed value, the county treasurer shall remit to the authority that portion of all taxes paid that year on real property in the district, including taxes paid as a result of the application of the area-wide tax determined pursuant to section 473F.08, subdivision 5, which exceeds the taxes attributable to the application of local mill rates to the original assessed value. The amount so remitted each year is referred to in this section as the tax increment for that year.

(ii) If the authority retains only a portion of the captured assessed value for its use and returns the remaining portion to the tax rolls of all affected taxing districts, the county auditor shall include the original assessed value which is shared with all the affected taxing districts in determining the assessed value for computing mill rates. He shall compute the mill rates of all taxes levied by the state, county, municipality, school district, and every other taxing district in which the district is located in whole or in part on this assessed value. He shall extend all mill rates against the total current assessed value including that portion of the captured assessed value which the authority is retaining for its use only, except for that portion of the current assessed value which is subject to the area-wide tax rate determined pursuant to section 473F.08, subdivision 5. In each year for which the current assessed value exceeds the original assessed value, the county treasurer shall remit to the authority that portion of all taxes paid on real property in the district, including taxes paid as a result of the area-wide tax rate determined pursuant to section 473F.08, subdivision 5, that exceeds the taxes attributable to the application of local mill rates to the original assessed value and to that portion of the captured assessed value which is shared with all the affected taxing districts. The amount so remitted each year is referred to as the tax increment.

(3) In any year in which the current assessed value of the tax increment financing district is less than the original assessed value, thereby creating a tax

increment deficit, the county auditor shall compute and extend taxes against the current assessed value, except for that portion of the current assessed value which is subject to the area-wide tax rate determined pursuant to section 473F.08, subdivision 5. Taxes, including taxes paid as a result of the application of the area-wide tax rate determined pursuant to section 473F.08, subdivision 5, shall be distributed from the affected property to each of the taxing jurisdictions as determined by the current levy and there will be no tax increment. In any year subsequent to a year in which there exists a tax increment deficit, the tax increment shall be computed without regard to said deficit.

(1) The original assessed value and the current assessed value shall be determined before the application of the fiscal disparity provisions of chapter 473F. Where the original assessed value is equal to or greater than the current assessed value, there is no captured assessed value and no tax increment determination. Where the original assessed value is less than the current assessed value, the difference between the original assessed value and the current assessed value is the captured assessed value. This amount less any portion thereof which the authority has designated, in its tax increment financing plan, to share with the local taxing districts is the retained captured assessed value of the authority.

(2) The county auditor shall exclude the retained captured assessed value of the authority from the taxable value of the local taxing districts in determining local taxing district mill rates. The mill rates so determined are to be extended against the retained captured assessed value of the authority as well as the taxable value of the local taxing districts. The tax generated by the extension of the local taxing district mill rates to the retained captured assessed value of the authority is the tax increment of the authority.

(b) Notwithstanding clause (a), the governing body may, by resolution approving the tax increment financing plan pursuant to section 273.74, subdivision 3, elect the following method of computation:

(1) The original assessed value shall not include any portion thereof which is subject to the area-wide tax imposed by section 473F.08, subdivision 6, in the levy and assessment of taxes in the year the district is certified and the current assessed value shall not include the portion thereof which is subject to the area-wide tax imposed by section 473F.08, subdivision 6, but shall not otherwise be reduced by the amount of the contribution of the municipality to the area-wide tax base pursuant to section 473F.08, subdivision 2, clause (a).

(2) In each subsequent year, the county auditor shall compute assessed valuation, mill rates and tax increments as follows:

(i) If the authority retains the full captured assessed value, the county auditor shall include no more than the original assessed value of the real property in the tax increment financing district for purposes of determining assessed value for local mill rates. The county auditor shall compute the mill rates of all taxes levied by the state, the county, the municipality or town, the school district and every other taxing district in which the district is located in whole or in part on the aforementioned assessed value. The county auditor shall extend all mill rates

Changes or additions indicated by underline deletions by ~~strikeout~~

against the current assessed value, including the captured assessed value. In each year for which the current assessed value exceeds the original assessed value, the county treasurer shall remit to the authority that proportion of all taxes paid that year on real property in the district which the captured assessed value bears to the current assessed value. The amount so remitted each year is referred to in this section as the tax increment for that year.

(ii) If the authority retains only a portion of the captured assessed value for its use and returns the remaining portion to the tax rolls of all affected taxing districts, the county auditor shall include the original assessed value and that portion of the captured assessed value which is shared with all the affected taxing districts in determining the assessed value for computing mill rates. He shall compute the mill rates of all taxes levied by the state, county, municipality, school district, and every other taxing district in which the district is located in whole or in part on this aforementioned assessed value. He shall extend all mill rates against the total current assessed value including that portion of the captured assessed value which the authority is retaining for its use only. In each year for which the current assessed value exceeds the original assessed value, the county treasurer shall remit to the authority that portion of all taxes paid on real property in the district that the retained captured assessed value bears to the total current assessed value in the district. The amount so remitted each year is referred to as the tax increment.

(3) In any year in which the current assessed value of the tax increment financing district is less than the original assessed value, thereby creating a tax increment deficit, the county auditor shall compute and extend taxes against the current assessed value. Taxes shall be distributed from the affected property to each of the taxing jurisdictions as determined by the current levy and there is no tax increment. In any year subsequent to a year in which there exists a tax increment deficit, tax increments shall be computed without regard to the deficit.

(1) The original assessed value shall be determined before the application of the fiscal disparity provisions of chapter 473F. The current assessed value shall exclude any fiscal disparity commercial-industrial assessed value increase between the original year and the current year multiplied by the fiscal disparity ratio determined pursuant to section 473F.08, subdivision 6. Where the original assessed value is equal to or greater than the current assessed value, there is no captured assessed value and no tax increment determination. Where the original assessed value is less than the current assessed value, the difference between the original assessed value and the current assessed value is the captured assessed value. This amount less any portion thereof which the authority has designated, in its tax increment financing plan, to share with the local taxing districts is the retained captured assessed value of the authority.

(2) The county auditor shall exclude the retained captured assessed value of the authority from the taxable value of the local taxing districts in determining local taxing district mill rates. The mill rates so determined are to be extended against the retained captured assessed value of the authority as well as the taxable value of the local taxing districts. The tax generated by the extension of the local



taxing district mill rates to the retained captured assessed value of the authority is the tax increment of the authority.

(4) (3) An election by the governing body pursuant to part (b) shall be submitted to the county auditor by the authority at the time of the request for certification pursuant to subdivision 1.

(c) The method of computation of tax increment applied to a district pursuant to clause (a) or (b), once established, shall remain the same for the duration of the district.

Sec. 14. Minnesota Statutes, 1979 Supplement, Section 273.76, is amended by adding a subdivision to read:

**Subd. 6. REQUEST FOR CERTIFICATION OF NEW TAX INCREMENT FINANCING DISTRICT.** A request for certification of a new tax increment financing district pursuant to subdivision 1 or of a modification to an existing tax increment financing district pursuant to section 273.74, subdivision 4, received by the county auditor on or before October 10 of the calendar year shall be recognized by the county auditor in determining mill rates for the current and subsequent levy years. Such requests received by the county auditor after October 10 of the calendar year shall not be recognized by the county auditor in determining mill rates for the current levy year but shall be recognized by the county auditor in determining mill rates for subsequent levy years.

Sec. 15. Minnesota Statutes, 1979 Supplement, Section 273.76, is amended by adding a subdivision to read:

**Subd. 7. PROPERTY CLASSIFICATION CHANGES.** In the event that any law governing the classification of real property and thereby determining the percentage of market value to be assessed for ad valorem taxation purposes is amended after August 1, 1979, the increase or decrease in assessed valuation resulting therefrom shall be applied proportionately to original assessed value and captured assessed value of any tax increment financing district in each year thereafter, whether created pursuant to the Minnesota Tax Increment Financing Act or any prior tax increment law.

Sec. 16. Minnesota Statutes, 1979 Supplement, Section 273.76, is amended by adding a subdivision to read:

**Subd. 8. ASSESSMENT AGREEMENTS.** An authority may, upon entering into a development or redevelopment agreement pursuant to section 273.75, subdivision 5, enter into a written assessment agreement in recordable form with the developer or redeveloper of property within the tax increment financing district which establishes a minimum market value of the land and completed improvements to be constructed thereon until a specified termination date, which date shall be not later than the date upon which tax increment will no longer be remitted to the authority pursuant to section 273.75, subdivision 1. The assessment agreement shall be presented to the county assessor, or city assessor having the powers of the county assessor, of the jurisdiction in which the tax increment financing district is located. The assessor shall review the plans and specifications

Changes or additions indicated by underline deletions by ~~strikeout~~

for the improvements to be constructed, review the market value previously assigned to the land upon which the improvements are to be constructed and, so long as the minimum market value contained in the assessment agreement appears, in the judgment of the assessor, to be a reasonable estimate, shall execute the following certification upon such agreement:

The undersigned assessor, being legally responsible for the assessment of the above described property upon completion of the improvements to be constructed thereon, hereby certifies that the market value assigned to such land and improvements upon completion shall not be less than \$.....

Upon transfer of title of the land to be developed or redeveloped from the authority to the developer or redeveloper, such assessment agreement, together with a copy of this subdivision, shall be filed for record and recorded in the office of the county recorder or filed in the office of the registrar of titles of the county where the real estate or any part thereof is situated. Upon completion of the improvements by the developer or redeveloper, the assessor shall value the property pursuant to section 273.11, except that the market value assigned thereto shall not be less than the minimum market value contained in the assessment agreement. Nothing herein shall limit the discretion of the assessor to assign a market value to the property in excess of the minimum market value contained in the assessment agreement nor prohibit the developer or redeveloper from seeking, through the exercise of administrative and legal remedies, a reduction in market value for property tax purposes; provided, however, that the developer or redeveloper shall not seek, nor shall the city assessor, the county assessor, the county auditor, any board of review, any board of equalization, the commissioner of revenue or any court of this state grant a reduction of the market value below the minimum market value contained in the assessment agreement during the term of the agreement filed of record regardless of actual market values which may result from incomplete construction of improvements, destruction or diminution by any cause, insured or uninsured, except in the case of acquisition or reacquisition of the property by a public entity. Recording or filing of an assessment agreement complying with the terms of this subdivision shall constitute notice of the agreement to any subsequent purchaser or encumbrancer of the land or any part thereof, whether voluntary or involuntary; and shall be binding upon them.

Sec. 17. Minnesota Statutes, 1979 Supplement, Section 273.77, is amended to read:

**273.77 TAX INCREMENT BONDING.** Any other law, general or special, notwithstanding, after August 1, 1979 no bonds, payment for which tax increment is pledged, shall be issued in connection with any project for which tax increment financing has been undertaken other than as is authorized hereby and the proceeds therefrom shall be used only in accordance with section 273.75, subdivision 5 4 as if said proceeds were tax increment, except that a tax increment financing plan need not be adopted for any project for which tax increment

Changes or additions indicated by underline deletions by ~~strikeout~~

financing has been undertaken prior to August 1, 1979, pursuant to statutes not requiring a tax increment financing plan. Such bonds shall not be included for purposes of computing the net debt of any municipality.

(a) A municipality may issue general obligation bonds to finance any expenditure by the municipality or an authority the jurisdiction of which is wholly or partially within that municipality, pursuant to section 273.75, subdivision 5 4 in the same manner and subject only to the same conditions as those provided in chapter 475 for bonds financing improvement costs reimbursable from special assessments. Any pledge of tax increment, assessments or other revenues for the payment of the principal of and interest on general obligation bonds issued under this subdivision, except when the authority and the municipality are the same, shall be made by written agreement by and between the authority and the municipality and filed with the county auditor. When the authority and the municipality are the same, the municipality may by covenant pledge tax increment, assessments or other revenues for the payment of the principal of and interest on general obligation bonds issued under this subdivision and thereupon shall file the resolution containing such covenant with the county auditor. When tax increment, assessments and other revenues are pledged, the estimated collections of said tax increment, assessments and any other revenues so pledged may be deducted from the taxes otherwise required to be levied before the issuance of the bonds under section 475.61, subdivision 1, or the collections thereof may be certified annually to reduce or cancel the initial tax levies in accordance with section 475.61, subdivision 1 or 3.

(b) When the authority and the municipality are not the same, an authority may, by resolution, authorize, issue and sell its general obligation bonds to finance any expenditure which that authority is authorized to make by section 273.75, subdivision 5 4. Said bonds of the authority shall be authorized by its resolution, shall mature as determined by resolution of the authority in accordance with Laws 1979, Chapter 322, and may be issued in one or more series and shall bear such date or dates, bear interest at such rate or rates, be in such denomination or denominations, be in such form either coupon or registered, carry such conversion or registration privileges, have such rank or priority, be executed in such manner, be payable in medium of payment at such place or places, and be subject to such terms of redemption, with or without premium, as such resolution, its trust indenture or mortgage may provide. The bonds may be sold at public or private sale at the price or prices as the authority by resolution shall determine, and any provision of any law to the contrary notwithstanding, the bonds shall be fully negotiable. In any suit, actions, or proceedings involving the validity of enforceability of any bonds of the authority or the security therefor, any bond reciting in substance that it has been issued by the authority to aid in financing a district shall be conclusively deemed to have been issued for such purpose, and the district shall be conclusively deemed to have been planned, located, and carried out in accordance with the purposes and provisions of Laws 1979, Chapter 322. Neither the authority, nor any director, commissioner, council member, board member, officer, employee or agent of the authority nor any person executing the bonds shall be liable personally on the bonds by reason of

the issuance thereof. The bonds of the authority, and such bonds shall so state on their face, shall not be a debt of any municipality, the state or any political subdivision thereof, and neither the municipality nor the state or any political subdivision thereof shall be liable thereon, nor in any event shall such bonds be payable out of any funds or properties other than those of the authority and any tax increment and revenues of a tax increment financing district pledged therefor.

(c) Notwithstanding any other law general or special, an authority may, by resolution, authorize, issue and sell revenue bonds payable solely from all or a portion of revenues, including but not limited to tax increment revenues and assessments, derived from a tax increment financing district located wholly or partially within the municipality to finance any expenditure which the authority is authorized to make by section 273.75, subdivision 5 4. The bonds shall mature as determined by resolution of the authority in accordance with Laws 1979, Chapter 322 and may be issued in one or more series and shall bear such date or dates, bear interest at such rate or rates, be in such denomination or denominations, be in such form either coupon or registered, carry such conversion or registration privileges, have such rank or priority, be executed in such manner, be payable in medium of payment at such place or places, and be subject to such terms of redemption, with or without premium, as such resolution, its trust indenture or mortgage may provide. The bonds may be sold at public or private sale at the price or prices as the authority by resolution shall determine, and any provision of any law to the contrary notwithstanding, shall be fully negotiable. In any suit, action, or proceedings involving the validity or enforceability of any bonds of the authority or the security therefor, any bond reciting in substance that it has been issued by the authority to aid in financing a district shall be conclusively deemed to have been issued for such purpose, and the district shall be conclusively deemed to have been planned, located, and carried out in accordance with the purposes and provisions of Laws 1979, Chapter 322. Neither the authority, nor any director, commissioner, council member, board member, officer, employee or agent of the authority nor any person executing the bonds shall be liable personally on the bonds by reason of the issuance thereof. The bonds may be further secured by a pledge and mortgage of all or any portion of the district in aid of which the bonds are issued and such covenants as the authority shall deem by such resolution to be necessary and proper to secure payment of the bonds. The bonds, and the bonds shall so state on their face, shall not be payable from nor charged upon any funds other than the revenues and property pledged or mortgaged to the payment thereof, nor shall the issuing authority be subject to any liability thereon or have the powers to obligate itself to pay or pay the bonds from funds other than the revenues and properties pledged and mortgaged and no holder or holders of the bonds shall ever have the right to compel any exercise of any taxing power of the issuing authority or any other public body, other than as is permitted or required under Laws 1979, Chapter 322 and pledged therefor hereunder, to pay the principal of or interest on any such bonds, nor to enforce payment thereof against any property of the authority or other public body other than that expressly pledged or mortgaged for the payment thereof.

Sec. 18. Minnesota Statutes, 1979 Supplement, Section 273.78, is amended to read:

**273.78 EXISTING PROJECTS.** The provisions of sections 273.71 to 273.77 shall not affect any project for which tax increment certification was requested pursuant to law prior to August 1, 1979, or any project carried on by an authority pursuant to section 462.545, subdivision 5 with respect to which the governing body has by resolution designated properties for inclusion in the ~~project~~ district prior to August 1, 1979, except:

(a) As otherwise expressly provided in sections 273.71 to 273.77; or

(b) As an authority may elect to proceed with an existing ~~project~~ district, under the provisions of sections 273.71 to 273.77; or

(c) That any enlargements of the geographic area of an existing tax increment financing district subsequent to August 1, 1979, shall be accomplished in accordance with and shall subject the property added as a result of the enlargement to the terms and conditions of sections 273.71 to 273.77; or

(d) That commencing with taxes payable in 1980, section 273.76, subdivision 3, clause (b) shall apply to all development districts created pursuant to chapter 472A, or any special law, prior to August 1, 1979.

Sec. 19. Minnesota Statutes, 1979 Supplement, Section 273.86, Subdivision 4, is amended to read:

Subd. 4. **EXCEPTIONS.** The provisions of this section shall not apply to any property purchased from an authority which acquired such property with tax increment or bonds issued pursuant to Laws 1979, Chapter 322, ~~Sections 40 to 42~~ Section 7.

Sec. 20. Minnesota Statutes, 1979 Supplement, Section 473F.08, Subdivision 6, is amended to read:

Subd. 6. The rate of taxation determined in accordance with subdivision 5 shall apply in the taxation of each item of commercial-industrial property subject to taxation within a municipality, including property located within any tax increment financing district, as defined in section 273.73, subdivision 9, to that portion of the assessed valuation of the item which bears the same proportion to its total assessed valuation as 40 percent of the amount determined pursuant to section 473F.06 in respect to the municipality in which the property is taxable bears to: ~~(a) the amount determined pursuant to section 473F.05 minus (b) the entire portion thereof located within any tax increment financing district, as defined in section 273.73, subdivision 9 for which tax increment is computed in accordance with section 273.76, subdivision 3, clause (a)(2), regardless of the extent to which it is or is not included in determining assessed value for purposes of computing local mill rates under section 273.76, subdivision 3, clause (a)(2).~~ The rate of taxation determined in accordance with subdivision 4 shall apply in the taxation of the remainder of the assessed valuation of the item.

Sec. 21. Minnesota Statutes 1978, Section 472A.02, is amended by adding a subdivision to read:

Subd. 11. A "development district" is a specific area within the corporate limits of a municipality which has been so designated and separately numbered by the governing body.

Sec. 22. EFFECTIVE DATE. This article shall be effective the day following final enactment.

#### ARTICLE VII TACONITE TAX

Section 1. Minnesota Statutes 1978, Section 273.135, Subdivision 2, is amended to read:

Subd. 2. The amount of the reduction authorized by subdivision 1 shall be

(a) in the case of property located within the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 66 percent of the amount of such tax, provided that the amount of said reduction shall not exceed the maximum amount specified in clause ~~(e)~~ (c) .

(b) in the case of property located within the boundaries of a school district which qualifies as a tax relief area but which is outside the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 57 percent of the amount of such tax, provided that the amount of said reduction shall not exceed the maximum amount specified in clause ~~(e)~~ (c) .

(c) in the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a county with a population of less than 100,000 in which taconite is mined or quarried and wherein a school district is located which does meet the qualifications of a tax relief area, and provided that at least 90 percent of the area of the school district which does not meet the qualifications of section 273.134 lies within such county, 57 percent of the amount of the tax on qualified property located in the school district that does not meet the qualifications of section 273.134, provided that the amount of said reduction shall not exceed the maximum amount specified in clause ~~(e)~~. The reduction provided by this clause shall only be applicable to property located within the boundaries of the county described therein.

(d) in the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a school district in a county containing a city of the first class and a qualifying municipality, but not in a school district containing a city of the first class or adjacent to a school district containing a city of the first class unless the school district so adjacent contains a qualifying municipality, 57 percent of the amount of the tax, but not to exceed the maximum specified in clause ~~(e)~~.

(e) The maximum reduction for property described in clause (a) shall be \$385 and for property described in clauses clause (b), ~~(e)~~ and ~~(d)~~, \$330 for taxes payable in 1978. These maximum amounts shall increase by \$15 per year for taxes payable in 1979 and subsequent years.

Changes or additions indicated by underline deletions by ~~strikeout~~

Sec. 2. Minnesota Statutes 1978, Section 298.17, is amended to read:

**298.17 OCCUPATION TAXES TO BE APPORTIONED.** All occupation taxes which shall become due and payable on May 1, 1924, and subsequent thereto, from persons, copartnerships, companies, joint stock companies, corporations, and associations, however or for whatever purpose organized, engaged in the business of mining or producing iron ore or other ores, when collected shall be apportioned and distributed in accordance with the Constitution of the state of Minnesota, Article 10, Section 3, in the manner following: 90 percent shall be deposited in the state treasury and credited to the general fund of which four-ninths shall be used for the support of elementary and secondary schools; and ten percent of the proceeds of the tax imposed by this section shall be deposited in the state treasury and credited to the general fund for the general support of the university. Of the moneys apportioned to the general fund by this section there is annually appropriated and credited to the iron range resources and rehabilitation board account in the special revenue fund an amount equal to that which would have been generated by a one cent tax imposed by section 298.24 on each taxable ton produced in the preceding calendar year, to be expended for the purposes of section 298.22. The moneys appropriated pursuant to this section shall be used to provide environmental development grants to local governments located within any county in region 3 as defined in governor's executive order number 68, issued on June 12, 1970, which does not contain a municipality qualifying pursuant to section 273.134. Payment to the iron range resources and rehabilitation board account shall be made by May 15 annually, beginning in 1981.

Sec. 3. Minnesota Statutes 1978, Section 298.22, Subdivision 2, is amended to read:

Subd. 2. There is hereby created the iron range resources and rehabilitation board, consisting of eleven members, five of whom shall be state senators appointed by the subcommittee on committees of the rules committee of the senate, and five of whom shall be representatives, appointed by the speaker of the house of representatives, their terms of office to commence on May 1, 1943, and continue until January 3rd, 1945, or until their successors are appointed and qualified. Their successors shall be appointed each two years in the same manner as the original members were appointed, in January of every second year, commencing in January, 1945. The 11th member of said board shall be the commissioner of natural resources of the state of Minnesota. Vacancies on the board shall be filled in the same manner as the original members were chosen. At least a majority of the legislative members of the board shall be elected from state senatorial or legislative districts in which over 50 percent of the residents reside

within a tax relief area as defined in Minnesota Statutes, Section 273.134. All expenditures and projects made by the commissioner of iron range resources and rehabilitation shall first be submitted to said iron range resources and rehabilitation board which shall recommend approval or disapproval or modification of expenditures and projects for rehabilitation purposes as provided by this section, and the method, manner, and time of payment of all said funds proposed to be disbursed shall be first approved or disapproved by said board. The board shall

Changes or additions indicated by underline deletions by ~~strikeout~~

biennially make its report to the governor and the legislature on or before November 15 of each even numbered year. The expenses of said board shall be paid by the state of Minnesota from the funds raised pursuant to this section.

Sec. 4. Minnesota Statutes 1978, Section 298.223, is amended to read:

**298.223 TACONITE AREA ENVIRONMENTAL PROTECTION FUND.** A fund called the taconite environmental protection fund is created for the purpose of reclaiming, restoring and enhancing those areas of northeast Minnesota located within a tax relief area defined in section 273.134 that are adversely affected by the environmentally damaging operations involved in mining taconite and iron ore and producing iron ore concentrate and for the purpose of promoting the economic development of northeast Minnesota. The taconite environmental protection fund shall be used for the following purposes:

(a) to initiate investigations into matters the Iron Range Resources and Rehabilitation Board determines are in need of study and which will determine the environmental problems requiring remedial action;

(b) reclamation, restoration or reforestation of minelands not otherwise provided for by state law;

(c) local economic development projects including construction of sewer and water systems, and other public works located within a tax relief area defined in section 273.134 ;

(d) monitoring of mineral industry related health problems among mining employees.

The taconite environmental protection fund shall be administered by the commissioner of the Iron Range Resources and Rehabilitation Board. The commissioner shall by September 1 of each year prepare a list of projects to be funded from the taconite environmental protection fund, with such supporting information including description of the projects, plans, and cost estimates as may be necessary. Upon recommendation of the Iron Range Resources and Rehabilitation Board, this list shall be submitted to the legislative advisory commission for its review. This list with the recommendation of the legislative advisory commission shall then be transmitted to the governor by November 1 of each year. By December 1 of each year, the governor shall approve or disapprove, or return for further consideration, each individual project. Funds for a project may be expended only upon approval of the project by the governor.

~~Notwithstanding the above, in 1977 the commissioner, with the recommendation of the board, shall submit a list of projects to the legislative advisory commission by June 15. This list shall by July 1 be transmitted to the governor for approval. Funds may be expended upon approval by the governor.~~

There is hereby annually appropriated to the commissioner of the Iron Range Resources and Rehabilitation Board such funds as are necessary to carry out the projects approved and such funds as are necessary for administration of this section. Annual administrative costs, not including detailed engineering

Changes or additions indicated by underline deletions by ~~strikeout~~



expenses for the projects, shall not exceed five percent of the amount annually expended from the fund.

Funds for the purposes of this section are provided by section 298.28, subdivision 1, clause (9) relating to the taconite environmental protection fund.

Sec. 5. Minnesota Statutes 1978, Section 298.28, Subdivision 1, is amended to read:

**298.28 DIVISION AND DISTRIBUTION OF PROCEEDS.** Subdivision 1. The proceeds of the taxes collected under section 298.24, except the tax collected under section 298.24, subdivision 2, shall, upon certificate of the commissioner of revenue to the general fund of the state, be paid by the commissioner of revenue as follows:

(1) 2.5 cents per gross ton of merchantable iron ore concentrate, hereinafter referred to as "taxable ton", to the city or town in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. If the mining, quarrying, and concentration, or different steps in either thereof are carried on in more than one taxing district, the commissioner shall apportion equitably the proceeds of the part of the tax going to cities and towns among such subdivisions upon the basis of attributing 40 percent of the proceeds of the tax to the operation of mining or quarrying the taconite, and the remainder to the concentrating plant and to the processes of concentration, and with respect to each thereof giving due consideration to the relative extent of such operations performed in each such taxing district. His order making such apportionment shall be subject to review by the tax court at the instance of any of the interested taxing districts, in the same manner as other orders of the commissioner.

(2) 12.5 cents per taxable ton, less any amount distributed under clause (8), to the taconite municipal aid account in the apportionment fund of the state treasury, to be distributed as provided in section 298.282.

(3) 29 cents per taxable ton to school districts to be distributed as follows:

(a) six cents per taxable ton to the school districts in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. The commissioner shall follow the apportionment formula prescribed in clause (1).

(b) 23 cents per taxable ton, less any amount distributed under part (c), shall be distributed to a group of school districts comprised of those school districts wherein the taconite was mined or quarried or the concentrate produced or in which there is a qualifying municipality as defined by section 273.134 ~~or in which is located property which is entitled to the reduction of tax pursuant to section 273.135, subdivision 2, clause (e)~~. The 23 cents, less any amount distributed under part (c), shall be distributed in direct proportion to school district tax levies as follows: each district shall receive that portion of the total distribution which its permitted levy for the prior year, computed pursuant to section 275.125, comprises of the sum of permitted levies for the prior year for all qualifying

*districts, computed pursuant to section 275.125. For purposes of distributions pursuant to this part, permitted levies for the prior year computed pursuant to section 275.125 shall not include the amount of any increased levy authorized by referendum pursuant to section 275.125, subdivision 2a, clause (4).*

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

(4) 19.5 cents per taxable ton to counties to be distributed as follows:

(a) 15.5 cents per taxable ton shall be distributed to the county in which the taconite is mined or quarried or in which the concentrate is produced, less any amount which is to be distributed pursuant to part (b). The commissioner shall follow the apportionment formula prescribed in clause (1).

(b) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, one cent per taxable ton of the tax distributed to the counties pursuant to part (a) and imposed on and collected from such taxpayer shall be distributed by the commissioner of revenue to the county in which the power plant is located.

(c) four cents per taxable ton shall be paid to the county from which the taconite was mined, quarried or concentrated to be deposited in the county road and bridge fund. If the mining, quarrying and concentrating, or separate steps in any of those processes are carried on in more than one county, the commissioner shall follow the apportionment formula prescribed in clause (1).

(5) (a) 25.75 cents per taxable ton, less any amount required to be distributed under part (b), to the taconite property tax relief account in the apportionment fund in the state treasury, to be distributed as provided in sections 273.134 to 273.136.

(b) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, .75 cent per taxable ton of the tax imposed and collected from such taxpayer shall be distributed by the commissioner of revenue to the county and school district in which the power plant is located as follows: 25 percent to the county and 75 percent to the school district.

(6) one cent per taxable ton to the state for the cost of administering the tax imposed by section 298.24.

(7) three cents per taxable ton shall be deposited in the state treasury to the credit of the iron range resources and rehabilitation board account in the special revenue fund for the purposes of section 298.22. ~~Of this amount, one cent per taxable ton is to be used to provide environmental development grants to local governments located within any county in region 3 as defined in governor's executive order number 60 issued on June 12, 1970, which does not contain a~~

municipality qualifying pursuant to The amount determined in this clause shall be increased in 1981 and subsequent years in the same proportion as the increase in the steel mill products index as provided in section 298.24, subdivision 1. The amount distributed pursuant to this clause shall be expended within or for the benefit of a tax relief area defined in section 273.134. No part of the fund provided in this clause may be used to provide loans for the operation of private business unless the loan is approved by the governor and the legislative advisory commission.

(8) .20 cent per taxable ton shall be paid in 1979 and each year thereafter, to the range association of municipalities and schools, for the purpose of providing an area wide approach to problems which demand coordinated and cooperative actions and which are common to those areas of northeast Minnesota affected by operations involved in mining iron ore and taconite and producing concentrate therefrom, and for the purpose of promoting the general welfare and economic development of the cities, towns and school districts within the iron range area of northeast Minnesota.

(9) the amounts determined under clauses (4)(a), (4)(c), and (5) shall be increased in 1979 and subsequent years in the same proportion as the increase in the steel mill products index as provided in section 298.24, subdivision 1.

(10) the proceeds of the tax imposed by section 298.24 which remain after the distributions in clauses (1) to (9) and parts (a)-~~and~~ (b)-~~and~~ (c) of this clause have been made shall be divided between the taconite environmental protection fund created in section 298.223 and the northeast Minnesota economic protection fund created in section 298.292 as follows: In 1978, 1979, 1980, 1981, and 1982, two-thirds to the taconite environmental protection fund and one-third to the northeast Minnesota economic protection fund; in 1983 and thereafter, one-half to each fund. The proceeds shall be placed in the respective special accounts in the general fund.

(a) In 1978 and each year thereafter, there shall be distributed to each city, town, school district, and county the amount that they received under section 294.26 in calendar year 1977.

(b) In 1978 and each year thereafter, there shall be distributed to the iron range resources and rehabilitation board the amounts it received in 1977 under section 298.22.

(c) On or before October 10 of each calendar year each producer of taconite or iron sulphides subject to taxation under section 298.24 (hereinafter called "taxpayer") shall file with the commissioner of revenue and with the county auditor of each county in which such taxpayer operates, and with the chief clerical officer of each school district, city or town which is entitled to participate in the distribution of the tax, an estimate of the amount of tax which would be payable by such taxpayer under said law for such calendar year; provided such estimate shall be in an amount not less than the amount due on the mining and production of concentrates up to September 30 of said year plus the amount becoming due because of probable production between September 30 and

Changes or additions indicated by underline deletions by ~~strikeout~~

December 31 of said year, less any credit allowable as hereinafter provided. Such estimate shall list the taxing districts entitled to participate in the distribution of such tax, and the amount of the estimated tax which would be distributable to each such district *in the next ensuing calendar year on the basis of the last percentage distribution certified by the commissioner of revenue.* If there be no such prior certification, the taxpayer shall set forth its estimate of the proper distribution of such tax under the law, which estimate may be corrected by the commissioner if he deems it improper, notice of such correction being given by him to the taxpayer and the public officers receiving such estimate. The officers with whom such report is so filed shall use the amount so indicated as being distributable to each taxing district in computing the permissible tax levy of such county, city or school district in the year in which such estimate is made, and payable in the next ensuing calendar year, except that in 1978 and 1979 two cents per taxable ton, and in 1980 and thereafter, one cent per taxable ton of the amount distributed under clause (4)(c) shall not be deducted in calculating the permissible levy. Such taxpayer shall then pay, at the times payments are required to be made pursuant to section 298.27, as the amount of tax payable under section 298.24, the greater of (a) the amount shown by such estimate, or (b) the amount due under said section as finally determined by the commissioner of revenue pursuant to law. If, as a result of the payment of the amount of such estimate, the taxpayer has paid in any calendar year an amount of tax in excess of the amount due in such year under section 298.24, after application of credits for *any excess payments made in previous years, all as determined by the commissioner of revenue,* the taxpayer shall be given credit for such excess amount against any taxes which, under said section, may become due from the taxpayer in subsequent years. In any calendar year in which a general property tax levy subject to sections 275.125 or 275.50 to 275.59 has been made, if the taxes distributable to any such county, city or school district are greater than the amount estimated to be paid to any such county, city or school district in such year, the excess of such distribution shall be held in a special fund by the county, city or school district and shall not be expended until the succeeding calendar year, and shall be included in computing the permissible levies under sections 275.125 or 275.50 to 275.59, of such county, city or school district payable in such year. If the amounts distributable to any such county, city or school district, after final determination by the commissioner of revenue under this section are less than the amounts indicated by such estimates, such county, city or school district may issue certificates of indebtedness in the amount of the shortage, and may include in its next tax levy, in excess of the limitations of sections 275.125 or 275.50 to 275.59 an amount sufficient to pay such certificates of indebtedness and interest thereon, or, if no certificates were issued, an amount equal to such shortage.

There is hereby annually appropriated to such taxing districts as are stated herein, to the taconite property tax relief account and to the taconite municipal aid account *in the apportionment fund in the state treasury,* to the department of revenue, to the iron range resources and rehabilitation board, to the range association of municipalities and schools, to the taconite environmental protection fund, and to the northeast Minnesota economic protection fund, from any fund or account in the state treasury to which the money was credited, an amount suffi-

Changes or additions indicated by underline deletions by ~~strikeout~~

cient to make the payment or transfer. The payment of the amount appropriated to such taxing districts shall be made by the commissioner of revenue on or before May 15 annually.

Sec. 6. Minnesota Statutes 1978, Chapter 477A, is amended by adding a section to read:

**[477A.15] TACONITE AID REIMBURSEMENT.** Any school district in which is located property which had been entitled to a reduction of tax pursuant to Minnesota Statutes 1978, Section 273.135, Subdivision 2, clause (c), shall receive in 1981 and subsequent years an amount equal to the amount it received in 1980 pursuant to Minnesota Statutes 1978, Section 298.28, Subdivision 1, clause (3)(b). Payments shall be made pursuant to this section by the commissioner of revenue to the taxing jurisdictions on July 15 of 1981 and each year thereafter.

Sec. 7. Minnesota Statutes 1978, Chapter 273, is amended by adding a section to read:

**[273.1391] SUPPLEMENTARY HOMESTEAD PROPERTY TAX RELIEF.** Subdivision 1. The property tax to be paid in respect to property taxable within a tax relief area described in subdivision 2: on class 3b property not exceeding 240 acres, on class 3c property, and on class 3cc property, as otherwise determined by law and regardless of the market value of the property, for all purposes shall be reduced in the amount prescribed by subdivision 2, subject to the limitations contained therein.

Subd. 2. The amount of the reduction authorized by subdivision 1 shall be:

(a) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a county with a population of less than 100,000 in which taconite is mined or quarried and wherein a school district is located which does meet the qualifications of a tax relief area, and provided that at least 90 percent of the area of the school district which does not meet the qualifications of section 273.134 lies within such county, 57 percent of the amount of the tax on qualified property located in the school district that does not meet the qualifications of section 273.134, provided that the amount of said reduction shall not exceed the maximum amount specified in clause (c). The reduction provided by this clause shall only be applicable to property located within the boundaries of the county described therein.

(b) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a school district in a county containing a city of the first class and a qualifying municipality, but not in a school district containing a city of the first class or adjacent to a school district containing a city of the first class unless the school district so adjacent contains a qualifying municipality, 57 percent of the amount of the tax, but not to exceed the maximum specified in clause (c).

(c) The maximum reduction shall be \$375 for taxes payable in 1981. These maximum amounts shall increase by \$15 per year for taxes payable in 1982 and subsequent years.

Changes or additions indicated by underline deletions by ~~strikeout~~

Subd. 3. Not later than December 1 of each year, commencing in 1980, each county auditor having jurisdiction over one or more tax relief areas defined in subdivision 2 shall certify to the commissioner of revenue his estimate of the total amount of the reduction, determined under subdivision 2, in taxes payable the next succeeding year with respect to all tax relief areas in his county.

Subd. 4. For the purposes of this section, the amount of property tax to be paid shall be determined before the allowance of any reduction prescribed by section 273.13, and the reduction prescribed by this section shall be in addition to that prescribed by section 273.13.

Sec. 8. Minnesota Statutes 1978, Section 124.212, Subdivision 8a, is amended to read:

Subd. 8a. (1) Notwithstanding any provisions of any other law to the contrary, the adjusted assessed valuation used in calculating foundation aid shall include only that property which is currently taxable in the district. For districts which received payments under sections 124.215, subdivision 2a; 124.25; 124.28; 124.30; 473.633 and 473.635; the foundation aid shall be reduced by: The previous year's payment to the district pursuant to said sections times the ratio of the maximum levy allowed the district under section 275.125, subdivision 2a, to the total levy allowed by section 275.125, but not to exceed 50 percent of the previous year's payment.

(2) For districts which received payments under sections 294.21 to 294.28; 298.23 to 298.28; 298.32; 298.34 to 298.39; 298.391 to 298.396; 298.405; 298.51 to 298.67; section 6; any law imposing a tax upon severed mineral values, or under any other law distributing proceeds in lieu of ad valorem tax assessments on copper or nickel properties; the foundation aid shall be reduced in the October adjustment payment by the difference between the dollar amount of the payments received pursuant to those sections in the fiscal year to which the October adjustment is attributable and the amount which was calculated, pursuant to section 275.125, subdivision 9, as a reduction of the levy attributable to the fiscal year to which the October adjustment is attributable. If the October adjustment of a district's foundation aid for a fiscal year is a negative amount because of this clause, the next fiscal year's foundation aid to that district shall be reduced by this negative amount in the following manner: there shall be withheld from each monthly scheduled foundation aid payment due the district in such fiscal year, 15 percent of the total negative amount, until the total negative amount has been withheld. The amount reduced from foundation aid pursuant to this clause shall be recognized as revenue in the fiscal year to which the October adjustment payment is attributable.

Sec. 9. Minnesota Statutes, 1979 Supplement, Section 275.125, Subdivision 9, is amended to read:

Subd. 9. (1) Districts which receive payments which result in deductions from foundation aid pursuant to section 124.212, subdivision 8a, clause (1), shall reduce the permissible levies authorized by subdivisions 3 to 14 by that portion of the previous year's payment not deducted from foundation aid on account of the

payment. The levy reductions shall be made in the proportions that each permissible levy bears to the sum of the permissible levies. Reductions in levies pursuant to this clause, subdivision 10 of this section, and section 273.138, shall be made prior to the reductions in clause (2).

(2) Notwithstanding any other law to the contrary, districts which received payments pursuant to sections 294.21 to 294.28; 298.23 to 298.28; 298.32; 298.34 to 298.39; 298.391 to 298.396; 298.405; 298.51 to 298.67; section 6; and any law imposing a tax upon severed mineral values, or under any other law distributing proceeds in lieu of ad valorem tax assessments on copper or nickel properties; shall not include a portion of these aids in their permissible levies pursuant to those sections, but instead shall reduce the permissible levies authorized by this section by the greater of the following:

(a) an amount equal to 50 percent of the total dollar amount of the payments received pursuant to those sections in the previous fiscal year; or

(b) an amount equal to the total dollar amount of the payments received pursuant to those sections in the previous fiscal year less the product of the same dollar amount of payments times the ratio of the maximum levy allowed the district under subdivision 2a, to the total levy allowed the district under this section in the year in which the levy is certified.

(3) No reduction pursuant to this subdivision shall reduce the levy made by the district pursuant to subdivision 2a, clause 1 or 2, to an amount less than the amount raised by a levy of 10 mills times the adjusted assessed valuation of that district for the preceding year as determined by the equalization aid review committee. The amount of any increased levy authorized by referendum pursuant to subdivision 2a, clause (4) shall not be reduced pursuant to this subdivision. The amount of any levy authorized by subdivision 4, to make payments for bonds issued and for interest thereon, shall not be reduced pursuant to this subdivision. The amount of any levy authorized by subdivision 7a shall not be reduced pursuant to this subdivision.

(4) Before computing the reduction pursuant to this subdivision of the capital expenditure levy authorized by subdivision 11a, the commissioner shall ascertain from each affected school district the amount it proposes to levy for capital expenditures pursuant to that subdivision. The reduction of the capital expenditure levy shall be computed on the basis of the amount so ascertained.

(5) Notwithstanding any law to the contrary, any amounts received by districts in any fiscal year pursuant to sections 294.21 to 294.28; 298.23 to 298.28; 298.34 to 298.39; 298.391 to 298.396; 298.405; 298.51 to 298.67; or any law imposing a tax on severed mineral values, or under any other law distributing proceeds in lieu of ad valorem tax assessments on copper or nickel properties; and not deducted from foundation aid pursuant to section 124.212, subdivision 8a, clause (2), and not applied to reduce levies pursuant to this subdivision shall be paid by the district to the commissioner of finance in the following amount on the designated date: on or before March 15 of each year, 100 percent of the amount required to be subtracted from the previous fiscal year's foundation aid pursuant

to section 124.212, subdivision 8a, which is in excess of the foundation aid earned for that fiscal year. The commissioner of finance shall deposit any amounts received pursuant to this clause in the taconite property tax relief fund in the state treasury, established pursuant to section 16A.70, for purposes of paying the taconite homestead credit as provided in section 273.135.

Sec. 10. Minnesota Statutes 1978, Chapter 298, is amended by adding a section to read:

**[298.401] APPORTIONMENT OF INCOME.** All imputed income determined pursuant to section 298.40, subdivision 1, clause (b) is and shall be apportioned to Minnesota.

Sec. 11. **[273.1391] [Subd. 5.]** A sum sufficient to make the payments required by sections 6 and 7 is annually appropriated from the general fund to the commissioner of revenue for the purpose of funding those sections.

Sec. 12. **EFFECTIVE DATE.** Sections 1 and 7 are effective for taxes levied in 1980, payable in 1981 and thereafter, Sections 4 and 5 are effective for distributions made after December 31, 1980, Section 10 is effective the day following final enactment as a restatement of the intent of Minnesota Statutes, Section 298.40, as originally enacted.

#### **ARTICLE VIII**

#### **MUNICIPAL BONDS INTEREST RATES**

Section 1. Minnesota Statutes 1978, Section 474.06, is amended to read:

**474.06 MANNER OF ISSUANCE OF BONDS; INTEREST RATE.** Bonds authorized under this chapter shall be issued in accordance with the provisions of chapter 475 relating to bonds payable from income of revenue producing conveniences, except that public sale shall not be required, and the bonds may mature at any time or times in such amount or amounts within 30 years from date of issue and may be sold at a price equal to such percentage of the par value thereof, plus accrued interest, and bearing interest at such rate or rates, not exceeding nine percent per year, as may be agreed by the contracting party, the purchaser, and the municipality or redevelopment agency, notwithstanding any limitation of interest rate or cost or of the amounts of annual maturities contained in any other law. When bonds authorized under this chapter are issued, they shall state whether they are issued for a project defined in section 474.02, subdivisions 1, 1a, 1b, or 1c.

Sec. 2. Minnesota Statutes 1978, Section 475.55, is amended to read:

**475.55 EXECUTION; NEGOTIABILITY; INTEREST RATES.** Subdivision 1. All obligations shall be signed by officers authorized by resolution of the governing body or by persons authorized to sign on behalf of a bank designated by the resolution as authenticating agent, and shall express the amount and the terms of payment. Interest on obligations authorized by resolution before December 31, 1982 shall not exceed the rate of 12 percent per annum, payable half yearly. Interest thereon on obligations authorized thereafter shall not exceed the rate of seven nine percent per annum, payable half yearly. All obligations

**Changes or additions indicated by underline deletions by ~~strikeout~~**



shall be negotiable investment securities as provided in the uniform commercial code, chapter 336, article 8. The validity of an obligation shall not be impaired by the fact that one or more officers authorized to execute it shall have ceased to be in office before delivery to the purchaser or shall not have been in office on the formal issue date of the obligation. Every obligation shall be signed manually by one officer or authenticating agent. Other signatures and the seal of the issuer may be printed, lithographed, stamped or engraved thereon and on any interest coupons to be attached thereto. The seal need not be used.

Subd. 2. The provisions of subdivision 1 shall supersede ~~all provisions of any law or charter fixing a lower maximum interest rate fixed by any other law or a city charter~~ with respect to obligations of the state or any municipality or governmental or public subdivision, district, corporation, commission, board, council, or authority of whatsoever kind, including warrants or orders issued in evidence of allowed claims for property or services furnished to the issuer, but shall not ~~restrict the power of the issuer to fix~~ limit the interest on any obligation ~~in accordance with the issued pursuant to a law or charter~~ authorizing its issuance the issuer to determine the rate or rates of interest.

Subd. 3. Notwithstanding any contrary provisions of law or charter, special assessments pledged to the payment of obligations may bear interest at the rate the governing body by resolution determines, not exceeding the greater of (a) the maximum interest rate per annum which the obligations may bear under the provisions of subdivisions 1 and 2 plus one percent or (b) the maximum interest rate permitted to be charged against the assessments under the law or city charter pursuant to which the assessments were levied.

Sec. 3. Minnesota Statutes 1978, Section 475.60, Subdivision 2, is amended to read:

Subd. 2. **REQUIREMENTS WAIVED.** The requirements as to public sale shall not apply to:

(1) Obligations issued under the provisions of a home rule charter or of a law specifically authorizing a different method of sale, or authorizing them to be issued in such manner or on such terms and conditions as the governing body may determine;

(2) Obligations sold by an issuer in an amount not exceeding the total sum of ~~\$100,000~~ \$200,000 in any three month period;

(3) Obligations issued by a governing body other than a school board in anticipation of the collection of taxes or other revenues appropriated for expenditure in a single year, if sold in accordance with the most favorable of two or more proposals solicited privately; and

(4) Obligations sold to any board, department, or agency of the United States of America or of the state of Minnesota, in accordance with rules or regulations promulgated by such board, department, or agency.

Sec. 4. Section 1 of this article is effective December 31, 1982. The other sections are effective the day after final enactment.

**ARTICLE IX  
CORPORATE INCOME TAX**

Section 1. Minnesota Statutes 1978, Section 290.06, Subdivision 1, is amended to read:

290.06 **RATES OF TAX; CREDITS AGAINST TAX.** Subdivision 1. **COMPUTATION, CORPORATIONS.** The privilege and income taxes imposed by this chapter upon corporations shall be computed by applying to their taxable net income in excess of the applicable credits allowed under section 290.21 the rate of 12 percent. The amount of tax payable by a corporation required to file a return shall not be less than \$100.

Sec. 2. **REPEALER.** Minnesota Statutes 1978, Section 290.21, Subdivision 2, is repealed.

Sec. 3. **EFFECTIVE DATE.** Sections 1 and 2 are effective for taxable years beginning after December 31, 1980.

**ARTICLE X  
UTILITY PROPERTY**

Section 1. Minnesota Statutes 1978, Section 273.36, is amended to read:

273.36 **ELECTRIC LIGHT AND POWER COMPANIES.** Personal property of electric light and power companies having a fixed situs in any city in this state shall be listed and assessed where situated, without regard to where the principal or other place of business of the company is located. Transmission lines having a voltage of 69 kv and above, all attachments and appurtenances thereto, having a fixed situs in this state, other than in an unorganized township, shall be listed and assessed where situated, without regard to where the principal or other place of business of the company is located.

Sec. 2. Minnesota Statutes 1978, Section 273.37, Subdivision 2, is amended to read:

Subd. 2. All Transmission lines of less than 69 kv, transmission lines of 69 kv and above located in an unorganized township, and distribution lines, and equipment attached thereto, having a fixed situs outside the corporate limits of cities except distribution lines taxed as provided in sections 273.40 and 273.41, shall be listed with and assessed by the commissioner of revenue in the county where situated. The commissioner shall assess such property at the percentage of market value fixed by law; and, on or before the 15th day of November, shall certify to the auditor of each county in which such property is located the amount of the assessment made against each company and person owning such property.

Sec. 3. Minnesota Statutes, 1979 Supplement, Section 273.42, is amended to read:

273.42 **RATE OF TAX; ENTRY AND CERTIFICATION; CREDIT ON PAYMENT; PROPERTY TAX CREDIT.** Subdivision 1. The property set forth in

Changes or additions indicated by underline deletions by ~~strikeout~~

section 273.37, subdivision 2, consisting of transmission lines of less than 69 kv and transmission lines of 69 kv and above located in an unorganized township, and distribution lines not taxed as provided in sections 273.38, 273.40 and 273.41 shall be taxed at the average rate of taxes levied for all purposes throughout the county and shall be entered on the tax lists by the county auditor against the owner thereof and certified to the county treasurer at the same time and in the same manner that other taxes are certified, and, when paid, shall be credited, 35 percent to the general revenue fund of the county, 50 percent to the general school fund of the county, and 15 percent to the townships within the county in which the lines are located, ~~after deducting the amount required for the property tax credit as provided in subdivision 2.~~ The amount available for distribution to the townships shall be divided among the townships in the same proportion that the length of transmission line in each township bears to the total length of transmission line in the county - ~~except that if a payment to a town exceeds ten percent of the town's levy for the preceding year, the excess amount shall be paid to the county.~~

Subd. 2. Owners of land defined as class 3, 3b, 3c, 3cc, 3d or 3f pursuant to section 273.13 listed on records of the county auditor or county treasurer over which runs a high voltage transmission line as defined in section 116C.52, subdivision 3, except a high voltage transmission line the construction of which was commenced prior to July 1, 1974, shall receive a property tax credit in an amount determined by multiplying a fraction, the numerator of which is the length of high voltage transmission line which runs over that parcel and the denominator of which is the total length of that particular line running over all property within the ~~county~~ city, township or unorganized township by ten percent of the transmission line tax revenue derived from the tax on that portion of the line within the city, township or unorganized township pursuant to this section ~~section 273.36~~. Where a right-of-way width is shared by more than one property owner, the numerator shall be adjusted by multiplying the length of line on the parcel by the proportion of the total width on the parcel owned by that property owner. The amount of credit for which the property qualifies shall not exceed 20 percent of the total gross tax on the parcel prior to deduction of the state paid agricultural credit and the state paid homestead credit, provided that, if the property containing the right of way is included in a parcel which exceeds 40 acres, the total gross tax on the parcel shall be multiplied by a fraction, the numerator of which is the sum of the number of acres in each quarter section or portion thereof which contains a right of way and the denominator of which is the total number of acres in the parcel set forth on the tax statement, and the maximum credit shall be 20 percent of the product of that computation, prior to deduction of those credits. The auditor of the county in which the affected parcel is located shall calculate the amount of the credit due for each parcel and transmit that information to the county treasurer. The county auditor, in computing the credits received pursuant to sections 273.13 and 273.135, shall reduce the gross tax by the amount of the credit received pursuant to this section, unless the amount of the credit would be less than \$10.

Sec. 4. Minnesota Statutes, 1979 Supplement, Section 275.51, Subdivision 3d, is amended to read:

Subd. 3d. The property tax levy limitation for governmental subdivisions in 1977 payable in 1978 and subsequent years shall be calculated as follows:

(a) The sum of the following amounts shall be computed: (1) the property tax permitted to be levied in 1976 payable 1977 computed pursuant to Minnesota Statutes 1976, Section 275.51, Subdivision 3c, plus

(2) the amount of any state aids the governmental subdivision was entitled to receive in calendar year 1977 pursuant to sections 477A.01; 298.26; 298.28, subdivisions 1 and 1a; 298.281, subdivision 1; 298.282; and 294.26, plus

(3) the amount levied in 1976 payable 1977 pursuant to Minnesota Statutes 1976, Section 275.50, Subdivision 5, Clauses (a), (c), (d), (e), and (f), except for levies made to pay tort judgments and make settlements of tort claims or to pay the salaries and benefits of municipal and probate court judges, plus

(4) the amount levied in 1976 payable 1977 pursuant to Minnesota Statutes 1976, Section 275.50, Subdivision 5, Clause (g) for the administrative costs of public assistance programs or county welfare systems, plus

(5) one-half of the amount of the special levy authorized under section 275.50, subdivision 5, clause (n) shall be added to the permanent levy limit base of the governmental subdivision in the year following the year in which it has been discontinued as a special levy pursuant to the provisions of section 275.50, subdivision 5, clause (n).

(b) The sum computed in clause (a) shall be increased annually in the manner provided in section 275.52 to derive the levy limit base for successive years.

(c) For taxes levied in 1978 payable 1979 and subsequent years, the levy limit base is the levy limit base which was computed for the immediately preceding year under the provisions of this section increased according to the provisions of section 275.52. To determine the levy limit base for taxes levied in 1979 payable 1980 and subsequent years, (a) the levy limit base used for taxes levied in 1979 payable in 1980 shall be increased by the excess of the amount levied in 1979 for refuse collection and street maintenance over the amount levied in 1978 payable 1979 for those purposes; and (b) in the case of a city of the first class located within the metropolitan area defined in section 473.121, subdivision 2, for the purpose of calculating the levy limit base to be used for taxes levied in 1979, payable 1980, the levy limit base used for taxes levied in 1978, payable 1979, shall be reduced by an amount sufficient to reduce the levy limitation for taxes levied in 1978 payable 1979 by 15 percent. To determine the levy limit base used for taxes levied in 1981 payable in 1982 and subsequent years, the levy limit base used for taxes levied in 1981 payable in 1982 shall be increased by the revenue derived by the governmental subdivision for taxes levied in 1980 payable in 1981 from transmission lines of 69 kv or greater assessed under Minnesota Statutes 1978, Section 273.37. Any amount levied in 1976 payable 1977 under the

Changes or additions indicated by underline deletions by ~~strikeout~~

provisions of section 275.50, subdivision 5, clauses (a), (c), (d), (e) or (f) to meet the costs of programs, services or legal requirements which cease to exist in a subsequent year shall be subtracted from the levy limit base in the year in which the programs, services or legal requirements for which the levy was made cease to exist.

(d) The levy limit base shall be reduced by the total amount of state formula aids pursuant to section 477A.01 and taconite taxes and aids pursuant to sections 294.26; 298.26; 298.28, subdivision 1; 298.282 and state reimbursements for wetlands property tax exemptions provided in section 272.02, subdivision 1, clause (16); and the payments in lieu of taxes to a county pursuant to section 477A.12 which are required to be used to provide property tax levy reduction, to be paid in the calendar year in which property taxes are payable. As provided in section 298.28, subdivision 1, for taxes payable in 1978 and 1979, two cents per taxable ton, and for taxes payable in 1980 and thereafter, one cent per taxable ton of the amount distributed under section 298.28, subdivision 1, clause (4)(c) shall not be deducted from the levy limit base of the counties that receive that aid. The resulting figure is the amount of property taxes which a governmental subdivision may levy for all purposes other than those for which special levies and special assessments are made.

Sec. 5. Laws 1979, Chapter 303, Article II, Section 39, is amended to read:

Sec. 39. **EFFECTIVE DATE.** Sections 5, 8, 18, 19 and 24, except as otherwise provided and 38, subdivision 2 1, are effective for taxes levied in 1980 payable in 1981 and thereafter.

Sections 6, 16 and 17 are effective for taxes levied in 1979 payable 1980 and thereafter.

Sections 20, 21 and 38, subdivision 2, are effective for 1981 payable 1982 and thereafter.

Sections 28 to 34 are effective for claims based on property taxes payable in 1980 and rent constituting property taxes in 1979 and subsequent years, except that section 28, subdivision 3, clause (f) is effective for property tax refund claims based on rent paid in 1976 and property taxes payable in 1977 and subsequent years.

Sec. 6. **EFFECTIVE DATE.** Sections 1 to 3 are effective for taxes levied in 1981 and thereafter, and payable in 1982 and thereafter.

#### ARTICLE XI SPECIAL ASSESSMENT APPEALS

Section 1. Minnesota Statutes 1978, Section 429.061, Subdivision 1, is amended to read:

429.061 **ASSESSMENT PROCEDURE.** Subdivision 1. **CALCULATION, NOTICE.** At any time after a ~~contract is let or the work ordered by day labor,~~ the expense incurred or to be incurred in its making an improvement shall be calculated under the direction of the council; ~~the council shall then determine by~~

Changes or additions indicated by underline deletions by ~~strikeout~~

resolution the amount of the total expense the municipality will pay, other than the amount, if any, which it will pay as a property owner, and the amount to be assessed. Thereupon the clerk, with the assistance of the engineer or other qualified person selected by the council, shall calculate the proper amount to be specially assessed for the improvement against every assessable lot, piece or parcel of land, without regard to cash valuation, in accordance with the provisions of section 429.051. The proposed assessment roll shall be filed with the clerk and *be open to public inspection. The clerk shall thereupon, under the council's direction, publish notice that the council will meet to consider the proposed assessment.* Such notice shall be published in the newspaper at least once and shall be mailed to the owner of each parcel described in the assessment roll. For the purpose of giving mailed notice under this subdivision, owners shall be those shown to be such on the records of the county auditor or, in any county where tax statements are mailed by the county treasurer, on the records of the county treasurer; but other appropriate records may be used for this purpose. Such publication and mailing shall be no less than two weeks prior to such meeting of the council. Except as to the owners of tax exempt property or property taxes on a gross earnings basis, every property owner whose name does not appear on the records of the county auditor or the county treasurer shall be deemed to have waived such mailed notice unless he has requested in writing that the county auditor or county treasurer, as the case may be, include his name on the records for such purpose. Such notice shall state the date, time, and place of such meeting, the general nature of the improvement, the area proposed to be assessed, that the proposed assessment roll is on the file with the clerk, and that written or oral objections thereto by any property owner will be considered. No appeal may be taken as to the amount of any assessment adopted pursuant to subdivision 2, unless a written objection signed by the affected property owner is filed with the municipal clerk prior to the assessment hearing or presented to the presiding officer at the hearing. The notice shall also state that an owner may appeal an assessment to district court pursuant to section 429.081 by serving notice of the appeal upon the mayor or clerk of the municipality within 20 days after the adoption of the assessment and filing such notice with the district court *within ten days after service upon the mayor or clerk.* The notice shall also inform property owners of the provisions of sections 435.193 to 435.195 and the existence of any deferment procedure established pursuant thereto in the municipality.

Sec. 2. Minnesota Statutes 1978, Section 429.061, Subdivision 2, is amended to read:

Subd. 2. **ADOPTION; INTEREST.** At such meeting or at any adjournment thereof the council shall hear and pass upon all objections to the proposed assessment, whether presented orally or in writing. The council may amend the proposed assessment as to any parcel and by resolution adopt the same as the special assessment against the lands named in the assessment roll. Notice of any adjournment of the hearing shall be adequate if the minutes of the meeting so adjourned show the time and place when and where the hearing is to be continued, or if three days notice thereof be published in the newspaper.

Changes or additions indicated by underline deletions by ~~strikeout~~

The council may consider any objection to the amount of a proposed assessment as to a specific parcel of land at an adjourned hearing upon further notice to the affected property owner as it deems advisable. At the adjourned hearing the council or a committee of it may hear further written or oral testimony on behalf of the objecting property owner and may consider further written or oral testimony from appropriate city officials and other witnesses as to the amount of the assessment. The council or committee shall prepare a record of the proceedings at the adjourned hearing and written findings as to the amount of the assessment. The amount of the assessment as finally determined by the council shall become a part of the adopted assessment roll. All objections to the assessments not received at the assessment hearing in the manner prescribed by this section are waived, unless the failure to object at the assessment hearing is due to a reasonable cause.

The assessment, with accruing interest, shall be a lien upon all private and public property included therein, from the date of the resolution adopting the assessment, concurrent with general taxes; but the lien shall not be enforceable against public property as long as it is publicly owned, and during such period the assessment shall be recoverable from the owner of such property only in the manner and to the extent provided in section 435.19. Except as provided below, all assessments shall be payable in equal annual installments extending over such period, not exceeding 30 years, as the resolution determines, payable on the first Monday in January in each year, but the number of installments need not be uniform for all assessments included in a single assessment roll if a uniform criterion for determining the number of installments is provided by the resolution. The first installment of each assessment shall be included in the first tax rolls completed after its adoption and shall be payable in the same year as the taxes contained therein; except that the payment of the first installment of any assessment levied upon unimproved property may be deferred until a designated future year, or until the platting of the property or the construction of improvements thereon, upon such terms and conditions and based upon such standards and criteria as may be provided by resolution of the council. In any event, every assessment the payment of which is so deferred, when it becomes payable, shall be divided into a number of installments such that the last installment thereof will be payable not more than 30 years after the levy of the assessment. All assessments shall bear interest at such rate as the resolution determines, not exceeding eight percent per annum, except that the rate may in any event equal the average annual interest rate on bonds issued to finance the improvement for which the assessments are levied. To the first installment of each assessment shall be added interest on the entire assessment from a date specified in the resolution levying the assessment, not earlier than the date of the resolution, until December 31 of the year in which the first installment is payable, and to each subsequent installment shall be added interest for one year on all unpaid installments; or alternatively, any assessment may be made payable in equal annual installments including principal and interest, each in the amount annually required to pay the principal over such period with interest at such rate as the resolution determines, not exceeding the maximum period and rate specified above. In the latter event no prepayment shall be accepted under subdivision 3 without payment of all

installments due to and including December 31 of the year of prepayment, together with the original principal amount reduced only by the amounts of principal included in such installments, computed on an annual amortization basis. When payment of an assessment is deferred, as authorized in this subdivision, interest thereon for the period of deferment may be made payable annually at the same times as the principal installments of the assessment would have been payable if not deferred; or interest for this period may be added to the principal amount of the assessment when it becomes payable; or, if so provided in the resolution levying the assessment, interest thereon to December 31 of the year before the first installment is payable may be forgiven.

Sec. 3. Minnesota Statutes 1978, Section 429.081, is amended to read:

429.081 **APPEAL TO DISTRICT COURT.** Within 30 days after the adoption of the assessment, any person aggrieved, who is not precluded by failure to object prior to or at the assessment hearing, or whose failure to so object is due to a reasonable cause, may appeal to the district court by serving a notice upon the mayor or clerk of the municipality. The notice shall be filed with the clerk of the district court within ten days after its service. The municipal clerk shall furnish appellant a certified copy of objections filed in the assessment proceedings, the assessment roll or part complained of, and all papers necessary to present the appeal. The appeal shall be placed upon the calendar of the next general term commencing more than five days after the date of serving the notice and shall be tried as other appeals in such cases. The court shall either affirm the assessment or set it aside and order a reassessment as provided in section 429.071, subdivision 2. If appellant does not prevail upon the appeal, the costs incurred shall be taxed by the court and judgment entered therefor. All objections to the assessment shall be deemed waived unless presented on such appeal. This section provides the exclusive method of appeal from a special assessment levied pursuant to this chapter.

## **ARTICLE XII**

### **REVENUE RECAPTURE ACT**

Section 1. [270A.01] **CITATION.** This article may be cited as the "revenue recapture act".

Sec. 2. [270A.02] **PURPOSE.** The purpose of this article is to establish a system of collecting debts owed to state government by applying any of the debtor's tax refunds to the amount of his debt. To further this purpose a policy of cooperation is established between the department of revenue and claimant agencies in identifying individuals who both owe a claimant agency money and qualify for a tax refund.

Sec. 3. [270A.03] **DEFINITIONS.** Subdivision 1. For purposes of sections 1 to 14, the terms defined in this section have the meanings given them.

Subd. 2. "Claimant agency" means any state agency, as defined by Minnesota Statutes, Section 15.0411, Subdivision 2, and public agency responsible for child support enforcement.

Changes or additions indicated by underline deletions by ~~strikeout~~



Subd. 3. "Commissioner" means the commissioner of revenue.

Subd. 4. "Debtor" means a natural person obligated on a debt to a claimant agency.

Subd. 5. "Debt" means a legal obligation of a natural person to pay a fixed and certain amount of money, which equals or exceeds \$25 and which is due and payable to a claimant agency. A debt may arise under a contractual or statutory obligation, a court order, or other legal obligation, but need not have been reduced to judgment. A debt does not include any legal obligation of a current recipient of assistance which is based on overpayment of an assistance grant.

Subd. 6. "Department" means the department of revenue.

Subd. 7. "Refund" means an individual income tax refund, pursuant to Minnesota Statutes, Chapter 290, or a property tax credit or refund, pursuant to chapter 290A.

Sec. 4. [270A.04] AGENCY PARTICIPATION. Subdivision 1. The collection remedy under this section is in addition to and not in substitution for any other remedy available by law.

Subd. 2. Any debt owed to a claimant agency shall be submitted by the agency for collection under the procedure established by sections 1 to 14 unless (a) an alternative means of collection is pending and believed to be adequate, (b) the collection attempt would result in a loss of federal funds, or (c) the agency is unable to supply the department with the necessary identifying information required by subdivision 3 or rules promulgated by the commissioner.

Subd. 3. For each debt submitted, the claimant agency shall provide the commissioner with the name and social security number of the debtor and any other identifying information required by rules promulgated by the commissioner.

Subd. 4. Whenever possible, a claimant agency shall obtain the identifying information required by subdivision 3 from any individual for whom the agency provides any service or transacts any business and who the claimant agency can foresee may become a debtor of the claimant agency.

Sec. 5. [270A.05] MINIMUM SUM COLLECTIBLE. The minimum sum which a claimant agency may collect through use of the set-off procedure is \$25.

Sec. 6. [270A.06] COLLECTION OF DEBTS THROUGH SET-OFF. Subject to the limitations of sections 1 to 14, the department shall, upon request by a claimant agency, render assistance in the collection of any debt owing to the agency. This assistance shall be provided by use of a procedure in which the sum of the refund due the debtor is applied to the amount due and owing from the debtor to the claimant agency.

Sec. 7. [270A.07] PROCEDURE FOR SET-OFF COLLECTION. Subdivision 1. NOTIFICATION REQUIREMENT. On or before December 15 any claimant agency, seeking collection of a debt through set-off against a refund due in the succeeding year, shall submit to the commissioner information indicating

the amount of each debt and information identifying the debtor, as required by section 4, subdivision 3. Subject to the notification deadline specified above, the notification shall be effective only to initiate set-off for claims against refunds that would be made in the calendar year subsequent to the year in which notification is made to the commissioner.

Subd. 2. SET-OFF PROCEDURES. (a) The commissioner, upon receipt of notification, shall initiate procedures to detect any refunds otherwise payable to the debtor. When the commissioner determines that a refund is due to a debtor whose debt was submitted by a claimant agency, the commissioner shall remit the refund or the amount claimed, whichever is less, to the agency. In transferring or remitting moneys to the claimant agency, the commissioner shall provide information indicating the amount applied against each debtor's obligation and the debtor's address listed on the tax return.

(b) The commissioner shall remit to the debtor the amount of any refund due in excess of the debt submitted for set-off by the claimant agency. Notice of the amount set-off and address of the claimant agency shall accompany any disbursement to the debtor of the balance of a refund.

Subd. 3. DEPOSIT OF FUNDS. Any amounts remitted or transferred to state agencies shall be deposited as provided in Minnesota Statutes, Section 16A.72.

Subd. 4. EFFECT OF TRANSFER OR PAYMENT. Transfer or remittance of funds to a claimant agency pursuant to this section constitutes payment of the department's obligation to refund the sums as overpayments of taxes or property tax credits or refunds. Any action for the set-off funds shall be made against the claimant agency pursuant to section 9.

Subd. 5. INTEREST ON REFUNDS. Any refund wrongfully or incorrectly applied to a debt and transferred to a claimant agency shall be paid by the agency to the debtor. The sum wrongfully or incorrectly withheld shall bear interest at six percent per year, computed from the date when the refund would begin to bear interest under Minnesota Statutes, Section 290.92, Subdivision 13, Clause (1), regardless of whether the refund is payable under Minnesota Statutes, Chapter 290 or 290A. If the claimant agency is a state agency, the payment shall be made out of the agency's appropriation.

Sec. 8. [270A.08] NOTICE AND HEARING REQUIRED. Subdivision 1. Not later than five days after the claimant agency has sent notification to the department pursuant to section 7, subdivision 1, the claimant agency shall send a written notification to the debtor asserting the right of the claimant agency to the refund or any part thereof.

Subd. 2. (a) This written notice shall clearly set forth the basis for the claim to the refund and, further, shall advise the debtor of the claimant agency's intention to request set-off of the refund against the debt.

(b) The notice will also advise the debtor of his right to contest the validity of the claim at a hearing. The debtor must assert this right by written request to

the claimant agency, which request the agency must receive within 45 days of the mailing date of the original notice, as required by subdivision 1.

Sec. 9. [270A.09] **CONTESTED CLAIMS PROCEDURE.** Subdivision 1. If a claimant agency, except for a public agency responsible for child support enforcement, receives written notice of a debtor's intention to contest at hearing the claim upon which the intended set-off is based, it shall initiate a hearing according to contested case procedures established in the state administrative procedure act not later than 30 days after receipt of the debtor's request for a hearing. The public agency responsible for child support enforcement shall provide for hearing in the manner prescribed by Minnesota Statutes, Section 256.045.

Subd. 2. No issue may be raised at the hearing which has been previously litigated. If a debt is based on a court judgment or court order, the hearing required by subdivision 1 need not, but may be granted at the sole discretion of the commissioner of the claimant agency. \*

Sec. 10. [270A.10] **PRIORITY OF CLAIMS.** If two or more debts, in a total amount exceeding the debtor's refund, are submitted for set-off, the priority of payment shall be as follows: First, any delinquent tax obligations of the debtor which are owed to the department shall be satisfied. Secondly, the refund shall be applied to the remaining debts based on the order in time in which the commissioner received the debts.

Sec. 11. [270A.11] **DATA PRIVACY.** Notwithstanding Minnesota Statutes, Sections 290.61 and 290A.17, private and confidential data on individuals may be exchanged among the department, the claimant agency, and the debtor as necessary to accomplish and effectuate the intent of sections 1 to 14, as provided by Minnesota Statutes, Section 15.163, Subdivision 4, Clause (b). The department may disclose to the claimant agency only the debtor's name, address, social security number and the amount of the refund. Any person employed by, or formerly employed by, a claimant agency who discloses any such information for any other purpose, shall be subject to the civil and criminal penalties of Minnesota Statutes, Sections 15.167 and 290.61.

Sec. 12. [270A.12] **RULES.** The commissioner is authorized to develop and to require the use of any necessary forms. The commissioner or a claimant agency is authorized to make any rules necessary to effectuate the purposes of sections 1 to 14. Pursuant to this authority, temporary rules may be adopted pursuant to Minnesota Statutes, Section 15.0412, Subdivision 5.

Sec. 13. **APPROPRIATION.** A sum sufficient is appropriated from the general fund to the commissioner of revenue for the purpose of administering this article. This appropriation shall be available until June 30, 1981.

Sec. 14. **EFFECTIVE DATE.** Sections 1 to 14 are effective for tax refunds payable after December 31, 1980.

Changes or additions indicated by underline deletions by ~~strikeout~~

**ARTICLE XIII**  
**TRANSPORTATION**

Section 1. Minnesota Statutes, 1979 Supplement, Section 473.446. Subdivision 1, is amended to read:

473.446 **TRANSIT TAX LEVIES.** Subdivision 1. **AMOUNT.** For the purposes of sections 473.401 to 473.451 and the metropolitan transit system, the metropolitan transit commission shall levy each year upon all taxable property within the metropolitan transit taxing district, defined ~~herein~~ in this section, a transit tax consisting of:

(a) An amount ~~equal to 1.72~~ not to exceed 2.0 mills times the assessed value of all such property, the proceeds of which shall be used for payment of the expenses of operating regular route bus service:

(b) An additional amount, if any, as the commission determines to be necessary to provide for the full and timely payment of its certificates of indebtedness and other obligations outstanding on July 1, 1977, to which property taxes under this section have been pledged; and

(c) An additional amount necessary to provide full and timely payment of certificates of indebtedness, bonds, or other obligations issued pursuant to section 473.436 for purposes of acquisition and betterment of property and other improvements of a capital nature and to which the commission has specifically pledged tax levies under this clause.

Sec. 2. **JOINT COMMUTER RAIL STUDY COMMISSION.** Subdivision 1. A joint commuter rail study commission is established for the purpose of conducting a feasibility study for the development of commuter rail transit service between the St. Cloud metropolitan area and the Minneapolis-St. Paul metropolitan area.

Subd. 2. The commission consists of 11 members as follows:

(a) one member of the St. Cloud transit commission appointed by that commission;

(b) one member of the St. Cloud area planning organization appointed by the chairperson of that organization;

(c) two members of the metropolitan council appointed by that council;

(d) two members of region 7W;

(e) two members of the house of representatives whose districts will contain a portion of the affected corridor, to be appointed by the speaker of the house;

(f) two members of the senate whose districts will contain a portion of the affected corridor, to be appointed by the president of the senate;

(g) the commissioner of the department of transportation or his designee, who shall be chairman of the commission.

*Changes or additions indicated by underline deletions by ~~strikeout~~*

Subd. 3. The joint commission shall report its findings and recommendations to the legislature on or before January 1, 1982. The report shall cover, but not be limited to, the issues of available corridors and rights-of-way, define necessary physical improvements, make potential ridership projections, and make recommendations for funding of capital and operating costs.

Subd. 4. The sum of \$50,000 is appropriated to the department of transportation from the general fund for the purposes of this section. The sum is available the day after final enactment and until January 1, 1982. \* Section 2, subdivision 4 was vetoed by the governor.

Subd. 5. This section is repealed January 1, 1982.

**Sec. 3. FEASIBILITY STUDY OF LIGHT RAIL TRANSIT IN METROPOLITAN AREA.** The sum of \$150,000 is appropriated from the general fund to the metropolitan council established by Minnesota Statutes, Section 473.123. The council shall conduct a feasibility study of the use of light rail transit in the metropolitan area. The sum is available the day after final enactment and until June 1, 1981.

The study shall:

(a) define major operational characteristics of a light rail transit system in selected corridors;

(b) quantify capital and operating costs;

(c) evaluate the interface of the light rail transit system with other transit systems;

(d) evaluate the impact of the light rail transit system on land-use and urban development;

(e) evaluate the impact of the light rail transit system on energy and the environment;

(f) compare light rail transit with diesel and electric driven buses and multi-passenger alternatives;

(g) identify available sources of funds from federal, state, local, private and other sources; and,

(h) identify the conditions necessary for light rail transit to be feasible in the metropolitan area.

Findings and recommendations shall be presented to the seventy-second session of the legislature.

**Sec. 4. EFFECTIVE DATE.** Section 1 is effective for taxes levied in 1980 and thereafter, payable in 1981 and thereafter. Sections 2 and 3 are effective the day after final enactment.

**ARTICLE XIV**  
**STATE INVESTMENT BOARD**

Section 1. [11A.01] STATEMENT OF PURPOSE. The purpose of sections 1 to 23 is to establish standards which will insure that state and pension assets subject to this legislation will be responsibly invested to maximize the total rate of return without incurring undue risk.

Sec. 2. [11A.02] DEFINITIONS. Subdivision 1. For the purposes of sections 1 to 23, the terms defined in this section shall have the meanings given them.

Subd. 2. "State board" means the Minnesota state board of investment created by article XI, section 8 of the constitution of the state of Minnesota for the purpose of administering and directing the investment of all state funds and pension funds.

Subd. 3. "Council" means the investment advisory council created by section 6.

Subd. 4. "Fund" means any of the individual funds, including but not limited to the permanent school fund, general fund of the state, retirement funds and other funds and accounts for which the state board has responsibilities.

Subd. 5. "Director" means the executive director of the state board.

Subd. 6. "Management" means the performance or delegation of general management duties relating to any fund established pursuant to this chapter.

Sec. 3. [11A.03] STATE BOARD; MEMBERSHIP; ORGANIZATION. Pursuant to article XI, section 8, of the constitution of the state of Minnesota, the state board shall be composed of the governor, state auditor, state treasurer, secretary of state and attorney general. The governor shall serve as ex officio chairman of the state board.

Sec. 4. [11A.04] DUTIES AND POWERS. The state board shall:

(1) Act as trustees for each fund for which it invests or manages moneys in accordance with the standard of care set forth in section 7.

(2) Formulate policies and procedures deemed necessary and appropriate to carry out its functions. Procedures adopted by the board shall allow fund beneficiaries and members of the public to become informed of proposed board actions. Procedures and policies of the board shall not be subject to the administrative procedure act.

(3) Employ an executive director as provided in section 5.

(4) Employ investment advisors and consultants as it deems necessary.

(5) Prescribe policies concerning personal investments of all employees of the board to prevent conflicts of interest.

(6) Maintain a record of its proceedings.

(7) As it deems necessary, establish advisory committees subject to the provisions of Minnesota Statutes, Section 15.059 to assist the board in carrying out its duties.

(8) Not permit state funds to be used for the underwriting or direct purchase of municipal securities from the issuer or his agent.

(9) Direct the state treasurer to sell property other than money which has escheated to the state when the board determines that sale of the property is in the best interest of the state. Escheated property shall be sold to the highest bidder in the manner and upon terms and conditions prescribed by the board.

(10) Undertake any other activities necessary to implement the duties and powers set forth in this section.

(11) Establish a formula or formulas to measure management performance and return on investment. All public pension funds in the state shall utilize the formula or formulas developed by the state board.

Sec. 5. [11A.07] EXECUTIVE DIRECTOR. Subdivision 1. SELECTION. The state board shall select an executive director.

Subd. 2. QUALIFICATIONS. The director of the state board shall be well qualified by training to administer and invest the money available for investment and possess experience in the management of institutional investment portfolios. The director shall be in the unclassified state service and serve at the pleasure of the state board.

Subd. 3. CONFIRMATION. The employment of the director shall be subject to the advice and consent of the senate in the same manner as the appointment of executive officers is confirmed by the senate.

Subd. 4. DUTIES AND POWERS. The director, at the direction of the state board, shall:

(1) Plan, direct, coordinate and execute administrative and investment functions in conformity with the policies and directives of the state board.

(2) Employ such professional and clerical staff as is necessary within the complement limits established by the legislature. These employees shall be in the unclassified service of the state.

(3) Report to the state board on all operations under his control and supervision.

(4) Maintain accurate and complete records of securities transactions and official activities.

(5) Purchase and sell all securities on the basis of competitive offerings or bids received from at least two firms known to specialize in the securities being traded and likely to position these securities in relevant quantities. Competitive

Changes or additions indicated by underline deletions by ~~strikeout~~

bidding shall not be required when the securities to be traded are: listed or traded on a major United States exchange, bound by underwriting restrictions or classified as private placements and offered only to a limited number of institutional investors.

(6) Cause all securities acquired to be kept in the custody of the state treasurer or such other depositories as the state board deems appropriate.

(7) Prepare and file with the director of the legislative reference library on or before November 15 of each year, a report summarizing the activities of the state board, the council and the director during the preceding fiscal year. The report shall be prepared so as to provide the legislature and the people of the state with a clear, comprehensive summary of the portfolio composition, the transactions, the total annual rate of return and the yield to the state treasury and to each of the funds whose assets are invested by the state board, and the recipients of business placed or commissions allocated among the various commercial banks, investment bankers and brokerage organizations. This report shall contain financial statements for funds managed by the board prepared in accordance with generally accepted accounting principles.

(8) Require state officials from any department or agency to produce and provide access to any financial documents the state board deems necessary in the conduct of their investment activities.

(9) Receive and expend legislative appropriations.

(10) Undertake any other activities necessary to implement the duties and powers set forth in this subdivision.

Sec. 6. [11A.08] **INVESTMENT ADVISORY COUNCIL.** Subdivision 1. MEMBERSHIP. There is created an investment advisory council consisting of ten members who are experienced in general investment matters and who shall be appointed by the state board, the commissioner of finance and the executive directors of each of the following: the Minnesota state retirement system, the public employees retirement association, the teachers retirement association and the Minneapolis municipal employees retirement fund.

Subd. 2. DUTIES AND POWERS. The council shall:

(1) Advise the state board and the director on general policy matters relating to investments;

(2) Advise the state board and the director on methods to improve the rate of return on invested money while insuring adequate security for that money;

(3) Advise the state board and the director on the form and content of the report required by section 5, subdivision 4, clause (7), so that the report clearly and objectively discloses the investment activities of the state board and the director;

(4) Perform other tasks of an advisory nature as requested by the state board.

Changes or additions indicated by underline deletions by ~~strikeout~~



Subd. 3. OFFICERS; MEETINGS. The council shall annually elect a chairman and vice chairman from among its members, and may elect other officers as necessary. The council shall meet at least every other month and upon the call of the chairman of the council or the chairman of the state board.

Subd. 4. TERMS; COMPENSATION; REMOVAL; VACANCIES. The membership terms, compensation and removal of members appointed by the state board, and filling of vacancies of such members shall be as provided in Minnesota Statutes, Section 15.059 except that council members shall not receive a per diem.

Subd. 5. LIABILITY; INDEMNIFICATION. A member of the council shall be indemnified and held harmless by the state for any reasonable costs or expenses incurred as a result of any actual or threatened litigation or administrative proceedings arising out of the performance of the member's duties, except an action brought by the state or agency thereof arising from the failure of a council member to perform duties in the manner prescribed in section 7.

Subd. 6. CONFLICT OF INTEREST; ECONOMIC INTEREST STATEMENT. No member of the council may participate in deliberations or vote on any matter before the council which will or is likely to result in direct, measurable economic gain to the member. Additionally, no member of the council appointed by the state board may participate in deliberations or vote on any matter before the council which will or is likely to result in direct, measurable economic gain to his employer. Members of the council shall file with the board of ethical practices an economic interest statement in a manner as prescribed by Minnesota Statutes, Section 10A.09, Subdivisions 5 and 6.

Sec. 7. [11A.09] STANDARD OF CARE. In the discharge of their respective duties, the members of the state board, director, board staff, members of the council and any other person charged with the responsibility of investing money pursuant to the standards set forth in sections 1 to 23 shall act in good faith and shall exercise that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived therefrom.

Sec. 8. [11A.10] DUTIES OF OTHER OFFICIALS. Subdivision 1. CUSTODY OF SECURITIES. The state treasurer and other custodians of securities belonging to the various funds shall provide in the appropriate cases the state board and its delegates with reasonable access thereto. Each security shall be held as an asset of the fund from which the investment expenditure was made.

Subd. 2. ESCHEATED PROPERTY. The commissioner of finance shall report immediately to the state board all personal property other than money received by the state of Minnesota as escheated property. If the state board elects to sell escheated property, all moneys received from the sale shall be credited to the general fund of the state.

Subd. 3. AUDITS. State audits of the activities of the state board and its delegates shall be conducted by the legislative auditor.

Subd. 4. OFFICE SPACE. The commissioner of administration shall provide the director and staff with suitable office and storage space in the state capitol complex as near as practicable to the office of the state treasurer.

Sec. 9. [11A.11] INVESTMENT AND EXPENSE APPROPRIATION. There is appropriated to the state board annually, and from time to time, the various moneys as are available for investment in the various funds subject to their supervision and control, for the purposes of the purchase, sale, exchange and lending of securities, reinvestment activities, payment of the execution expenses of securities transactions, amortization of premiums or accumulation of discounts, and contribution and redemption of participation in the funds.

Sec. 10. [11A.12] GAINS AND LOSSES; DISPOSITION. All interest and profit accruing from and all losses incurred by investment activity shall be credited to or borne by the fund from which the investment was made.

Sec. 11. [11A.13] ASSETS AND DOCUMENTATION. Subdivision 1. LEGAL TITLE TO FUND ASSETS. Legal title to the assets of state funds to be invested by the state board shall be in the state of Minnesota, or its nominees. Legal title to pension funds to be invested by the state board shall be in the state board, or its nominees, as trustees for any person having a beneficial interest in the applicable fund subject to the rights of the particular funds maintaining shares, investment participation or units in the accounts to their credit.

Subd. 2. RIGHTS OF EMPLOYEES; VALIDITY OF DOCUMENTATION. The rights of any public employee to any assets in the retirement funds shall be as fixed by the law or laws authorizing or requiring a retirement fund to purchase or order the redemption of investment participations or units on behalf of the public employee. The state board may rely on the documents, forms and applications of the various retirement funds which accompany money for investment or orders to redeem assets as being made in concert with the applicable law and with the rights of the public employees concerned. Accordingly, the state board need not inquire into the legality or validity of any documents, forms and applications.

Sec. 12. [11A.14] MINNESOTA COMBINED INVESTMENT FUND. Subdivision 1. ESTABLISHMENT. There is hereby established a Minnesota combined investment fund for the purpose of providing an investment vehicle for assets of the participating funds. The combined fund shall consist of the following investment accounts: a cash management account and an equity account.

Subd. 2. ASSETS. The assets of the combined investment fund shall consist of the moneys certified to and received by the state board from participating retirement plans and funds which shall be used to purchase investment shares in the appropriate investment accounts. Each participating fund shall own an undivided participation in all the assets of the combined fund. As of any date, the total claim of a participating fund on the assets in each account shall be equal to

the ratio of units owned by a fund in each account to the total issued units then outstanding.

Subd. 3. MANAGEMENT. The combined investment fund shall be managed by the state board.

Subd. 4. INVESTMENTS. The assets of the combined investment fund shall be invested by the state board subject to the provisions of section 22 with the following exceptions:

(a) The cash management account shall be invested in fixed-income obligations with maturities of less than three years.

(b) The equity account may be completely invested in corporate stocks.

Subd. 5. PARTICIPATING PUBLIC RETIREMENT PLANS OR FUNDS. The following public retirement plans and funds shall participate in the Minnesota combined investment fund:

(1) State employees retirement fund established pursuant to Minnesota Statutes, Chapter 352;

(2) Correctional employees retirement plan established pursuant to Minnesota Statutes, Chapter 352;

(3) Highway patrol retirement fund established pursuant to Minnesota Statutes, Chapter 352B;

(4) Public employees retirement fund established pursuant to Minnesota Statutes, Chapter 353;

(5) Public employees police and fire fund established pursuant to Minnesota Statutes, Chapter 353;

(6) Teachers retirement fund established pursuant to Minnesota Statutes, Chapter 354;

(7) Judges retirement fund established pursuant to Minnesota Statutes, Chapter 490; and

(8) Any other fund required by law to participate.

Subd. 6. INITIAL TRANSFER OF ASSETS. As of July 1, 1980, or a later date as determined by the state board, the participating funds shall transfer to the combined investment fund all appropriate securities then held together with cash necessary for the purchase of even units in the combined fund accounts.

Subd. 7. INITIAL VALUATION OF ASSETS AND UNITS. All assets transferred to the Minnesota combined investment fund shall be valued at their current market value as determined by the state board, including accrued interest. The initial value of each account unit shall be \$1,000 with each participating fund allocated units in the various accounts of the Minnesota combined investment fund in the same proportion as their assets are to the total assets in each account.

**Subd. 8. UNREALIZED APPRECIATION (DEPRECIATION) ACCOUNT.** Any unrealized gains or losses in the value of investments incurred by a transferring fund shall be recorded in an unrealized appreciation (depreciation) account which is hereby created. Any future unrealized gains or losses shall also be recorded in this account at the close of each fiscal year.

**Subd. 9. VALUATION OF UNITS.** (1) Valuation of units for the equity account in the Minnesota combined investment fund shall be performed as of the last business day of each month, or more frequently should the state board determine that additional valuation dates are necessary. Valuation of units for the cash management account in the Minnesota combined investment fund shall be performed daily for every business day.

(2) The value of a unit for each account shall be determined by the following procedure:

(a) As of the close of business on the valuation date the state board shall determine the fair market value of each asset in each account, using the references, pricing services, consultants, or other methods as the state board deems appropriate.

(b) The sum total of the market value of all securities plus cash, less the value of undistributed income in each account, shall be divided by the number of units issued and outstanding for the account to determine the value per account unit.

**Subd. 10. PURCHASE AND REDEMPTION OF UNITS.** Purchase and redemption of units shall be on the first business day following the valuation date. All transactions shall be at the unit value as established on the immediately preceding valuation date. Except for the initial purchase of units by an authorized participant, all purchases and redemptions shall be made in cash unless the state board determines that an exception is necessary.

**Subd. 11. EARNINGS DEFINED.** Investment earnings shall be the sum total of the following of each account:

(1) Dividends receivable on securities trading ex-dividend up to and including the valuation date.

(2) Cash dividends received to and including the valuation date that were not accounted for on a previous valuation date.

(3) Accrued interest to and including the valuation date.

(4) Interest received which had not been accrued and accounted for on a prior valuation date.

(5) Income from the sale of options, rights, warrants, or security lending.

(6) Other income received to and including the valuation date.

**Subd. 12. DISTRIBUTION OF EARNINGS.** At least once each month the state board shall distribute to each participant net earnings determined propor-

Changes or additions indicated by underline deletions by ~~strikeout~~

tionately in accordance with their average unit holdings in each account during the period. Unless otherwise directed by the participating fund, any distributions shall be used to purchase additional units in the accounts.

Subd. 13. RECORDS REQUIRED. The executive director of the state board shall keep accounting records. The records shall reflect the number of units in the Minnesota combined investment fund owned by each participating fund. No certificates or other evidence of ownership shall be required.

Subd. 14. REPORTS REQUIRED. As of each valuation date, or as often as the state board determines, each participant shall be informed of the number of units owned and the current value of the units. Annually, the state board shall provide to each participant, financial statements prepared in accordance with generally accepted accounting principles.

Sec. 13. [11A.15] STATE BOND FUND. Subdivision 1. ESTABLISHMENT. Pursuant to article XI, section 7, of the constitution of the state of Minnesota, there is hereby established a state bond fund for the purpose of the timely payment of principal and interest on bonds for which the full faith and credit of the state has been pledged. The state bond fund shall be a continuation of the state bond fund in existence on January 1, 1980.

Subd. 2. ASSETS. Any money appropriated to the state bond fund, any income arising from the invested assets of the state bond fund which is not immediately required to pay the principal or interest on state bonds and any proceeds arising from the sale of any securities in the state bond fund shall constitute the assets of the state bond fund.

Subd. 3. MANAGEMENT. The state bond fund shall be managed by the state treasurer who shall, from time to time, certify to the state board those portions of the state bond fund which in the judgment of the state treasurer are not required for immediate use.

Subd. 4. INVESTMENT. The state board shall invest assets of the state bond fund subject to the provisions of section 23.

Subd. 5. WITHDRAWAL OF ASSETS: Securities sufficient to equal the amount of money certified by the state treasurer as necessary to pay the principal or interest due on state bonds in excess of any cash on hand shall be sold at the request of the state treasurer and the certified amount of money shall be transferred to the state treasurer.

Subd. 6. CREDIT OF INCOME TOWARDS SUBSEQUENT APPROPRIATIONS. Notwithstanding provisions of section 10, the net income of the state bond fund after the recovery of any losses from the sale of securities shall be deducted from the amount of any subsequent appropriations for the payment of principal and interest of state bonds.

Sec. 14. [11A.16] PERMANENT SCHOOL FUND. Subdivision 1. ESTABLISHMENT. Pursuant to article XI, section 8, of the constitution of the state of Minnesota, there is hereby established a permanent school fund which shall be a continuation of the permanent school fund in existence on January 1, 1980.

**Changes or additions indicated by underline deletions by ~~strikeout~~**

Subd. 2. ASSETS. The permanent school fund shall consist of the proceeds derived from the school lands, the swamp lands and the internal improvement lands granted to the state and all cash and investments credited to the permanent school fund, to the swamp land fund and to the internal improvement land fund.

Subd. 3. MANAGEMENT. The permanent school fund shall be managed by the commissioner of finance.

Subd. 4. INVESTMENT. The permanent school fund shall be invested by the state board in the following securities as directed by article XI, section 8 of the constitution of the state of Minnesota:

(a) Interest bearing fixed income securities of the United States and its agencies, including securities fully guaranteed by the United States, bonds of Minnesota or its political subdivisions or agencies, or of other states but not more than 50 percent of any issue by a political subdivision;

(b) Stocks of corporations with cash dividends paid from earnings for the five consecutive years prior to purchase, but not more than 20 percent of the fund shall be invested therein nor more than one percent in stock of any one corporation, nor more than five percent of the voting stock of any one corporation shall be owned;

(c) Bonds of corporations whose earnings have been at least three times the interest requirements on outstanding bonds for five consecutive years or longer immediately prior to purchase, but not more than 40 percent of the fund shall be so invested;

(d) The percentages referred to above shall be computed using the cost price of the stocks or bonds.

Subd. 5. CALCULATION OF INCOME. As of the end of each fiscal year, the state board shall calculate the investment income earned by the permanent school fund. The investment income earned by the fund shall equal the amount of interest on debt securities and dividends on equity securities. If the sale of securities results in a net loss during a fiscal year, the net loss shall be recovered from interest and dividend income in equal installments over a period equal to (a) the average period prior to maturity remaining on the debt securities which were sold if the sale of debt securities resulted in the loss, or (b) over a period of five years if the sale of equity securities resulted in the loss, unless there is a net gain in the sale of securities sufficient to eliminate the amount of the loss prior to the end of the period. In any fiscal year in which gains on the sale of securities exceed the losses on the sales of securities, the excess shall be added to the principal of the fund.

Subd. 6. DISPOSITION OF INCOME. Notwithstanding provisions of section 10, the income of the permanent school fund as calculated pursuant to subdivision 5, shall be credited to the permanent school fund, and transferred to the school endowment fund as needed for payments made pursuant to Minnesota Statutes, Section 124.08.

Sec. 15. **[11A.17] MINNESOTA SUPPLEMENTAL RETIREMENT INVESTMENT FUND.** **Subdivision 1. ESTABLISHMENT.** There is hereby established a supplemental retirement investment fund for the purpose of providing an investment vehicle for the assets of various public retirement plans and funds. This fund shall consist of three investment accounts: an income share account, a growth share account, and a fixed-return account. The supplemental retirement investment fund shall be a continuation of the supplemental retirement fund in existence on January 1, 1980.

**Subd. 2. ASSETS.** The assets of the supplemental retirement investment fund shall consist of the moneys certified and transmitted to the state board from the participating public retirement plans and funds and shall be used to purchase investment shares in the investment accounts specified by the plan or fund.

**Subd. 3. MANAGEMENT.** The supplemental retirement investment fund shall be managed by the state board.

**Subd. 4. INVESTMENT.** The assets of the supplemental retirement investment fund shall be invested by the state board subject to the provisions of section 22; provided, however, that the fixed-return account shall be invested entirely in debt obligations and the growth share account shall be invested as follows:

(a) Up to 100 percent of the book value may be invested in corporate stocks;

(b) Up to six percent of the book value may be invested in the stock of any one corporation;

(c) Up to ten percent of the book value may be invested in corporate stocks which do not conform with the dividend standard provided for in section 22.

**Subd. 5. PARTICIPATING PUBLIC RETIREMENT PLANS OR FUNDS.** Any public retirement plan or fund authorized or required by law to invest its assets in the supplemental retirement investment fund may from time to time as provided by law certify moneys to the state board for the purchase of investment shares in the investment accounts of the supplemental retirement investment account. The state board shall credit each purchase of investment shares to the appropriate participating public retirement plan or fund and shall confirm each purchase in writing to the appropriate plan or fund. Each participating public retirement plan or fund shall maintain adequate records to account for moneys certified to the supplemental retirement investment fund.

**Subd. 6. PARTICIPATION IN FUND.** Each public retirement plan or fund which has certified moneys to the state board for investment in the supplemental retirement investment fund shall have a participation in each investment account of the fund in which it has moneys invested. The participation shall be determined by the ratio of the number of shares credited to the public retirement plan or fund to the total number of shares in that account.

Subd. 7. PURCHASE OF SHARES. The state board shall allocate shares in the investment account or accounts at least monthly following the receipt of the funds for purchase of shares from the public retirement plan or fund as specified in the certification. The purchase price for shares shall be determined using the procedure specified in subdivision 9.

Subd. 8. REDEMPTION OF SHARES. The state board shall redeem shares in the investment account or accounts on the first business day after the valuation date next following the receipt of the request for redemption of shares from the public retirement plan or fund. The redemption value for shares shall be determined using the procedure specified in subdivision 9. Moneys representing the value of the redeemed shares shall be transmitted to the public retirement plan or fund making the request.

Subd. 9. VALUATION OF INVESTMENT SHARES. The value of investment shares in the income share investment account or in the growth share investment account shall be determined by dividing the total market value of the securities constituting the respective account by the total number of shares then outstanding in the investment account. Whenever the value of investment shares of an investment account has exceeded \$10 per share for a period of six consecutive months, each investment share in the investment account may be split at the direction of the board on a two new shares for one prior share basis. The value of investment shares in the fixed-return investment account shall be \$5 per share; provided, however, if the fixed-return investment account shares are redeemed by a public retirement fund where the shares are not attributable to the individual account of any person prior to the expiration of the multi-year period set by the board for the payment of the applicable assumed rate, the value of the investment shares shall be at market value. Terms as to withdrawal schedules will be agreed upon by the public retirement fund and the state board. Notwithstanding the provisions of section 10, the investment income earned by the fixed-return investment account shall be used to purchase additional shares on behalf of each participating public retirement plan or fund.

Subd. 10. CERTIFICATIONS FOR INVESTMENT AND REQUESTS FOR REDEMPTION. The state board may specify the required forms for certifications of moneys for investment and requests for redemption of investment shares and may require the filing of any other documents which it deems necessary.

Subd. 11. PROSPECTUS. Annually, on or before July 1, the state board shall prepare and shall issue a prospectus for the supplemental retirement investment fund with separate exhibits for each investment account. The exhibit for each account shall list for each security representing the current assets of the account the following items, whichever are applicable:

- (1) The purchase price of the security;
- (2) The current market value of the security;



(3) The current dividend or interest rate of the security;

(4) The rating of a debt security issued by a nationally recognized rating agency if it is other than a security issued or guaranteed by the United States government.

The prospectus shall set forth the statutory provisions governing the supplemental retirement investment account.

Sufficient copies of the prospectus shall be transmitted to each public retirement plan or fund participating in the supplemental retirement investment account to meet the plan or fund's distribution requirements. Ten copies of the prospectus shall be filed with the director of the legislative reference library.

Subd. 12. RATE OF INTEREST FOR FIXED RETURN. At the beginning of each fiscal year, the state board shall set an assumed interest rate for moneys invested in the account during that year, with the rate applicable to all sums invested during that 12 month period. At the end of the 12 months, the state board may determine the period over which the an assumed rate is to apply to funds so invested, depending on the average yield and maturity of the securities purchased. Any earnings accrued to the account above the rate earlier indicated may be used to purchase additional shares on behalf of each participating public retirement plan or fund at fiscal year end after necessary reserves are established.

Sec. 16. [11A.18] MINNESOTA POST-RETIREMENT INVESTMENT FUND. Subdivision 1. ESTABLISHMENT. There is hereby established a post-retirement investment fund for the purpose of providing an investment vehicle for the reserves for various retirement annuities and benefits payable by the participating retirement funds and plans. The post-retirement investment fund shall be a continuation of the Minnesota adjustable fixed benefit fund in existence on January 1, 1980.

Subd. 2. ASSETS. The assets of the post-retirement investment fund shall consist of the moneys representing the reserves for various retirement annuities and benefits payable by participating retirement funds and plans which have been certified to and received by the state board from the participating public retirement funds and plans.

Subd. 3. MANAGEMENT. The post-retirement investment fund shall be managed by the state board.

Subd. 4. INVESTMENT. The assets of the post-retirement investment fund shall be invested by the state board subject to the provisions of section 22.

Subd. 5. DEFERRED YIELD ADJUSTMENT ACCOUNT. There is hereby established a deferred yield adjustment account which shall be increased by the sale or disposition of any debt securities at less than book value and shall be decreased by the sale or disposition of debt securities at more than book value. At the end of each fiscal year, a portion of the balance of this account shall be offset against the investment income for that year. The annual portion of the balance to be offset shall be proportional to the reciprocal of the average

remaining life of the bonds sold, unless the amounts are offset by gains on the future sales of these securities. The amount of this account shall be included in the recognized value of assets other than corporate stocks and all other equity investments. In any fiscal year in which the gains on the sales of debt securities exceed the discounts realized on the sales of such securities, the excess shall be used to reduce the balance of the account.

**Subd. 6. PARTICIPATING PUBLIC RETIREMENT FUNDS OR PLANS.**

Any public retirement fund or plan authorized by law to participate in the post-retirement investment fund shall no later than the commencement of a benefit payment from the post-retirement investment fund, certify and transfer to the state board moneys equal to the actuarially determined reserves required for those retirement annuities and benefits which are payable by the public retirement fund or plan and which are specified in law to be included in the participation in the fund. The state board shall confirm in writing each certification and transfer of moneys made by a participating public retirement fund or plan. Each participating public retirement fund or plan shall maintain adequate records to account for moneys transferred to the post-retirement investment fund.

**Subd. 7. PARTICIPATION IN FUND.** Each participating public retirement fund or plan which has transferred moneys to the state board for investment in the post-retirement investment fund shall have an undivided participation in the fund. The participation on any valuation date shall be determined by adding to the participation on the prior valuation date: (a) funds transferred in accordance with subdivision 6, (b) the amount of required investment income on its participation as defined in subdivision 9, clause (1)(c) and (c) the reserves for any benefit adjustment made as of the current valuation date with the result adjusted for any mortality gains or losses determined pursuant to subdivision 11.

**Subd. 8. WITHDRAWAL OF MONEYS.** Upon certification by the applicable executive director that a portion of the certified moneys representing the required reserves for various retirement annuities or benefits payable from the participating public retirement fund or plan are required for the payment of a retirement annuity or benefit, the state board shall sell sufficient securities or transfer sufficient available cash to equal the amount of money certified as required and shall order the transfer of that amount to the appropriate executive director.

**Subd. 9. CALCULATION OF POST-RETIREMENT ADJUSTMENT.**

Annually, following June 30, the state board shall determine whether a post-retirement adjustment shall be payable and shall determine the amount of any post-retirement adjustment which shall be payable.

(1) The state board shall determine whether a post-retirement adjustment shall be payable using the following procedure:

(a) The state board shall determine the amount of dividends, interest, accruals and realized equity capital gains or losses applicable to the most recent fiscal year ending June 30;

Changes or additions indicated by underline deletions by ~~strikeout~~

(b) The participating public pension funds or plans shall determine the amount of reserves required for every annuitant and benefit recipient as of the current June 30. Every annuitant or benefit recipient who has been receiving an annuity or benefit for at least one year as of the current June 30 shall be eligible to receive a post-retirement adjustment. Each fund shall report separately the amount of the reserves for those annuitants and benefit recipients who are eligible to receive a post-retirement benefit adjustment and those annuitants and benefit recipients who are not eligible to receive a post-retirement adjustment. The amount of the required reserves shall be certified to the board as soon as is practical following the current June 30;

(c) The state board shall determine the amount of investment income required to equal five percent of the required reserves as of the preceding June 30 adjusted by five percent of each transfer in or transfer out multiplied by the fraction of a year from the date of transfer to the current June 30. This amount of required investment income shall be subtracted from the actual amount of investment income determined pursuant to clause (1)(a), to determine the amount of excess investment income. If this amount is positive, then a post-retirement adjustment may be paid.

(2) The state board shall determine the amount of any post-retirement adjustment which is payable using the following procedure:

(a) The state board shall determine the amount of excess investment income by the method indicated in clause (1);

(b) The participating public pension funds and plans shall certify to the state board the total required reserves as of the first of January next following the end of the fiscal year for the annuitants and benefit recipients eligible to receive the post-retirement adjustment as determined by clause (1)(b);

(c) If the state board determines that the book value of the assets of the fund is less than an amount equal to 100 percent of the current June 30 required reserves, with the book value to be determined after the adjustments provided for in subdivision 11, then the board shall allocate 25 percent of the excess investment income as an asset of the fund. The remaining 75 percent will be termed available for distribution. The book value of assets on any given date shall be the cost of equity investments and the amortized cost of fixed income investments.

(d) The resulting total amount available for distribution shall be increased by 2-1/2 percent, and the result shall be stated as a percentage of the total required reserves pursuant to clause (2)(b), and if the percentage is equal to or greater than one percent, the amount shall be certified to each participating public pension fund or plan as the amount of the post-retirement adjustment. If the percentage is less than one percent, the amount shall be credited to a separate reserve established for this purpose. The reserve shall be invested in the same manner as all other assets of the fund and shall be credited with any investment income as specified in clause (1)(a). Amounts credited to the reserve shall be utilized in determining a post-retirement adjustment in the subsequent year. The amount certified shall be carried to five decimal places and stated as a percentage.

Changes or additions indicated by underline deletions by ~~strikeout~~

Subd. 10. PAYMENT OF POST-RETIREMENT ADJUSTMENT. Upon receiving the certification of the amount of the post-retirement adjustment from the state board, each participating public pension fund or plan shall determine the amount of the post-retirement adjustment payable to each eligible annuitant and benefit recipient. The dollar amount of the post-retirement adjustment payable to each annuitant or benefit recipient shall be calculated by applying the certified post-retirement adjustment percentage to the amount of the monthly annuity or benefit payable to each eligible annuitant or benefit recipient. The post-retirement adjustment shall commence to be paid on January 1 following the calculations required pursuant to this section and shall thereafter be included in the monthly annuity or benefit paid to the recipient. Notwithstanding Minnesota Statutes, Section 356.18, any adjustment pursuant to this section shall be paid automatically unless the intended recipient files a written notice with the applicable participating public pension fund or plan requesting that the adjustment not be paid.

Subd. 11. ADJUSTMENT FOR MORTALITY GAINS AND LOSSES. As of June 30 annually, the actuary of each participating public pension fund or plan shall calculate the amount of required reserves representing any mortality gains and any mortality losses incurred by the fund or plan during the fiscal year. The actuary shall report separately the amount of the reserves for annuitants and benefit recipients who are eligible for a post-retirement benefit adjustment and the amount of reserves for annuitants and benefit recipients who are not eligible for a post-retirement benefit adjustment. If the net amount of required reserves represents a mortality gain, the participating public pension fund or plan shall certify that amount to the state board, which shall sell sufficient securities or transfer sufficient available cash to equal the amount of money certified. If the amount of required reserves represents a mortality loss, the participating public pension fund or plan shall transfer to the state board an amount equal to the amount of the net mortality loss. The amount of the transfers shall be determined before any post-retirement benefit adjustments have been made. All book values of the assets of the fund for the purposes of subdivision 9 shall be determined only after all adjustments for mortality gains and losses for the fiscal year have been made.

Subd. 12. APPROPRIATION OF REQUIRED AMOUNTS. All moneys necessary to meet the requirements of the certification of withdrawals and all moneys necessary to pay post-retirement adjustments pursuant to this section are hereby and from time to time appropriated from the post-retirement investment fund to the state board.

Sec. 17. [11A.19] VARIABLE ANNUITY INVESTMENT FUND. Subdivision 1. ESTABLISHMENT. There is hereby established a variable annuity investment fund for the purpose of providing an investment vehicle for the assets of the variable annuity program of the teachers retirement association. The variable annuity investment fund shall be a continuation of the variable annuity fund in existence on January 1, 1980.

Subd. 2. ASSETS. The assets of the variable annuity investment fund shall consist of all cash and investments credited to the variable annuity program of the teachers retirement association.

Changes or additions indicated by underline deletions by ~~strikeout~~

Subd. 3. MANAGEMENT. The variable annuity investment fund shall be managed by the state board.

Subd. 4. INVESTMENT. The assets of the variable annuity investment fund shall be invested by the state board subject to the provisions of section 22 except that:

(a) Up to 100 percent of the book value may be invested in corporate stocks;

(b) Up to six percent of the book value may be invested in the stock of any one corporation;

(c) Up to ten percent of the book value may be invested in corporate stocks which do not conform with the dividend standard provided for in section 22, subdivision 5.

Subd. 5. VALUATION OF FUND. The variable annuity investment fund shall be valued by the state board bimonthly, using the closing market prices of the last business days of August, October, December, February, April and June of each fiscal year. The ratio of the total market value of investments to the admitted value of investments at the end of the preceding fiscal year, plus the cost of investments acquired, less the net receipts from investments sold during the fiscal year, shall be determined for each valuation date. The admitted value of the investments of the variable annuity investment fund at the end of each fiscal year shall be the book value of all investments held at that date multiplied by the average of the ratios at the 12 bimonthly valuation dates for the fiscal year and the immediately preceding fiscal year. The book value of investments during any fiscal year shall be the admitted value at the end of the preceding fiscal year or the cost of the investments if acquired during the fiscal year.

Subd. 6. ACCOUNTING PROCEDURES. Notwithstanding provisions of section 10, the following procedures shall be employed by the state board:

(1) The earnings from the investments of the variable annuity investment fund shall consist of dividends, interest and all other income derived from the investments and shall be determined on an accrual basis as of each bimonthly valuation date. The income shall be attributed to those funds in the account at the beginning of the bimonthly period. Earnings from investments shall not include changes in the admitted values of the investments.

(2) Any realized gain or loss shall be recorded in a realized appreciation account, and shall consist of the amount received on sale less the cost of the security. Unrealized gains or losses for any fiscal year shall be determined as provided in subdivision 5.

Subd. 7. TOTAL ANNUAL INCREMENT OR DECREMENT. The total annual increment or decrement for any one year shall be the sum of (a) the six bimonthly computations of earnings as computed under subdivision 6, clause (1); (b) total realized gains or losses for the fiscal year as computed under subdivision 6, clause (2), after adjusting for the approximate unrealized gain or loss evidenced

for such securities in the admitted value; and (c) total unrealized gains or losses for the fiscal year as computed under subdivision 6, clause (2).

Subd. 8. RATE OF RETURN. The total annual increment or decrement divided by the admitted value of the assets of the Minnesota variable annuity fund, as computed pursuant to subdivision 5, shall be defined as the rate of return for the fiscal year. The rate of return is to be used as the percentage of increase or decrease which shall be credited to the individual member's account balances at the end of the fiscal year.

Sec. 18. [11A.20] INVESTMENT OF STATE TREASURY FUNDS NOT CURRENTLY NEEDED. Subdivision 1. CERTIFICATION OF STATE TREASURY FUNDS NOT CURRENTLY NEEDED. The state treasurer shall make a report to the commissioner of finance daily or at other times as the commissioner of finance shall determine of the funds in the state treasury together with any other information which the commissioner may prescribe. When there are funds in the state treasury over and above the amount that the commissioner of finance has advised the treasurer is currently needed, the state treasurer shall certify to the state board the amount thereof.

Subd. 2. INVESTMENT. The certified amount of state treasury funds not currently needed shall be invested by the state board subject to the provisions of section 23.

Subd. 3. CREDITING OF INVESTMENT INCOME. Notwithstanding provisions of section 10, all investment income and all investment losses attributable to the investment of state treasury funds not currently needed shall be credited to the general fund.

Sec. 19. [11A.21] INVESTMENT OF HIGHWAY FUNDS. Subdivision 1. CERTIFICATION OF HIGHWAY FUNDS. The commissioner of transportation shall certify to the state board those portions of the trunk highway fund established pursuant to article XIV, section 6 of the constitution of the state of Minnesota, the county state-aid highway fund established pursuant to article XIV, section 7 of the constitution of the state of Minnesota and the municipal state-aid street fund established pursuant to article XIV, section 8 of the constitution of the state of Minnesota which in the judgment of the commissioner are not required for immediate use.

Subd. 2. INVESTMENT. The certified amount of highway funds not currently needed shall be invested by the state board subject to the provisions of section 23.

Sec. 20. [11A.22] STATE ZOOLOGICAL GARDEN OPERATING RECEIPTS INVESTMENT ACCOUNT. Subdivision 1. ESTABLISHMENT. There is hereby established a zoological garden operating receipts investment account for the purpose of investing funds not required for immediate use.

Subd. 2. CERTIFICATION OF RECEIPTS. The state zoological garden board shall, from time to time, certify to the state board the amount of funds available for investment.

Subd. 3. INVESTMENT. Amounts certified to the state zoological garden operating receipts investment account shall be invested by the state board subject to the provisions of section 23.

Subd. 4. CREDITING OF INVESTMENT INCOME. Notwithstanding provisions of section 10, all investment income and all investment losses attributable to the investment of the account shall be credited to or borne by the state zoological garden general account.

Subd. 5. WITHDRAWAL OF FUNDS. Upon certification by the state zoological garden board that moneys in the state zoological garden operating receipts investment account are needed for current purposes, the state board shall sell sufficient securities to equal the amount of moneys certified as needed and shall order the transfer of the moneys to the state zoological garden general account.

**Sec. 21. [11A.23] INVESTMENT OF RETIREMENT FUNDS AND PLANS. Subdivision 1. CERTIFICATION OF ASSETS NOT NEEDED FOR IMMEDIATE USE. Each executive director administering a retirement fund or plan enumerated in subdivision 4 shall, from time to time, certify to the state board for investment those portions of the assets of the retirement fund or plan which in the judgment of the executive director are not required for immediate use. Assets of the fund or plan required for participation in the Minnesota post-retirement adjustment fund, the combined investment fund, the supplemental retirement investment fund or the variable annuity investment fund shall be transferred to those funds as provided by sections 1 to 23.**

Subd. 2. INVESTMENT. Retirement fund assets certified to the state board pursuant to subdivision 1 shall be invested by the state board subject to the provisions of section 22. Retirement fund assets transferred to the Minnesota post-retirement adjustment fund, the combined investment fund, the supplemental retirement investment fund or the variable annuity investment fund shall be invested by the state board as part of those funds.

Subd. 3. WITHDRAWAL OF ASSETS. When an executive director administering a retirement fund or plan enumerated in subdivision 4, certifies to the state board that invested assets of the fund or plan are required for immediate use, the state board shall sell securities to equal the amount of assets certified as required and shall order the transfer of the assets to the appropriate executive director.

Subd. 4. COVERED RETIREMENT FUNDS AND PLANS. The provisions of this section shall apply to the following retirement funds and plans:

- (1) State university and state community college supplemental retirement plan established pursuant to Minnesota Statutes, Sections 136.80 to 136.87;
- (2) State employees retirement fund established pursuant to Minnesota Statutes, Chapter 352;

(3) Correctional employees retirement plan established pursuant to Minnesota Statutes, Chapter 352;

(4) Highway patrol retirement fund established pursuant to Minnesota Statutes, Chapter 352B;

(5) Unclassified employees retirement plan established pursuant to Minnesota Statutes, Chapter 352D;

(6) Public employees retirement fund established pursuant to Minnesota Statutes, Chapter 353;

(7) Public employees police and fire fund established pursuant to Minnesota Statutes, Chapter 353;

(8) Teachers' retirement fund established pursuant to Minnesota Statutes, Chapter 354;

(9) Judges' retirement fund established pursuant to Minnesota Statutes, Chapter 490; and

(10) Any other funds required by law to be invested by the board.

Sec. 22. [11A.24] **AUTHORIZED INVESTMENTS.** Subdivision 1. SECURITIES GENERALLY. The state board shall have the authority to purchase, sell, lend or exchange the following securities for funds or accounts specifically made subject to this section including the writing of covered call options.

Subd. 2. GOVERNMENT OBLIGATIONS. The state board may invest funds in governmental bonds, notes, bills, mortgages and other fixed obligations, including guaranteed or insured issues of (a) the United States, its agencies or its instrumentalities, including financial contracts traded upon a contract market designated and regulated by a federal agency; (b) Canada and its provinces, provided the principal and interest is payable in United States dollars; (c) the states and their municipalities, political subdivisions, agencies or instrumentalities, where backed by the state's full faith and credit or if the issuer has not been in default in payments of principal or interest within the past ten years or in the case of revenue bonds the obligor has been completely self-supporting for the five prior years; (d) the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, or any other United States Government sponsored organization of which the United States is a member, provided the principal and interest is payable in United States dollars and the issues are rated in the highest quality category by a nationally recognized rating agency.

Subd. 3. CORPORATE OBLIGATIONS. The state board may invest funds in bonds, notes, debentures, transportation equipment obligations, or any other longer term evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or any state thereof, or the Dominion of Canada or any province thereof if they conform to the following provisions:

Changes or additions indicated by underline deletions by ~~strikeout~~



(a) The principal and interest of obligations of corporations incorporated or organized under the laws of the Dominion of Canada or any province thereof shall be payable in United States dollars;

(b) The consolidated net pretax earnings of corporations other than finance corporations shall have been on average for the preceding five years at least 1.5 times the annual interest charges on total funded debt applicable to that period;

(c) The consolidated net pretax earnings of banks and finance corporations shall have been on average for the preceding five years at least 1.2 times the annual interest charges on total funded debt applicable to that period;

(d) Obligations shall be rated among the top three quality categories by a nationally recognized rating agency or if unrated, then the corporation shall have other comparably secured issues similarly rated or the consolidated net pretax earnings of the corporation shall have been on average for the preceding five fiscal years at least twice the ratios required in clauses (b) and (c).

Subd. 4. OTHER OBLIGATIONS. The state board may invest funds in bankers acceptances, certificates of deposit, commercial paper, mortgage participation certificates and pools, repurchase agreements and reverse repurchase agreements and savings accounts if they conform to the following provisions:

(a) Bankers acceptances of United States banks shall be limited to those eligible for purchase by the Federal Reserve System;

(b) Certificates of deposit shall be limited to those issued by banks and savings institutions that meet the collateral requirements established in Minnesota Statutes, Section 9.031, unless sufficient volume is unavailable at competitive interest rates. In that event, noncollateralized certificates of deposit may be purchased from United States banks and savings institutions that are rated in the highest quality category by a nationally recognized rating agency;

(c) Commercial paper shall be limited to those issued by United States corporations or their Canadian subsidiaries, shall be of the highest quality and mature in 270 days or less;

(d) Mortgage participation certificates and pools secured by first mortgages or trust deeds on improved real estate located in the United States where there is a guarantee of replacement by a note or bond of comparable value and security in the event of a default, and where the loan to value ratio for each loan does not exceed 80 percent for fully amortizable residential properties and in all other respects meets the requirements of section 61A.28, subdivision 3.

(e) Repurchase agreements and reverse repurchase agreements shall be limited to the securities described in subdivision 2, clause (a);

(f) Savings accounts shall be limited to those fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation.

Subd. 5. CORPORATE STOCKS. The state board may invest funds in stocks or convertible issues of any corporation organized under the laws of the United States or the states thereof, the Dominion of Canada or its provinces, or any corporation listed on the New York Stock Exchange or the American Stock Exchange, if they conform to the following provisions:

(a) The aggregate value of corporate stock investments, as adjusted for realized profits and losses, shall not exceed 50 percent of the book value of a fund;

(b) Investments in any one corporation shall not exceed three percent of the book value of a fund;

(c) Investments shall not exceed five percent of the total outstanding shares of any one corporation;

(d) Cash dividends on corporate stock investments shall have been earned and paid for the preceding five years;

(e) Investments which do not conform to the dividend standard contained in clause (d) may be held but the total amount of these securities shall not exceed five percent of the book value of a fund.

Sec. 23. [11A.25] ADDITIONAL INVESTMENT PROVISIONS. When investing assets of any funds or accounts specifically made subject to this section or not otherwise referred to in sections 1 to 23, all securities shall be debt obligations maturing within three years of the date of purchase and shall conform to the applicable provisions of section 22.

Sec. 24. By January 1, 1981, the executive director shall prepare and submit to the state board and the legislature a report analyzing whether or not increased portions of the funds under the investment control of the state board could be invested in ways directly beneficial to all Minnesotans and be consistent with the investment standard of care set forth in statute for the board. The report shall assess the policy desirability of these increased investments. If the director concludes that such investments are desirable and can be accomplished consistent with the investment standard of care, he shall identify any statutory amendments needed to permit this increased investment. In preparing this report the director shall consult with representatives of fund beneficiaries and other persons interested in the investment of public moneys.

Sec. 25. Minnesota Statutes, 1979 Supplement, Section 15A.081, Subdivision 1, is amended to read:

**15A.081 SALARIES AND SALARY RANGES FOR CERTAIN EMPLOYEES.** Subdivision 1. The following salaries or salary ranges are provided for the below listed employees in the executive branch of government:

	Salary or Range	
	Effective	Effective
	July 1,	July 1,
	1979	1980
Administration, department of commissioner	\$44,000	\$47,000

Changes or additions indicated by underline deletions by ~~strikeout~~

Agriculture, department of commissioner	38,000	40,000
Commerce, department of commissioner of banks	34,000	36,500
commissioner of insurance	34,000	36,500
commissioner of securities	34,000	36,500
director of consumer services	28,000	30,000
Community college system chancellor	44,000	46,000
Corrections, department of commissioner	42,000	45,000
ombudsman	33,000	35,000
Crime control planning board, executive director	33,000	35,000
Economic development, department of commissioner	34,000	36,000
Economic security, department of commissioner	43,000	45,000
Education, department of commissioner	43,000	45,000
Energy agency director	38,000	40,000
Finance, department of commissioner	48,000	50,000
Health, department of commissioner	47,000	49,000
Hearing examiners office chief hearing examiner	38,000	40,000
Higher education coordinating board executive director	40,000	42,000
Housing finance agency executive director	39,000	41,000

Changes or additions indicated by underline deletions by ~~strikeout~~

Human rights, department of commissioner	31,000	33,000
Indian affairs board executive director	27,000	29,000
<del>Investment, board of executive secretary</del>	<del>42,000</del>	<del>44,000</del>
Iron range resources and rehabilitation board commissioner	30,000	31,000
Labor and industry, department of commissioner	38,000	40,000
judge of the workers' compensation court of appeals	38,000	40,000
Mediation services, bureau of director	36,000	38,000
Natural resources, department of commissioner	44,000	47,000
Personnel, department of commissioner	44,000	47,000
Planning agency director	43,000	45,000
Pollution control agency director	38,000	40,000
Public safety, department of commissioner	38,000	41,000
Public service, department of commissioner, public service commission director	34,000 34,000	36,000 36,000
Public welfare, department of commissioner	44,000	48,000
Revenue, department of commissioner	44,000	47,000
State university system		

Changes or additions indicated by underline deletions by ~~strikeout~~

chancellor	44,000	46,000
Transportation, department of		
commissioner	44,000	48,000
Veterans affairs, department of		
commissioner	31,000	33,000

Sec. 26. Minnesota Statutes, 1979 Supplement, Section 43.064, is amended to read:

**43.064 OTHER SALARIES SET BY COMMISSIONER OF PERSONNEL.**

Notwithstanding any other law to the contrary, compensation for all unclassified positions in the executive branch not enumerated in the listing described in section 15A.081, shall be established by the commissioner except for the following: (1) positions listed in section 299D.03; (2) employees in the office of the governor whose salaries shall be determined by the governor; (3) employees in the office of the attorney general; (4) employees of the state board of investment; (5) positions in the state university system, the community college system, and in the higher education coordinating board whose primary duties consist of instructing and counseling students, directing academic programs of schools, divisions or departments of colleges and community colleges, or conducting research on academic subjects, or conducting academic support programs; and the positions of state university and community college presidents. Individual salaries for positions enumerated in clauses (3) ~~and~~ (4) ~~and~~ (5) and for classified hearing examiners in the office of hearing examiners shall be determined by the attorney general, the state board of investment, the state university board, the state board for community colleges, the higher education coordinating board, and the chief hearing examiner, respectively, within the limits of salary plans which shall have been approved by the commissioner before becoming effective.

No provision of any subsequent law relating to salaries of state employees shall be construed as inconsistent with this section unless it is expressly provided in ~~such~~ the subsequent act that the provisions of this section shall not be applicable or shall be superseded, amended, or repealed.

Sec. 27. Minnesota Statutes 1978, Section 69.77, Subdivision 2, as amended by Laws 1980, Chapter 341, Section 1, is amended to read:

Subd. 2. Subdivision 1 does not apply to an association enumerated in subdivision 1a under the following circumstances:

(1) Each member of the association pays into the retirement funds of the association during his term of covered employment from and after January 1, 1981, a contribution for retirement and survivorship benefits of not less than eight percent of the maximum rate of salary from which retirement and survivorship credits and amounts of benefits are determined, and that ~~such~~ the contributions of a member are deducted from his salary by his governmental employer, transmitted to the association, and deposited to the credit of the proper fund thereof, provided that to avoid undue increase in the amount of employee contributions in any one year, any increase in the amount of contributions required by this section

Changes or additions indicated by underline deletions by ~~strikeout~~

may be spread over several years, but the increase in rate of contribution in each year commencing in 1981 shall not be less than one percent until the appropriate levels of required employee contributions have been reached. This paragraph shall not apply to members who are volunteer firefighters, provided that the local governing body shall have given their approval to the exemption following consideration of the most recent actuarial survey.

(2) The officers of the association determine on or before the date established by the municipality, which shall not be later than September 1 and shall not be earlier than August 1, of each year the financial requirements and minimum obligation of the association for the following calendar year in accordance with the following requirements:

The financial requirements shall be based on the most recent actuarial survey prepared in accordance with sections 356.215, subdivision 4 and 356.216.

The normal level cost expressed as a percent of covered payroll determined from the actuarial survey shall be applied to the estimated covered payroll of the membership for the following year to determine the dollar amount of normal cost for said following year.

To the dollar amount of normal cost thus determined shall be added the amount of one year's interest at five percent on the amount of the (deficit) *unfunded liability found by the actuarial survey of the fund.*

The total of these two amounts represents the financial requirements of the association for the following year.

*Except as otherwise provided in this paragraph, the minimum obligation of the governmental subdivision shall be the financial requirements of the association less member contributions herein provided from covered salary and less one year's estimated receipts expected from the state of Minnesota through state collected insurance premium taxes or other state aids. The minimum obligation may, by vote of the governing body of the governmental subdivision, be reduced to the amount levied in the preceding year for purposes of the association, plus the following percentage of the difference between that levy and the amount of the minimum obligation determined without benefit of this sentence: for the levy made in 1971, 10 percent; in 1972, 20 percent; in 1973, 30 percent; in 1974, 40 percent; in 1975, 50 percent; in 1976, 60 percent; in 1977, 70 percent; in 1978, 80 percent; and in 1979, 90 percent. Commencing with the levy made in 1980, there shall be no reduction in the minimum obligation pursuant to this paragraph.*

(3) The foregoing determination of the obligation of a governmental subdivision shall be submitted to its governing body not later than September 1 of each year so that it may ascertain if it has been prepared in accordance with law.

(4) *The governmental subdivision shall provide and pay as promptly as funds are available to the association at least the amount of the minimum obligation each year. Any portion of this amount not paid to the association at the end of any calendar year shall be increased at the rate of six percent per annum until so paid. On September 1 of any year the unpaid amount subject to interest shall be added to the obligation of the governmental subdivision.*

Changes or additions indicated by underline deletions by ~~strikeout~~

(5) The governmental subdivision shall provide in its annual budget at least its minimum obligation and may levy taxes for the payment thereof without limitation as to rate or amount and irrespective of limitations imposed by other provisions of law upon the rate or amount of taxation when the balance of any fund of the association has attained a specified level; the levy of such taxes shall not cause the amount of other taxes levied or to be levied by the governmental subdivision, which are subject to any such limitation, to be reduced in any amount whatsoever. If the governmental subdivision does not include the full amount of the minimum obligation in its levy for any year, the officers of the association shall certify that amount to the county auditor, who shall spread a levy in the amount of ~~such~~ the obligation.

(6) Moneys paid by the governmental subdivision to the association in excess of the minimum amount so required shall be applied to the reduction in the unfunded liabilities of the association.

(7) The funds of the association shall be invested in securities which are proper investments ~~for funds of the Minnesota state retirement system pursuant to section 22~~, except that up to \$10,000 may be invested in the stock of any one corporation in any account of such small size that the three percent stock limitation ~~applicable to the Minnesota state retirement system specified in section 22, subdivision 5~~ would necessitate a lesser investment. Securities held by the association before July 1, 1971, which do not meet the requirements of this paragraph may be retained after that date if they were proper investments for the association on April 28, 1969. The governing board of the association may select and appoint investment agencies to act for and in its behalf or may certify funds for investment by the state board of ~~investment~~ under the provisions of section ~~41-24 15~~, provided that there be no limit to the amount which may be invested in the income share account described in section 41-18, subdivision 2, or in the fixed-return account described in section 41-18, subdivision 3a, and that up to 20 percent of that portion of the assets of the association invested in the Minnesota supplemental retirement investment fund may be invested in the growth share account ~~described in section 41-18, subdivision 3~~.

(8) The association shall procure an actuarial survey showing the condition of its fund pursuant to section 356.216 as of December 31, 1978, and shall procure an actuarial survey every two years thereafter. The association shall also procure a quadrennial experience study pursuant to section 356.216 as of December 31, 1978, and shall procure a quadrennial experience study every four years thereafter. A copy of the actuarial survey and the quadrennial experience study shall be filed with the director of the legislative reference library, the governing body of the municipality in which the association is organized, the executive secretary of the legislative commission on pensions and retirement, and the commissioner of insurance, not later than June 1 of the following year.

Sec. 28. Minnesota Statutes 1978, Section 69.775, is amended to read:

69.775 INVESTMENTS. The special fund assets of the relief associations governed by sections 69.771 to 69.776 shall be invested in securities which are proper investments ~~for funds of the Minnesota state retirement system pursuant to~~

Changes or additions indicated by underline deletions by ~~strikeout~~

section 22, except that up to five percent of the special fund assets, or a minimum of \$10,000, may be invested in the stock of any one corporation. Securities held by the associations before January 1, 1972, which do not meet the requirements of this section may be retained after that date if they were proper investments for the association on May 14, 1971. The governing board of the association may select and appoint investment agencies to act for and in its behalf or may certify funds for investment by the state board of investment under the provisions of section ~~11-21~~ 15, provided that there be no limit to the amount which may be invested in the income share account described in section ~~11-18~~, subdivision 2, or in the fixed-return account described in section ~~11-18~~, subdivision 3a, and that up to 20 percent of that portion of the assets of the association invested in the Minnesota supplemental retirement fund may be invested in the growth share account described in section ~~11-18~~, subdivision 3.

Sec. 29. Minnesota Statutes 1978, Section 124.46, Subdivision 4, is amended to read:

Subd. 4. Bonds shall be issued pursuant to this section only when authorized by a law specifying the purpose thereof and the maximum amount of the proceeds authorized to be expended for ~~such~~ that purpose. Any act authorizing the issuance of bonds in the manner provided in this section shall, together with this section, constitute complete authority for ~~such~~ the issue, and ~~such~~ the bonds shall not be subject to the restrictions or limitations contained in any other law. Bonds issued pursuant hereto ~~may be purchased by the state board of investment for the permanent school fund, swamp land fund, internal improvement land fund, or any other fund for which investments may be made by the state board of investment or may be sold elsewhere at public or private sale and shall be deemed "authorized securities" within the provisions of section 50.14 and acts amendatory thereof or supplemental thereto.~~

Sec. 30. Minnesota Statutes 1978, Section 167.42, is amended to read:

167.42 PLEDGE OF FULL FAITH AND CREDIT. The full faith and credit of the state of Minnesota is hereby irrevocably pledged to the payment of the principal of and the interest on the bonds authorized by sections 167.39 to 167.45. ~~Such~~ The bonds shall be issued and sold on competitive bids after reasonable notice, ~~or direct to the state board of investment without bids and that board is hereby authorized to invest any funds under its control or discretion in any of these bonds, notwithstanding any limitations imposed by section 11.10 or any other provisions of law.~~ Such The bonds shall be issued and sold by the state auditor under ~~such~~ rules and regulations and in ~~such~~ the form and denominations as he shall determine and shall be attested by the secretary of state. ~~Such~~ The rules may provide for the maturity, registration, conversion and exchange of the bonds so issued: all bonds maturing more than three years after their date may be made redeemable at par at the expiration of ~~such~~ the three years and on each interest payment date thereafter upon ~~such~~ notice as ~~such~~ the rules, made prior to the issuance of the bonds, may provide. All expenses incident to the printing and the sale of the bonds, including actual and necessary traveling expenses of state officers and employees for ~~such~~ the purpose, shall be paid from the trunk highway



fund and the amounts therefor are hereby appropriated from ~~said that~~ fund. The provisions of sections 15.041 to 15.044 shall not apply to the rules ~~and regulations~~ promulgated pursuant hereto. The state auditor shall keep a record showing the number, date of issue and date of maturity of each ~~such~~ bond.

Sec. 31. Minnesota Statutes 1978, Section 167.50, Subdivision 2. is amended to read:

Subd. 2. ~~Said~~ The bonds shall be issued and sold upon sealed bids after two weeks' published notice, ~~or they may be sold directly to the state board of investment without bids.~~ They shall mature serially over a term not exceeding 20 years from their respective dates of issue, shall not be sold for less than par and accrued interest, and shall not bear interest at a greater rate than five percent per annum. Subject to the foregoing limitations, and subject to any other limitations stated in the acts authorizing ~~such the~~ the bonds and appropriating the proceeds thereof, but not subject to the provisions of sections 15.0411 to 15.0422, ~~such the~~ the bonds shall be issued and sold in ~~such the~~ the number of series, at ~~such~~ such times, in ~~such the~~ the form and denominations, bearing interest at ~~such the~~ such the rate or rates, maturing on ~~such~~ such dates, either without option of prior redemption or subject to prepayment upon ~~such~~ such notice and at ~~such the~~ such the times and prices, payable at ~~such the~~ such the bank or banks, within or without the state, with ~~such~~ such provisions for registration, conversion, and exchange and for the issuance of notes in anticipation of the sale and delivery of definitive bonds, and in accordance with such further regulations, as the commissioner of finance may determine. The bonds shall be executed by the commissioner of finance and attested by the state treasurer under their official seals. The signature of one of these officers on the face of any bond, and their seals, and the signatures of both officers on the interest coupons appurtenant to any bond, may be printed, lithographed, stamped, or engraved thereon.

Sec. 32. Minnesota Statutes 1978, Section 193.146, Subdivision 4, is amended to read:

Subd. 4. SALE. ~~Such~~ The bonds shall be sold by ~~such the~~ the corporation under ~~such~~ such notice and upon ~~such the~~ such the terms and at ~~such~~ such times as the corporation shall deem best. ~~Such~~ The bonds shall not be deemed or construed to be debts of the state of Minnesota or of the county or municipality in which ~~such the~~ such the armory is situated, nor to impose any personal liability upon any member of ~~such the~~ such the corporation, but shall be payable solely out of the income to be received by ~~such the~~ such the corporation as specified herein. Bonds legally issued pursuant hereto ~~may be purchased by the state board of investment for the permanent school fund, permanent university fund, swamp land fund, internal improvement land fund, or any other trust fund of the state of Minnesota, or for any other fund administered by such board,~~ and shall be deemed authorized securities within the provisions of section 50.14, and laws supplemental thereto, and shall be proper for the investment of capital, surplus, or deposits of any savings bank or trust company, and for the investment of funds of any insurance company, and for the investment of any sinking funds held by any public or municipal corporation, and may be pledged by any bank or trust company as security for the deposit of public moneys therein in lieu of surety bonds. ~~Such~~ The bonds shall be deemed and

Changes or additions indicated by underline deletions by ~~strikeout~~

treated as instrumentalities of a public governmental agency, and as such shall be exempt from taxation.

Sec. 33. Minnesota Statutes 1978, Section 352.115, Subdivision 8, is amended to read:

Subd. 8. **ACCRUAL OF ANNUITY.** State employees shall make application for an annuity but such application shall not be made more than 60 days prior to the time the employee is eligible to retire by reason of both age and service requirements. If the director determines an applicant for annuity has fulfilled all the requirements of the law to entitle him to an annuity, he shall authorize payment thereof in accordance with the provisions of this chapter and payment shall be made pursuant to this authorization. An annuity shall begin to accrue no earlier than 60 days prior to the date the application is filed with the director except that if an optional annuity as provided in section 352.116, subdivision 3 is selected the annuity shall begin to accrue 30 days after the application is filed with the director but in no event prior to the day following the termination of state service or prior to the day the employee is eligible to retire by reason of both age and service requirements. The retirement annuity shall cease with the last payment which had accrued to the retired employee during his lifetime unless he elected an optional annuity provided in section 352.116, subdivision 3, and he had become entitled to payment thereof. The joint and last survivor annuity shall cease with the last payment received by the survivor in his or her lifetime. If a retired employee had not selected an optional annuity, or a survivor annuity is not payable under the option, and a spouse survives, such spouse shall be entitled only to the annuity for the calendar month in which the retired employee died. If an optional annuity is payable after the death of the retired employee, the survivor shall be entitled to the annuity for the calendar month in which the retired employee died. If an employee who has filed an application for annuity prior to the termination of his state service dies before an annuity becomes payable to him, refundment of his accumulated contributions shall be made as provided in section 352.12, subdivision 1.

Sec. 34. Minnesota Statutes 1978, Section 352.23, is amended to read:

352.23 **TERMINATION OF RIGHTS.** When any employee accepts a ~~refundment~~ refund as provided in section 352.22, all existing service credits and all rights and benefits to which the employee was entitled prior to the acceptance of such ~~refundment~~ refund shall terminate and shall not again be restored until the former employee acquires not less than one year's allowable service credit subsequent to taking his last ~~refundment~~ refund. In that event, he may repay all ~~refundments~~ refunds which he had taken from the retirement fund. Repayment of ~~refundments~~ refunds will entitle the employee only to credit for service covered by (a) salary deductions, (b) payments made in lieu of salary deductions, and (c) payments made to obtain credit for service as permitted by laws in effect at the time payment was made. If an employee before taking one or more ~~refundments~~ refunds had credit for prior service or for military service without payment in either case, he may obtain credit for such forfeited service prior to July 1, 1929, and for such forfeited military service by making payments at a contribution rate

Changes or additions indicated by underline deletions by ~~strikeout~~

of three percent of his average salary upon which deductions for the retirement fund were based, for the three year period immediately preceding repayment of ~~refundment~~ refund for service credit prior to July 1, 1929, and on the salary received by him at the time of entering military service to restore his military service credit. All such payments and repayment of ~~refundments~~ refunds are to be paid with interest at six percent per annum compounded annually and may be paid in a lump sum or by payroll deduction in the manner provided in section 352.04.

Sec. 35. Minnesota Statutes 1978, Section 352.75, Subdivision 3, is amended to read:

**Subd. 3. EXISTING RETIRED MEMBERS AND BENEFIT RECIPIENTS.**

As of the effective date of Laws 1978, Chapter 538, the liability for all retirement annuities, disability benefits, survivorship annuities and survivor of deceased active employee benefits paid or payable by the metropolitan transit commission—transit operating division employees retirement fund shall be transferred to the Minnesota state retirement system, and shall no longer be the liability of the metropolitan transit commission—transit operating division employees retirement fund. The required reserves for retirement annuities, disability benefits and optional joint and survivor annuities in effect on the day prior to the effective date of Laws 1978, Chapter 538 and the required reserves for the increase in annuities and benefits provided pursuant to subdivision 6 shall be determined using a five percent interest assumption and the applicable Minnesota state retirement system mortality table and shall be transferred by the Minnesota state retirement system to the Minnesota adjustable fixed benefit fund on the effective date of Laws 1978, Chapter 538 but shall be considered transferred as of June 30, 1978. The annuity or benefit amount in effect on the effective date of Laws 1978, Chapter 538, including the increase granted pursuant to subdivision 6, shall be considered the "originally determined benefit" for purposes of any adjustments made pursuant to section 41.25. ~~If an adjustment from the Minnesota adjustable fixed benefit fund pursuant to section 41.25 is payable as of January 1, 1979, any annuitant or benefit recipient receiving an annuity or benefit from the Minnesota adjustable fixed benefit fund pursuant to this section shall be entitled to receive the adjustment if the annuitant or recipient began receiving the annuity or benefit from the metropolitan transit commission—transit operating division employees retirement fund on or before June 30, 1977, but that adjustment shall not include in the base for calculation the amount of any increase granted pursuant to subdivision 6. If an adjustment from the Minnesota adjustable fixed benefit fund pursuant to section 41.25 is payable as of January 1, 1979, the required reserves for the increase determined using a five percent interest assumption and the applicable Minnesota state retirement system mortality table shall be transferred by the Minnesota state retirement system to the Minnesota adjustable fixed benefit fund on January 1, 1979 16.~~ For persons receiving benefits as survivors of deceased former retirement annuitants, the benefits shall be considered as having commenced on the date on which the retirement annuitant began receiving the retirement annuity.

Sec. 36. Minnesota Statutes 1978, Section 352B.26, Subdivision 3, is amended to read:

Subd. 3. **VALUATION OF ASSETS; ADJUSTMENT OF BENEFITS.** (1) As of June 30, 1969, the present value of all annuities, including joint and survivor annuities and qualified recipients of surviving spouse benefits, in force as of June 30, 1969, and as amended in accordance with Laws 1969, Chapter 977, shall be determined in accordance with the United States Life Tables, 1959-61, white males and white females, calculated with an interest assumption of 3-1/2 percent and assets representing the required reserves for these annuities shall be transferred to the Minnesota adjustable fixed benefit fund, during a period of one year in accordance with procedures specified in Minnesota Statutes 1969, Section 11.25. The provisions of this clause apply to all annuities which are payable under this chapter.

(2) Effective July 1, 1969, for those employees commencing to receive annuities and qualified recipients of surviving spouse benefits, or joint and survivor annuities, pursuant to this chapter, and acts amendatory thereof, the required reserves as determined in accordance with this section shall be transferred to the Minnesota adjustable fixed benefit fund as of the date benefits begin to accrue after June 30, 1969.

(3) Annuity payments shall be adjusted in accordance with the provisions of section 11.25, subdivisions 12 and 13.

(4) Notwithstanding section 356.18, increases in annuity payments pursuant to this section shall be made automatically unless written notice is filed by the annuitant with the executive director of the Minnesota state retirement system requesting that the increase shall not be made.

Sec. 37. Minnesota Statutes, 1979 Supplement, Section 352D.02, Subdivision 1, is amended to read:

352D.02 **COVERAGE.** Subdivision 1. *The following employees in the unclassified service of the state who are eligible for coverage under the Minnesota state retirement system shall participate in the unclassified program unless such employee gives notice to the executive director of the state retirement system within one year following ~~June 5, 1975~~ or the commencement of his employment, whichever is later, that he desires coverage under the regular employee plan. For the purposes of this chapter, an employee who does not file such notice with the executive director shall be deemed to have exercised his option to participate in the unclassified plan. The employee and applicable employer contributions for those employees covered by the regular plan on June 5, 1975, who after such date participate in the unclassified plan, shall be transferred to the supplemental fund in accordance with subdivision 4 and section 352D.03 as though the employee had elected to participate when first eligible to make such election. This subdivision shall also be applicable to any person who was an employee in an eligible position on or after January 1, 1975, has terminated service before June 5, 1975 with less than ten years of allowable service, and has not taken a refund of his contributions.*

Changes or additions indicated by underline deletions by ~~strikeout~~

(1) Any employee in the office of the governor, lieutenant governor, secretary of state, state auditor, state treasurer, attorney general, ~~revisor of statutes~~ or the state board of investment.

(2) The head of any department, division, or agency head, the assistant department head or deputy created by statute, an acting department head subsequently appointed to the position, or any employee enumerated in sections 15A.081, subdivision 1 or 15A.083, subdivisions 4 and 4a,

(3) Any permanent, fulltime unclassified employee of the legislature or any commission or agency of the legislature or a ~~parttime~~ temporary legislative employee having shares in the supplemental retirement fund as a result of former employment covered by this chapter, whether or not eligible for coverage under the Minnesota state retirement system.

(4) Any person employed in a position established pursuant to section 43.09, subdivision 2a or in a position authorized under a statute creating or establishing a department or agency of the state, which is at the deputy or assistant head of department or agency or director level.

(5) The chairman, chief administrator, and not to exceed nine positions at the division director or administrative deputy level of the metropolitan waste control commission as designated by the commission, and the chairman, executive director, and not to exceed nine positions at the division director or administrative deputy level of the metropolitan council as designated by the council; provided that upon initial designation of all positions provided for in this clause, no further designations or redesignations shall be made without approval of the board of directors of the Minnesota state retirement system, and

(6) The executive director, associate executive director, and not to exceed nine positions of the higher education coordinating board in the unclassified service, as designated by the higher education coordinating board; provided that upon initial designation of all positions provided for in this clause, no further designations or redesignations shall be made without approval of the board of directors of the Minnesota state retirement system.

~~The eligibility to participate of those employees specified in clauses (4) and (5) employed in such positions on April 21, 1976, shall be retroactive to their date of appointment to such positions.~~

~~The eligibility to participate of those employees specified in clause (6) employed in such positions on July 1, 1977, shall be retroactive to their date of appointment to such positions.~~

Sec. 38. Minnesota Statutes 1978, Section 352D.04, Subdivision 2, is amended to read:

Subd. 2. The moneys used to purchase shares under this section shall be the employee and employer contributions as provided in section 352.04, subdivisions 2 and 3 ~~and clause (1).~~ Except as authorized by section 352D.10, the additional amount provided in section 352.04, subdivision 3, clause (2) shall remain in the regular fund .

Changes or additions indicated by underline deletions by ~~strikeout~~

Sec. 39. Minnesota Statutes 1978, Section 352D.05, Subdivision 3, is amended to read:

Subd. 3. ~~Upon~~ Thirty days after termination of covered employment or at any time thereafter a participant shall be entitled upon application, to withdraw the cash value of his total shares or may leave such shares on deposit with the supplemental retirement fund. Shares not withdrawn shall remain on deposit with the supplemental retirement fund until the former participant attains the age of at least 58 years, and applies for an annuity as provided in section 352D.06, subdivision 1.

Sec. 40. Minnesota Statutes 1978, Section 352D.05, Subdivision 4, is amended to read:

Subd. 4. ~~No person shall be permitted to repay the value of shares withdrawn from the unclassified program, but~~ A participant in the unclassified program may repay regular refunds taken pursuant to section 352.22, as provided in section 352.23. A participant in the unclassified program or an employee covered by the general plan who has withdrawn the value of the total shares may repay the refund taken and thereupon restore the service credit, rights and benefits forfeited by paying into the fund the greater of (1) the amount refunded plus interest at 6-1/2 percent per annum compounded annually from the date that the refund was taken until the date that the refund is repaid, or (2) an amount equal to the total of the employee and employer matching and additional contributions for the forfeited employment period less the administrative fee provided in section 352D.09, subdivision 7, plus interest at the rate of 6-1/2 percent per annum compounded annually from the date of the start of the forfeited employment period until the date that the refund is paid. If the participant had withdrawn only the employee shares as permitted under prior laws, repayment shall be pro rata. Payment shall be made in a lump sum.

Sec. 41. Minnesota Statutes, 1979 Supplement, Section 353.023, is amended to read:

**353.023 TRANSFER OF PENSION COVERAGE OF MINNEAPOLIS MUNICIPAL EMPLOYEES RETIREMENT FUND COORDINATED PROGRAM.** Notwithstanding any provisions of law to the contrary, as of July 1, 1979, all active members of the coordinated program of the Minneapolis municipal employees retirement fund established pursuant to Minnesota Statutes 1978, Sections 422A.30 to 422A.39, shall cease to be members of the program of that fund and shall cease to have any accrual of service credit, rights, or benefits under the benefit plan of that program. From and after July 1, 1979, all active members of the coordinated program will have their retirement coverage transferred to the coordinated program of the public employees retirement association. The accrued liability for retirement coverage of these members to date shall be transferred to the coordinated program of the public employees retirement association and shall no longer be the liability of the Minneapolis municipal employees retirement fund. Within 30 days of July 1, 1979, the board of trustees of the Minneapolis municipal employees retirement fund shall transfer the entire assets attributable to the coordinated program of the Minneapolis municipal employees retirement fund

Changes or additions indicated by underline deletions by ~~strikeout~~

to the coordinated program of the public employees retirement association. The assets transferred shall be an amount equal in value to the amount of employee contributions made by coordinated program members since July 1, 1978, the amount of employer matching contributions made by an employing unit on behalf of a coordinated program member since July 1, 1978, an amount equal to the employer additional contribution for the members of the coordinated program, and an amount equal to the investment income earned by the fund on the invested assets of the program since July 1, 1978. The assets transferred to the public employees retirement fund shall only include securities which are proper investments pursuant to section ~~44-16~~ 22. Within 30 days of July 1, 1979, the board of trustees and the actuary of the Minneapolis municipal employees retirement fund shall transfer to the public employees retirement association original copies of all records and documents which are in their possession relating to the coordinated program of the Minneapolis municipal employees retirement fund and any of its members and shall provide from time to time whatever additional relevant information which the board of trustees of the public employees retirement association may request. Upon the transfer of the assets, liabilities and records of the coordinated program of the Minneapolis municipal employees retirement fund to the coordinated program of the public employees retirement association, the coordinated program of the Minneapolis municipal employees retirement fund shall terminate and shall cease to exist.

Sec. 42. Minnesota Statutes 1978, Section 353.661, Subdivision 3. is amended to read:

**Subd. 3. TRANSFER OF EXISTING RECIPIENTS OF PENSION AND OTHER RETIREMENT BENEFITS.** As of July 1, 1978, the accrued liability for all retirement annuities, disability benefits, survivorship annuities and survivor of deceased active employee benefits paid or payable by the university of Minnesota police department retirement plan and fund shall be transferred to the public employees police and fire fund and shall no longer be the liability of the university of Minnesota police department retirement plan and fund. The required reserves for retirement annuities in effect as of June 30, 1978, including future automatic survivor benefits for survivors of deceased former retirement annuitants attributable to those annuities, and the required reserves for benefits of survivor of deceased former retirement annuitants in effect as of June 30, 1978 shall be determined using a five percent interest assumption and the applicable public employees police and fire fund mortality table and shall be transferred by the public employees police and fire fund to the Minnesota adjustable fixed benefit fund on July 1, 1978 but shall be considered transferred as of June 30, 1978. The annuity or benefit amount on July 1, 1978 shall be considered the "originally determined benefit" for purposes of further adjustments pursuant to section ~~44-25~~. ~~If an adjustment from the Minnesota adjustable fixed benefit fund pursuant to section 44-25 is payable as of January 1, 1979, any annuitant or benefit recipient receiving an annuity or benefit from the Minnesota adjustable fixed benefit fund pursuant to this section shall be entitled to receive the adjustment if the annuitant or recipient began receiving the annuity or benefit from the university of Minnesota police department retirement plan and fund on or before June~~

Changes or additions indicated by underline deletions by ~~strikeout~~

~~30, 1977. If an adjustment from the Minnesota adjustable fixed benefit fund pursuant to section 41.25 is payable as of January 1, 1979, the required reserves for the increase determined using a five percent interest assumption and the applicable public employees police and fire fund mortality table shall be transferred by the public employees police and fire fund to the Minnesota adjustable fixed benefit fund on January 1, 1979 16.~~ For persons receiving benefits as survivors of deceased former retirement annuitants, the benefit shall be considered as having commenced on the date on which the retirement annuitant began receiving the retirement annuity.

Sec. 43. Minnesota Statutes 1978, Section 462.631, Subdivision 1, is amended to read:

**462.631 APPROVED MORTGAGES, BOND ISSUE; LIMITATIONS, PROVISIONS.** Subdivision 1. Any redevelopment company, subject to the approval of the state housing commission, may borrow funds and secure the repayment thereof by bond and mortgage or by an issue of bonds under a trust indenture. Each mortgage or issue of bonds of a redevelopment company shall relate only to a single specified project and to no other, and those bonds shall be secured by mortgage upon all of the real property of which ~~such~~ the project consists. First lien bonds of a redevelopment company, when secured by a mortgage not exceeding 80 percent of the estimated cost prior to the completion of the project, or 80 percent of the appraised value or actual cost, but in no event in excess of 80 percent of the actual cost, after that completion, as certified by the state housing commission, are hereby declared securities in which all public officers and bodies of the state and of its municipal subdivisions, including the state board of investment if the bonds meet the requirements of section 22, subdivision 2, all insurance companies and associations, all savings banks and savings institutions, including savings, building and loan associations, executors, administrators, guardians, trustees, and all other fiduciaries in the state may properly and legally invest the funds within their control. The bonds so issued and secured and the mortgage or trust indenture relating thereto may create a first or senior lien and a second or junior lien upon the real property embraced in any project; provided, however, that the total mortgage liens shall not exceed 80 percent of the estimated cost prior to the completion of the project, or 80 percent of the appraised value or actual cost, but in no event in excess of 80 percent of the actual cost after that completion, as certified by the state housing commission; and provided further that, where there are first and second mortgage liens upon the property embraced in a project, only the first or senior lien thereon shall be deemed a security in which ~~such~~ the officers, bodies, corporations, associations, and fiduciaries may invest the funds within their control. ~~Such~~ The bonds and mortgages may contain ~~such~~ other clauses and provisions as shall be approved by the state housing commission, including the right to assignment of rents and entry into possession in case of default; but the operation of the housing project in the event of such entry by mortgagee or receiver shall be subject to regulations promulgated by the state housing commission. Provisions for the amortization of the bonded ~~indebtedness of companies formed under sections 462.415 to 462.711~~ shall be subject to the approval of the state housing commission. So long as funds made



available by the federal government or any instrumentality thereof or any mortgage or mortgage bonds insured by the federal housing administrator or any other instrumentality of the federal government are used in financing, in whole or in part, any project under sections 462.415 to 462.711, the capital structure of a redevelopment company undertaking such project and the proportionate amount of the cost of the lands and improvements to be represented by mortgages or bonds shall be entirely in the discretion of the housing commission; and all restrictions as to the amounts to be represented by mortgages, mortgage bonds, income debenture, or stock shall be inapplicable to ~~such the~~ projects or to redevelopment companies undertaking ~~such the~~ projects, except that the bonds, mortgages, debentures, and stock covering any project shall not exceed the total actual final cost of ~~such the~~ project as defined in section 462.635, clause 2.

Interest rates on mortgage indebtedness shall not exceed five percent per annum.

Sec. 44. Minnesota Statutes 1978, Section 475.73, Subdivision 1, is amended to read:

**475.73 STATE BOARD OF INVESTMENT.** Subdivision 1. Obligations sold under the provisions of section 475.60 may be purchased by the state board of investment if the obligations meet the requirements of section 22, subdivision 2, upon the approval of the attorney general as to form and execution of the application therefor, and under ~~such rules and regulations~~ as the board may specify, and the state board of ~~Investment~~ shall have authority to purchase the same to an amount not exceeding 15 percent of the assessed valuation of the taxable property of ~~such the~~ municipality, according to the last preceding assessment. ~~Such The~~ obligations shall not run for a shorter period than one year, nor for a longer period than 30 years and shall bear interest at a rate to be fixed by the state board of ~~Investment~~ but not less than two percent per annum. Forthwith upon the delivery to the state of Minnesota of any obligations issued by virtue thereof, the commissioner of finance shall certify to the respective auditors of the various counties wherein are situated the municipalities issuing the same, the number, denomination, amount, rate of interest and date of maturity of each ~~such~~ obligation.

Sec. 45. **INSTRUCTIONS TO THE REVISOR.** Subdivision 1. In the next and subsequent editions of Minnesota Statutes, the revisor of statutes shall substitute the term "executive director" for the term "executive secretary" wherever that term appears in reference to the state board of investment, shall substitute the term "Minnesota supplemental retirement investment fund" for the term "Minnesota supplemental retirement fund" wherever that term appears, and shall substitute the term "Minnesota variable annuity investment fund" for the term "Minnesota variable annuity fund" wherever that term appears.

Subd. 2. In the next and subsequent editions of the Minnesota Statutes, the revisor of statutes shall substitute wherever the term "Minnesota adjustable fixed benefit fund" appears in reference to the state board of investment, the term "Minnesota post-retirement investment fund".

Changes or additions indicated by underline deletions by ~~strikeout~~

Sec. 46. INSTRUCTION TO REVISOR. In the next and subsequent editions of Minnesota Statutes, the revisor of statutes shall in each section referred to in column A, strike the reference referred to in column B and insert the reference set forth in column C:

<u>column A</u> <u>Minnesota Statutes</u> <u>1978</u>	<u>column B</u> <u>Minnesota Statutes</u> <u>1978</u>	<u>column C</u>
<u>Section 3A.11,</u> <u>Subdivisions</u> <u>1 and 2</u>	<u>Section 11.25</u>	<u>Section 11A.18</u>
<u>Section 60B.25(16)</u>	<u>Chapter 11</u>	<u>Section 11A.24</u>
<u>Section 82.34,</u> <u>Subdivision 5</u>	<u>Section 11.16</u>	<u>Section 11A.24</u>
<u>Section 137.022</u>	<u>Section 11.25,</u> <u>Subdivision 2</u>	<u>Section 11A.18</u>
<u>Section 137.022</u>	<u>Section 11.015,</u> <u>Subdivision 7</u>	<u>Section 11A.16,</u> <u>Subdivision 5</u>
<u>Section 137.022</u>	<u>Section 11.16,</u> <u>Subdivision 17</u>	<u>Section 11A.12,</u> <u>Subdivision 2</u>
<u>Section 137.025</u>	<u>Section 11.10</u>	<u>Section 11A.25</u>
<u>Section 161.04,</u> <u>Subdivision 2</u>	<u>Chapter 11</u>	<u>Section 11A.21</u>
<u>Section 162.16</u>	<u>Chapter 11</u>	<u>Section 11A.21</u>
<u>Section 198.265</u>	<u>Section 11.17</u>	<u>Section 11A.21</u>
<u>Section 222.59</u>	<u>Section 11.10</u>	<u>Section 11A.25</u>
<u>Section 352.04,</u> <u>Subdivision 12</u>	<u>Section 11.25</u>	<u>Section 11A.18</u>
<u>Section 352.061</u>	<u>Section 11.25</u>	<u>Section 11A.18</u>
<u>Section 352.061</u>	<u>Chapter 11</u>	<u>Section 11A.24</u>
<u>Section 352.119,</u> <u>Subdivision 2(2)</u>	<u>Section 11.25,</u> <u>Subdivisions</u> <u>12 and 13</u>	<u>Section 11A.18,</u> <u>Section 11A.18,</u>
<u>Section 352.93,</u> <u>Subdivision 3</u>	<u>Section 11.25</u>	<u>Section 11A.18</u>
<u>Section 352.96,</u> <u>Subdivision 2(a)</u>	<u>Section 11.18</u>	<u>Section 11A.17</u>
<u>Section 352B.26,</u> <u>Subdivision 3(3)</u>	<u>Section 11.25,</u> <u>Subdivisions</u> <u>12 and 13</u>	<u>Section 11A.18,</u>
<u>Section 352D.015,</u> <u>Subdivision 3</u>	<u>Sections 11.18 to</u> <u>11.24</u>	<u>Section 11A.17</u>
<u>Section 352D.03</u>	<u>Section 11.18</u>	<u>Section 11A.17</u>
<u>Section 353.06</u>	<u>Section 11.25</u>	<u>Section 11A.18</u>
<u>Section 353.271,</u> <u>Subdivision 2(2)</u>	<u>Section 11.25,</u> <u>Subdivisions</u> <u>12 and 13</u>	<u>Section 11A.18,</u>
<u>Section 354.05,</u> <u>Subdivision 23</u>	<u>Section 11.26</u>	<u>Section 11A.19</u>

Changes or additions indicated by underline deletions by ~~strikeout~~

<u>Section 354.05,</u> <u>Subdivision 26</u>	<u>Section 11.25,</u> <u>Subdivision 12</u>	<u>Section 11A.18,</u>
<u>Section 354.62,</u> <u>Subdivision 4(3)</u>	<u>Section 11.26,</u> <u>Subdivision 7</u>	<u>Section 11A.19,</u> <u>Subdivision 8</u>
<u>Section 354.63,</u> <u>Subdivision 2(2)</u>	<u>Section 11.25,</u> <u>Subdivisions</u> <u>12 and 13</u>	<u>Section 11A.18,</u>
<u>Section 356.39</u>	<u>Section 11.25</u>	<u>Section 11A.18</u>
<u>Section 360.017,</u> <u>Subdivision 2</u>	<u>Section 11.01</u>	<u>Section 11A.25</u>
<u>Section 422A.18,</u> <u>Subdivision 2</u>	<u>Section 11.25,</u> <u>Subdivision 12</u>	<u>Section 11A.18,</u>
<u>Section 422A.23,</u> <u>Subdivision 10</u>	<u>Section 11.25,</u> <u>Subdivision 12</u>	<u>Section 11A.18,</u>
<u>Section 490.123,</u> <u>Subdivision 3</u>	<u>Section 11.25</u>	<u>Section 11A.18</u>
<u>Section 490.123,</u> <u>Subdivision 3</u>	<u>Chapter 11</u>	<u>Section 11A.24</u>
<u>Section 525.161</u>	<u>Section 11.08</u>	<u>Section 11A.04</u> <u>(9)</u>
<u>Section 525.841</u>	<u>Section 11.08</u>	<u>Sections 11A.04</u> <u>(9) and 11A.10,</u> <u>Subdivision 2</u>
<u>Minnesota Statutes,</u> <u>1979 Supplement</u>	<u>Minnesota Statutes</u> <u>1978</u>	
<u>Section 299B.17,</u> <u>Subdivision 7</u>	<u>Section 11.10</u>	<u>Section 11A.25</u>

Sec. 47. **TEMPORARY PROVISION.** Portfolio securities held by the state board of investment which met statutory criteria at the time of purchase but which became nonconforming as a result of the passage of sections 1 to 23 may be retained.

Sec. 48. **REPEALER.** Minnesota Statutes 1978, Sections 11.01; 11.015; 11.04; 11.05; 11.06; 11.08; 11.10; 11.11; 11.15; 11.17; 11.17, Subdivisions 1, 2, 3, 5, and 7; 11.12; 11.13; 11.14; 11.15; 11.16; 11.17; 11.18; 11.19; 11.20; 11.21; 11.22; 11.23; 11.24; 11.25; 11.26; 11.27; 11.28; 360.303; 458.53; and Minnesota Statutes, 1979 Supplement, Sections 11.117, Subdivisions 4 and 6; 11.118; and 11.145 are repealed.

Sec. 49. **EFFECTIVE DATE.** This article is effective the day following enactment.

#### **ARTICLE XV** **POLICE, FIRE AND JUDGES RETIREMENT**

Section 1. **LEGISLATIVE INTENT AND PURPOSE.** It is the intent and purpose of sections 1 to 11 to provide:

(a) **A means by which municipalities may establish an orderly phase-out of local police and salaried firefighters relief associations governed by Minnesota**

Changes or additions indicated by underline deletions by ~~strikeout~~

Statutes, Section 69.77, by allowing municipalities to provide that all newly hired police officers and salaried firefighters shall be covered by the public employees police and fire fund established by Minnesota Statutes, Sections 353.63 to 353.68;

(b) Assistance to municipalities and local police and salaried firefighters relief associations by establishing a local police and salaried firefighters relief association amortization state aid program; and

(c) An increase in retirement benefits to members of local police and salaried firefighters relief associations under certain conditions while not diminishing or impairing any retirement benefits of any persons who are members of local police and salaried firefighters relief associations, either active or retired.

Sec. 2. Minnesota Statutes 1978, Section 69.77, Subdivision 2, as amended by Laws 1980, Chapter 341, Section 1, is amended to read:

Subd. 2. Subdivision 1 does not apply to an association enumerated in subdivision 1a under the following circumstances:

(1) Each member of the association pays into the retirement funds of the association during his term of covered employment from and after January 1, 1981, a contribution for retirement and survivorship benefits of not less than eight percent of the maximum rate of salary from which retirement and survivorship credits and amounts of benefits are determined, and that such contributions of a member are deducted from his salary by his governmental employer, transmitted to the association, and deposited to the credit of the proper fund thereof, provided that to avoid undue increase in the amount of employee contributions in any one year, any increase in the amount of contributions required by this section may be spread over several years, but the increase in rate of contribution in each year commencing in 1981 shall not be less than one percent until the appropriate levels of required employee contributions have been reached. This paragraph shall not apply to members who are volunteer firefighters, provided that the local governing body shall have given their approval to the exemption following consideration of the most recent actuarial survey.

(2) The officers of the association determine on or before the date established by the municipality, which shall not be later than September 1 and shall not be earlier than August 1, of each year the financial requirements and minimum obligation of the association for the following calendar year in accordance with the following requirements:

The financial requirements shall be based on the most recent actuarial survey prepared in accordance with sections 356.215, subdivision 4 and 356.216.

The total of the amounts calculated pursuant to clauses (a) and (b) shall constitute the financial requirements of the relief association for the following year.

(a) The normal level cost expressed as a percent of covered payroll determined from the actuarial survey shall be applied to the estimated covered payroll of the membership for the following year to determine the dollar amount of normal cost for said following year.

Changes or additions indicated by underline deletions by ~~strikeout~~

To the dollar amount of normal cost thus determined shall be added the amount of one year's interest at five percent on the amount of the (deficit) unfunded liability found by the actuarial survey of the fund.

The total of these two amounts represents the financial requirements of the association for the following year.

(b) To the dollar amount of normal cost thus determined shall be added an amount equal to the level annual dollar amount sufficient to amortize the unfunded accrued liability by December 31, 2010, as determined from the actuarial survey of the fund.

Except as otherwise provided in this paragraph, the minimum obligation of the governmental subdivision shall be the financial requirements of the association less the estimated amount of member contributions herein provided from covered salary anticipated for the following calendar year and less one year's estimated receipts expected from the applicable state of Minnesota through state collected insurance premium taxes or other state aids aid program established pursuant to sections 69.011 to 69.051, and from the local police and salaried firefighters' relief association amortization aid program established pursuant to section 5. The minimum obligation may, by vote of the governing body of the governmental subdivision, be reduced to the amount levied in the preceding year for purposes of the association, plus the following percentage of the difference between that levy and the amount of the minimum obligation determined without benefit of this sentence: for the levy made in 1971, ten percent; in 1972, 20 percent; in 1973, 30 percent; in 1974, 40 percent; in 1975, 50 percent; in 1976, 60 percent; in 1977, 70 percent; in 1978, 80 percent; and in 1979, 90 percent. Commencing with the levy made in 1980, there shall be no reduction in the minimum obligation pursuant to this paragraph.

(3) The foregoing determination of the obligation of a governmental subdivision shall be submitted to its governing body on or before the date established by the municipality which shall not be earlier than August 1 and shall not be later than September 1 of each year so that it may ascertain if it has been prepared in accordance with law.

(4) The governmental subdivision shall provide and pay as promptly as funds are available to the association at least the amount of the minimum obligation each year. Any portion of this amount not paid to the association at the end of any calendar year shall be increased at the rate of six percent per annum until so paid. On September 1 of any year the unpaid amount subject to interest shall be added to the obligation of the governmental subdivision.

(5) The governmental subdivision shall provide in its annual budget at least its minimum obligation and may levy taxes for the payment thereof without limitation as to rate or amount and irrespective of limitations imposed by other provisions of law upon the rate or amount of taxation when the balance of any fund of the association has attained a specified level; the levy of such taxes shall not cause the amount of other taxes levied or to be levied by the governmental subdivision, which are subject to any such limitation, to be reduced in any amount whatso-

Changes or additions indicated by underline deletions by ~~strikeout~~

ever. If the governmental subdivision does not include the full amount of the minimum obligation in its levy for any year, the officers of the association shall certify that amount to the county auditor, who shall spread a levy in the amount of such obligation.

(6) Moneys paid by the governmental subdivision to the association in excess of the minimum amount so required shall be applied to the reduction in the unfunded liabilities of the association.

(7) The funds of the association shall be invested in securities which are proper investments for funds of the Minnesota state retirement system, except that up to \$10,000 may be invested in the stock of any one corporation in any account of such small size that the three percent stock limitation applicable to the Minnesota state retirement system would necessitate a lesser investment. Securities held by the association before July 1, 1971, which do not meet the requirements of this paragraph may be retained after that date if they were proper investments for the association on April 28, 1969. The governing board of the association may select and appoint investment agencies to act for and in its behalf or may certify funds for investment by the state board of investment under the provisions of section 11.21, provided that there be no share account described in section 11.18, subdivision 2, or in the fixed-return account described in section 11.18, subdivision 3a, and that up to 20 percent of that portion of the assets of the association invested in the Minnesota supplemental retirement fund may be invested in the growth share account described in section 11.18, subdivision 3.

(8) The association shall procure an actuarial survey showing the condition of its fund pursuant to section 356.216 as of December 31, 1978, and shall procure an actuarial survey every two years thereafter. The association shall also procure a quadrennial experience study pursuant to section 356.216 as of December 31, 1978, and shall procure a quadrennial experience study every four years thereafter. A copy of the actuarial survey and the quadrennial experience study shall be filed with the director of the legislative reference library, the governing body of the municipality in which the association is organized, the executive secretary of the legislative commission on pensions and retirement, and the commissioner of insurance, not later than June 1 of the following year.

Sec. 3. Minnesota Statutes 1978, Section 353.657, Subdivision 3, is amended to read:

Subd. 3. Each dependent child, until the child reaches the age of 18 years, shall receive a monthly benefit equal to ten percent of the member's average monthly salary earned as a police officer or fire fighter on which employee contributions were paid over the last full six months of allowable service preceding death. Payments for the benefit of any qualified dependent child under the age of 18 years shall be made to the surviving parent, or if there be none, to the legal guardian of ~~such~~ the child. The maximum monthly benefit for any one family shall not exceed ~~\$450~~ an amount equal to 50 percent of the member's specified average monthly salary, and the minimum benefit per family shall not be less than 30 percent of the member's ~~said~~ specified average monthly salary, ~~subject to the~~ the ~~forementioned~~ maximum.

Changes or additions indicated by underline deletions by ~~strikeout~~

**Sec. 4. [423A.01] POLICE AND SALARIED FIREFIGHTER'S RELIEF ASSOCIATIONS. Subdivision 1. MEMBERSHIP OF NEW POLICE AND SALARIED FIREFIGHTERS IN THE PUBLIC EMPLOYEES POLICE AND FIRE FUND.** Notwithstanding any law to the contrary, all persons first employed by any municipality as police officers or police officer trainees, salaried firefighters or firefighter trainees or public safety officers or public safety officer trainees after the effective date of this section shall be members of the public employees police and fire fund established by sections 353.63 to 353.68, and shall not be members of any local police or paid firefighter's relief association established or maintained by the municipality, unless the municipality elects to retain the local relief association by the adoption of a municipal resolution approved by a majority of the governing body of the municipality following the holding of a public meeting at which the views of the public are considered and a copy of the municipal resolution is filed with the secretary of state, the commissioner of finance, the commissioner of insurance and the executive secretary of the legislative commission on pensions and retirement on or before August 15, 1980.

**Subd. 2. OPERATION OF LOCAL RELIEF ASSOCIATION UPON MODIFICATION OF RETIREMENT COVERAGE FOR NEWLY HIRED POLICE OFFICERS AND FIREFIGHTERS.** The minimum obligation of a municipality in which the retirement coverage for newly hired police officers or salaried firefighters has been modified pursuant to subdivision 1 with respect to the local relief association shall be determined and governed in accordance with the provisions of Minnesota Statutes, Sections 69.77, 356.215 and 356.216, except that the normal cost calculation for the relief association shall be computed as a percentage of the compensation paid to the active members of the relief association. The compensation paid to persons with retirement coverage modified pursuant to subdivision 1 shall not be included in any of the computations made in determining the obligation of the municipality with respect to the local relief association.

The contribution rate of members of the local relief association shall be governed by Minnesota Statutes, Section 69.77, unless a special law establishing a greater member contribution rate is applicable whereupon it shall continue to govern. The member contribution rate of persons with retirement coverage modified pursuant to subdivision 1 shall be governed by Minnesota Statutes, Section 353.65.

When every active member of the local relief association retires or terminates from active duty, the local relief association shall cease to exist as a legal entity and the assets of the special fund of the relief association shall be transferred to a trust fund to be established by the appropriate municipality for the purpose of paying service pensions and retirement benefits to recipient beneficiaries. If there are at least five recipient beneficiaries, the trust fund shall be managed by a board of trustees composed of five members selected by the recipient beneficiaries of the fund, subject to the approval of the governing body of the municipality. If there are fewer than five recipient beneficiaries, the trust fund shall be managed by the governing body of the municipality. The term of the elected members of the board of trustees shall be indefinite and shall continue

Changes or additions indicated by underline deletions by ~~strikeout~~

until a vacancy occurs in one of the board of trustee member positions. Board of trustee members shall not be compensated for their services, but shall be reimbursed for any expenses actually and necessarily incurred as a result of the performance of their duties in their capacity as board of trustee members. The municipality shall perform whatever services are necessary to administer the trust fund. The balance of assets remaining in the trust fund shall not revert to the municipality until all obligations of the trust fund are paid.

The financial requirements of the trust fund and the minimum obligation of the municipality with respect to the trust fund shall be determined in accordance with Minnesota Statutes, Sections 69.77, 356.215 and 356.216 until the unfunded accrued liability of the trust fund is fully amortized in accordance with this act. The municipality shall provide in its annual budget for at least the aggregate amount of service pensions, disability benefits, survivorship benefits and refunds which are projected as payable for the following calendar year, as determined by the board of trustees of the trust fund, less the amount of assets in the trust fund as of the end of the most current calendar year for which figures are available, valued pursuant to Minnesota Statutes, Section 356.20, Subdivision 4, Clause (1) (a), if the difference between those two figures is a positive number.

In calculating the amount of service pensions and other retirement benefits payable from the local relief association and in calculating the amount of any automatic post retirement increases in those service pensions and retirement benefits based on the salary paid or payable to active members or escalated in any fashion, the salary for use as the base for the service pension or retirement benefit calculation and the post retirement increase calculation for the local relief association shall be the salary for the applicable position as specified in the articles of incorporation or bylaws of the relief association as of the date immediately prior to the effective date of the modification of retirement coverage for newly hired personnel pursuant to subdivision 1, as the applicable salary is reset by the municipality periodically, irrespective of whether retirement coverage for persons holding the applicable position used in calculations is provided by the relief association or by the public employees police and fire fund.

If the modification of retirement coverage implemented pursuant to subdivision 1 is applicable to a local police relief association, the police state aid received by the municipality shall be disbursed pursuant to Minnesota Statutes, Section 69.031, Subdivision 5, Clause (2) (c). If the modification of retirement coverage implemented pursuant to subdivision 1 is applicable to a local fire-fighters' relief association, the fire state aid received by the applicable municipality shall be disbursed as the municipality at its option may elect. The municipality may elect: (1) to transmit the total fire state aid to the treasurer of the local relief association for immediate deposit in the special fund of the relief association; or (2) to apply the total fire state aid toward the employer contribution of the municipality to the public employees police and fire fund pursuant to Minnesota Statutes, Section 353.65, Subdivision 3; or (3) to allocate the total fire state aid proportionately between the special fund of the local relief association and employer contribution of the municipality to the public employees police and fire fund on the basis of the respective number of active full time salaried fire-fighters receiving retirement coverage from each.

**Changes or additions indicated by underline deletions by ~~strikeout~~**



**Subd. 3. BENEFIT INCREASE FOR CERTAIN RELIEF ASSOCIATION MEMBERS.** Notwithstanding any law to the contrary, any member of a local police or salaried firefighters' relief association located in a municipality which has not adopted a municipal resolution retaining the local relief association pursuant to subdivision 1, except the city of Minneapolis, shall be entitled to receive, after the effective date for the modification of pension coverage for newly employed personnel, a retirement annuity in addition to the service pension to which the member may be eligible upon retirement. The additional retirement annuity shall be payable for the life of the retired member. The additional retirement annuity shall be equal to one-half of one percent of the salary upon which the service pension is calculated payable on the date of termination of active service per year of service credit acquired in excess of 25 years of service credit. The retirement annuity under this subdivision shall not be subject to any post retirement increases granted pursuant to increases in the salary payable to a certain employment category or in the salaries payable to active members or be in any other manner escalated or increased after retirement.

**Subd. 4. AUTOMATIC POST RETIREMENT ADJUSTMENTS FOR CERTAIN NEWLY EMPLOYED, ACTIVE AND RETIRED MEMBERS.** (1) Notwithstanding any provision of law, municipal charter, municipal ordinance or resolution, or relief association articles of incorporation or bylaws to the contrary, any person who meets one of the following requirements for entitlement shall be entitled to an annual automatic post retirement adjustment in the amount of the service pension calculated pursuant to clause (2). A person meets the requirements for entitlement if:

(a) the person is a member of a covered local police or salaried firefighters' relief association enumerated in clause (3) unless the municipality has adopted a municipal resolution retaining the local relief association pursuant to subdivision 1, if applicable, commences receiving a service pension at an age no earlier than attaining the age of 55 years, and has met all applicable requirements for entitlement to a service pension specified in the applicable laws and relief association articles of incorporation or bylaws governing the local relief association;

(b) the person is a retired member of a covered local police or salaried firefighters' relief association enumerated in clause (3) unless the municipality has adopted a municipal resolution retaining the local relief association pursuant to subdivision 1, if applicable, retired on a service pension after the effective date of this section and after attaining the age of at least 50 years but prior to attaining the age of 55 years and attains the age of 55 years subsequent to retirement; or

(c) the person was a retired member on the effective date of this section of a covered local police or salaried firefighters' relief association or retirement trust fund enumerated in clause 3, unless the municipality has adopted a municipal resolution retaining the local relief association pursuant to subdivision 1, if applicable, on the effective date of this section, is receiving a service pension, and has attained the age of at least 55 years.

(2) Any person who meets the requirements specified in clause (1)(a) or (1)(b) shall be entitled to receive the annual automatic post retirement adjustment

Changes or additions indicated by underline deletions by ~~strikeout~~

on the January 1 next following the date upon which the requirements for entitlement are met but in no event prior to the date upon which the person attains the age of 55 years. Any person who meets the requirements specified in clause (1)(c) shall be entitled to receive the annual automatic post retirement adjustment on the January 1 next following the effective date of the approval of the benefit modification by the municipality as provided for in clause (3) or the date upon which the person attains the age of 55 years; whichever occurs later. The amount of the annual automatic post retirement adjustment shall be determined by the board of trustees of the local relief association on or before December 1 annually and the annual automatic post retirement adjustment shall accrue each year as of January 1 next following the determination date. The annual automatic post retirement adjustment shall be first payable with the service pension payment made for January. Each annual automatic post retirement adjustment in the amount of the service pension shall be equal to the dollar amount determined by applying the percentage by which the salary payable by the municipality to a top grade patrol officer or a top grade firefighter, whichever is applicable, has increased during the year subject to the limitation provided for in this clause to the amount of service pension payable to the person for the month immediately prior to the month in which the determination is made. The maximum percentage increase shall not exceed 3-1/2 percent in any year and any increase in the salary level of the applicable position used to govern the determination of annual automatic post retirement adjustments in excess of 3-1/2 percent in any year shall not carry over to or be used to calculate the rate of salary increase for any succeeding year in which the increase in the salary of the applicable position does not exceed 3-1/2 percent.

(3) The provisions of this subdivision shall apply to the active members and retired members of a local police or salaried firefighters' relief association or to the retired members of a retirement trust fund contained in the following enumeration of covered relief associations if the governing body of the applicable municipality approves the modification in the benefit plan of the relief association specified in this subdivision following consideration of an actuarial valuation which is, or actuarial estimate based on the most recent actuarial valuation which was, prepared in accordance with Minnesota Statutes, Sections 356.215 and 356.216, based on the benefit plan of the applicable local relief association or retirement trust fund including the modification provided for in this subdivision, does not adopt a municipal resolution retaining the local relief association pursuant to subdivision 1, and files a resolution indicating approval of the modification in the benefit plan with the secretary of state, the commissioner of insurance and the executive secretary of the legislative commission on pensions and retirement on or before the first day of the tenth month following the effective date of this section:

- (a) Buhl police relief association;
- (b) Crookston firefighters relief association;
- (c) Crookston police relief association;
- (d) Eveleth joint retired police and firefighters retirement trust fund;

- (e) Moorhead firefighters relief association;
- (f) Moorhead police relief association;
- (g) Thief River Falls police retirement trust fund;
- (h) Virginia firefighters relief association;
- (i) West St. Paul police relief association.

**Sec. 5. [423A.02] LOCAL POLICE AND FIREFIGHTERS' RELIEF ASSOCIATION AMORTIZATION STATE AID.** Any municipality in which is located a local police or salaried firefighters' relief association to which the provisions of Minnesota Statutes, Section 69.77, apply, unless the municipality has adopted a municipal resolution retaining the local relief association pursuant to section 4, subdivision 1, shall be entitled upon annual application on or before the date specified by the commissioner of finance to receive local police and salaried firefighters' relief association amortization state aid if the municipality and the appropriate relief association both comply with the applicable provisions of Minnesota Statutes, Sections 69.031, Subdivision 5, 69.051, Subdivisions 1 and 3, and 69.77. The amount of local police and salaried firefighters' relief association amortization state aid to which a municipality is entitled annually shall be an amount equal to the level annual dollar amount required to amortize, by December 31, 2010, the unfunded accrued liability of the special fund of the appropriate relief association as reported in the most recent actuarial valuation of the relief association prepared pursuant to Minnesota Statutes 1978, Sections 356.215 and 356.216, and filed with the commissioner of insurance on the date of final enactment of this act, reduced by the dollar amount required to pay the interest on the unfunded accrued liability of the special fund of the relief association for the calendar year next following the date of final enactment of this act set at the rate specified in Minnesota Statutes 1978, Section 356.215, Subdivision 4, Clause (4). Payment of local police and salaried firefighters' relief association amortization state aid to municipalities shall be made directly to the municipalities involved in four equal installments on March 15, July 15, September 15 and November 15 annually. Upon receipt of the local police and salaried firefighters' relief association amortization state aid, the municipal treasurer shall transmit the aid amount to the treasurer of the local relief association for immediate deposit in the special fund of the relief association. The commissioner of finance shall prescribe and periodically revise the form for and content of the annual application for the local police and salaried firefighters' relief association amortization state aid. The amounts required to pay the local police and salaried firefighters' relief association amortization state aid are hereby annually appropriated from the general fund to the commissioner of finance.

**Sec. 6. [423A.03] TEMPORARY PROVISION; APPLICATION TO CERTAIN MUNICIPALITIES.** Any municipality in which is located a local police or salaried firefighters' relief association which is governed by Minnesota Statutes, Section 69.77, and in which all newly hired police officers or firefighters, whichever is applicable, after a certain date are required by special law to have their retirement coverage provided by the public employees police and fire fund estab-

lished pursuant to Minnesota Statutes, Chapter 353, and not by the local police or firefighters' relief association, may have made applicable any other provisions of section 4, by adopting by majority vote of the governing body, a resolution implementing those provisions of section 4 which are not present in or which are in substantial conflict with the applicable special law modifying retirement coverage for new police officers or firefighters, whichever is applicable, other than the date of the modification in retirement coverage. Prior to becoming effective, a copy of the municipal resolution shall be filed with the secretary of state, the commissioner of finance, the commissioner of insurance and the executive secretary of the legislative commission on pensions and retirement. To be deemed an implementing municipal resolution within the meaning of this section, the municipal resolution shall either refer to this section and the applicable subdivisions of section 4 or shall describe in summary form the modifications to be implemented.

**Sec. 7. [423A.04] ALTERNATIVE BENEFIT INCREASE.** Notwithstanding any provision of law to the contrary, and in lieu of the benefit increase provided for in section 4, subdivision 3, the governing body of a participating municipality, except the city of Minneapolis, is authorized by resolution approved by a majority of the members of the governing body, following consideration of an actuarial analysis of the effect of any change, to increase the service pension or retirement benefits provided by or modify any provision of the benefit plan of either a police relief association or a salaried firefighters relief association unless the municipality elects to retain the local relief association by the adoption of a municipal resolution pursuant to section 4, subdivision 1. The total cost of any increase or modification, including amortization by the applicable date to amortize specified in any prior applicable special legislation, shall not exceed 1.26 percent of covered payroll.

**Sec. 8. MINNEAPOLIS POLICE AND FIREFIGHTERS RELIEF ASSOCIATIONS: MINIMUM MEMBER CONTRIBUTION.** Notwithstanding any provision of Minnesota Statutes, Section 69.77, or any other law to the contrary, the minimum employee contribution to the special fund of the relief association for retirement and survivorship benefits by each member of the Minneapolis police relief association or the Minneapolis firefighters relief association, during the remaining term of covered employment by the member shall be seven percent of the maximum salary from which retirement and survivorship credits and amounts of benefits are determined, effective July 1, 1980, and eight percent effective January 1, 1981.

**Sec. 9. HEALTH AND WELFARE BENEFIT.** Notwithstanding any law to the contrary, any person who, after July 1, 1980, retires on a service pension or a disability benefit from the Minneapolis police relief association or the Minneapolis firefighters relief association shall be entitled on January 1, 1981, or upon the date of retirement, whichever occurs later, to receive a monthly health and welfare benefit unless the city of Minneapolis elects to retain the local relief association by the adoption of a municipal resolution pursuant to section 4, subdivision 1. The monthly health and welfare benefit shall be an amount equal to one unit as defined pursuant to Laws 1963, Chapter 315, Section 1, Subdivision 3, for the Minneapolis police relief association, or Minnesota Statutes, Section 69.45, for

the Minneapolis firefighters relief association, whichever is applicable. The monthly health and welfare benefit shall be paid to the retired member unless the retired member designates in writing that the amount be paid to an insurance carrier to defray the cost of any health or welfare related insurance coverage.

**Sec. 10. DETERMINATION OF FINANCIAL REQUIREMENTS OF RELIEF ASSOCIATION AND MINIMUM MUNICIPAL OBLIGATION.** The officers of the Minneapolis police relief association and the Minneapolis firefighters relief association shall include in their determinations of the financial requirements of the relief association and the minimum obligation of the governmental subdivision submitted to the city of Minneapolis on or before September 1, 1980, pursuant to Minnesota Statutes, Section 69.77, Subdivision 2, Clauses (2) and (3), the cost of the health and welfare benefit as estimated by the actuary of the respective relief association based on the most recent actuarial valuation of the relief association prepared pursuant to Minnesota Statutes, Sections 69.77, 356.215 and 356.216. The city of Minneapolis shall provide sufficient financial support to each relief association to meet the minimum obligation of the governmental subdivision including the cost of the health and welfare benefit, effective January 1, 1981.

Sec. 11. Minnesota Statutes, 1979 Supplement, Section 424A.02, is amended by adding a subdivision to read:

**Subd. 9a. POST RETIREMENT INCREASES.** Notwithstanding any provision of general or special law to the contrary, a volunteer firefighters' relief association may, from time to time, with municipal approval pursuant to subdivision 10 and section 69.772, subdivision 6, or section 69.773, subdivision 6, whichever is applicable, provide a post retirement increase to retired members and other retirement benefit recipients of the relief association. The post retirement increase may only be granted pursuant to an amendment to the bylaws of the relief association and shall be applicable only to retired members and other retirement benefit recipients receiving a service pension or retirement benefit as of the effective date of the bylaw amendment. The authority to provide a post retirement increase to retired members and other retirement benefit recipients of a relief association contained in this subdivision shall supersede any prior special law authorization relating to the provision of post retirement increases.

Sec. 12. Minnesota Statutes, 1979 Supplement, Section 424A.04, is amended to read:

**424A.04 VOLUNTEER RELIEF ASSOCIATIONS; BOARD OF TRUSTEES.** Every volunteer firefighters' relief association shall be managed by a board of trustees consisting of nine members. Six trustees shall be elected from the membership of the relief association and three trustees shall be drawn from the officials of the municipality which has a fire department to which the relief association is directly associated or the municipality which contracts or the municipalities which contract with the independent nonprofit firefighting corporation of which the relief association is a subsidiary. The bylaws of a volunteer firefighters' association may provide that one of the six trustees required to be elected from the membership of the relief association may be a retired member of the relief

association receiving a monthly pension elected by the membership of the fire department. The ex officio trustees, if the relief association is directly associated with the fire department of a municipality, shall be the mayor, the clerk or clerk-treasurer, and the chief of the municipal fire department. The ex officio trustees, if the relief association is a subsidiary of an independent nonprofit firefighting relief corporation, shall be three elected officials of the contracting municipality designated by the governing body of the municipality if only one municipality contracts with the independent nonprofit firefighting corporation, two elected officials of the largest municipality in population and one elected official of the next largest municipality in population designated by the governing bodies of the applicable municipalities if two municipalities contract with the independent nonprofit firefighting corporation, or one elected official of each of the three largest municipalities in population designated by the governing bodies of the applicable municipalities if three or more municipalities contract with the independent nonprofit firefighting corporation. An ex officio trustee shall have all of the rights and duties accorded to any other trustee except the right to be an officer of the board of trustees. A board shall have at least three officers, which shall be a president, a secretary and a treasurer. These officers shall be elected from among the elected trustees by either the full board of trustees or by the membership, as specified in the bylaws, and in no event shall any trustee hold more than one officer position at any one time. The terms of the elected trustees and of the officers of the board shall be specified in the bylaws of the relief association but shall not exceed three years. If the term of the elected trustees exceeds one year, the election of the various trustees elected from the membership shall initially and shall thereafter continue to be staggered on as equal a basis as is practicable.

It shall be the duty of the board of trustees to faithfully administer any provisions of statute or special law applicable to the relief association without prejudice and consistent with the expressed intent of the legislature. The members of the board shall act as trustees with a fiduciary obligation to the state of Minnesota which authorized the creation of the relief association, the taxpayers who aid in its financing and the firefighters who are its beneficiaries.

**Sec. 13. HIBBING; AUTHORIZATION FOR SEPARATE RELIEF ASSOCIATIONS FOR SALARIED AND VOLUNTEER FIREFIGHTERS.** Subdivision 1. Notwithstanding any provisions of any law to the contrary, the city of Hibbing may establish and maintain or continue to maintain two separate relief associations for firefighters employed by or serving with the Hibbing municipal fire department. One relief association shall provide retirement benefit coverage for regular salaried firefighters employed by the Hibbing municipal fire department and the other relief association shall provide retirement benefit coverage for volunteer firefighters serving with the Hibbing municipal fire department. Any fire state aid amounts received by the city of Hibbing pursuant to Minnesota Statutes, Sections 69.011 to 69.051, shall be allocated proportionately between the two relief associations on the basis of the assessed property value, excluding mineral values, and the population pursuant to the most recent federal census, of the areas which are predominantly served by the members of each relief association, as determined by the governing body of the city of Hibbing and certified to the commissioner of insurance and the county auditor.

Changes or additions indicated by underline deletions by ~~strikeout~~

Subd. 2. No person who is employed by the city of Hibbing as a regular salaried firefighter, and who is a member of the Hibbing salaried firefighters relief association to which Minnesota Statutes, Section 69.77, applies, shall be entitled while so employed after the effective date of this section to be a member of or to accrue any service credit in the relief association which provides retirement benefit coverage for volunteer firefighters serving with the Hibbing municipal fire department and to which Minnesota Statutes, Sections 69.771 to 69.776, apply.

Subd. 3. Any person who is prohibited from further membership in or from accruing further service credit in the volunteer firefighters' relief association which is established or maintained by the city of Hibbing and to which Minnesota Statutes, Sections 69.771 to 69.776 apply and who has not as of the effective date of this section received credit for sufficient years of service with the Hibbing municipal fire department or membership with the Hibbing volunteer firefighters' relief association to be entitled to a service pension without the benefit of this section shall be entitled when otherwise qualified to receive a proportionate service pension based on the number of completed years of service rounded to the nearest full years of service.

Sec. 14. EVELETH POLICE OFFICERS AND FIREFIGHTERS. Notwithstanding any general or specific law to the contrary, retirement benefits payable to retired police officers and firefighters by the Eveleth police and fire trust fund may be increased by \$50 per month. Survivor benefits payable to a surviving spouse or surviving dependent child may be increased by \$25 per month. Increases shall be retroactive to January 1, 1980.

Sec. 15. Any volunteer firefighters' relief association which had prior special legislative authorization to grant a post retirement increase and which approved a post retirement increase prior to the effective date of Laws 1979, Chapter 201, may grant the post retirement increase, pursuant to section 11 of this article, effective retroactively to January 1, 1980.

Sec. 16. Minnesota Statutes 1978, Section 490.123, Subdivision 1, is amended to read:

**490.123 JUDGES' RETIREMENT FUND.** Subdivision 1. **CREATION; CONTRIBUTIONS.** There is hereby created a special fund known as the "judges' retirement fund". The fund shall be credited with all contributions, all interest and all other income authorized by law. From this fund there are appropriated the payments authorized by sections 490.121 to 490.132 in the amounts and at times provided herein, including the expenses of administering the fund. Except as provided in section 490.128, subdivision 2, each judge shall contribute to the fund from each salary payment a sum equal to one-half of one percent of salary, plus a sum equal to the salary multiplied by the rate of employee tax under the Federal Insurance Contributions Act as defined in section 355.01, subdivision 9, but in aggregate not less than seven percent of salary. The balance of all money necessary for administering sections 490.121 to 490.132 and the judges' retirement fund, including payment of retirement compensation and other benefits under sections 490.121 to 490.132, shall be contributed to the fund by the state. The amount required therefor is hereby annually appropriated from the general fund to the judges' retirement fund.

Changes or additions indicated by underline deletions by ~~strikeout~~

Sec. 17. Minnesota Statutes 1978, Section 490.124, Subdivision 1, is amended to read:

**490.124 MATURITY OF BENEFITS; RETIREMENT AND SURVIVORS' ANNUITIES.** Subdivision 1. **BASIC RETIREMENT ANNUITY.** Except as qualified hereinafter from and after mandatory retirement date, normal retirement date, early retirement date, or two years from the disability retirement date, as the case may be, a retirement annuity shall be payable to a retiring judge from the judges' retirement fund in an amount equal to: (1) 2-1/2 percent of the judge's final average compensation multiplied by the number of years and fractions of years of service rendered, prior to July 1, 1980; plus (2) three percent of the judge's final compensation multiplied by the number of years and fractions of years of service rendered after June 30, 1980; provided that such annuity shall not exceed ~~60~~ 65 percent of the judge's annual salary for the year immediately preceding his retirement.

Sec. 18. Laws 1979, Chapter 293, Section 10, Subdivision 1, is amended to read:

**Sec. 10. POST RETIREMENT ADJUSTMENT; LUMP SUM PAYMENTS.** Subdivision 1. **ENTITLEMENT.** Any person ~~who, on or before July 1, 1979, has attained the age of 65 years and who is receiving a retirement annuity from, or any person who is receiving a disability benefit or a surviving spouse's annuity or benefit from a retirement fund specified in subdivision 4, clauses (1) to (5) which was computed under the laws in effect prior to June 1, 1973, if the person is receiving an annuity or benefit from the retirement fund specified in subdivision 4, clause (4), or prior to July 1, 1973, if the person is receiving an annuity or benefit from a retirement fund specified in subdivision 4, clause (1), (2), (3) or (5), and any person who, on or before July 1, 1979, has attained the age of 65 and who is receiving a "\$2 bill and annuity" annuity from the retirement fund specified in subdivision 4, clause (6), shall be entitled to receive a post retirement adjustment from the applicable retirement fund in the amount specified in subdivision 3.~~

Sec. 19. Laws 1979, Chapter 293, Section 10, is amended by adding a subdivision to read:

**Subd. 6. TRANSFER OF APPROPRIATION; TERMINAL AUDIT.** From the amounts appropriated and apportioned pursuant to subdivision 5, there is transferred to the commissioner of finance for purposes of redistribution the specified amount from each fund indicated, as follows:

<u>highway patrol retirement fund</u>	<u>\$ 11,971</u>
<u>state employees retirement fund</u>	<u>263,100</u>
<u>public employees retirement fund</u>	<u>238,155</u>
<u>public employees police and fire fund</u>	<u>45,471</u>

From the total amount transferred to the commissioner of finance for redistribution, the commissioner shall transfer the specified amount to each fund indicated as follows:

Changes or additions indicated by underline deletions by ~~strikeout~~



<u>Minneapolis municipal employees</u>	
<u>retirement fund</u>	<u>\$ 25,780</u>
<u>teachers retirement fund</u>	<u>173,711</u>

The remaining balance of the appropriation transferred to the commissioner of finance following redistribution shall cancel and shall be returned to the general fund.

Each covered retirement fund as specified in subdivision 4 shall, as soon as is practical following the payment of the December 1, 1980, post retirement adjustment, calculate the amount of any appropriation apportioned to it which is in excess of the amounts required to pay the December 1, 1979, and December 1, 1980, post retirement adjustments and the post retirement adjustments provided for in this article. In addition, the executive secretary of the state board of investment, for covered retirement funds specified in subdivision 4, clauses (1) to (5), and the executive secretary of the Minneapolis municipal employees retirement fund, for that fund, shall calculate the amount which represents for each applicable covered retirement fund the investment income which the fund received on its portion of the appropriation calculated on the basis of the actual annual rate of investment return received on the assets of the retirement fund. The calculations required by this paragraph shall be reported to and verified by the commissioner of finance and amounts equal to these reported excess appropriation and investment income amounts shall be returned to the general fund.

The commissioner of finance is not authorized to adjust or modify any appropriation made pursuant to Laws 1979, Chapter 293, Section 10 or any amounts transferred pursuant to this act except in accordance with this subdivision.

Sec. 20. RETROACTIVE APPLICATION. Any person who was not entitled to receive a lump sum post retirement adjustment on December 1, 1979, pursuant to Laws 1979, Chapter 293, Section 10, solely by virtue of not having attained the age of 65 years on or before July 1, 1979 shall be entitled to receive the lump sum post retirement adjustment which that person would have received on December 1, 1979. The adjustment shall be payable on the first day of the second month following the effective date of this section and may be included with the annuity or benefit payable on that date.

Sec. 21. RETIREMENT COVERAGE FOR MINNEAPOLIS CHIEF OF POLICE. Notwithstanding any provision of law to the contrary, the chief of the police department of the city of Minneapolis shall be excluded from either membership in the Minneapolis police relief association or the public employees police and fire fund, unless the person at the time of appointment is either a member of the Minneapolis police relief association or the public employees police and fire fund, whereupon the person may elect by irrevocable written application within 30 days of the person's appointment as chief of police to continue membership in the applicable pension fund. If the person is excluded from membership in the Minneapolis police relief association or the public employees police and fire fund by operation of this section, the city of Minneapolis may pay to the person compensation in addition to the salary

allowed under any limitations imposed by law on the salaries of public employees, on the condition that the person agrees that the additional compensation shall be deposited by the city in a deferred compensation program. The additional compensation shall be a dollar amount equal to the employer contribution to meet the normal cost obligation of the Minneapolis police relief association as specified in the most recent actuarial valuation of the relief association prepared and reported pursuant to Minnesota Statutes, Sections 69.77 and 356.215, applied to the salary payable to a first grade patrol officer.

**Sec. 22. [352.85] SPECIAL RETIREMENT COVERAGE FOR MILITARY AFFAIRS DEPARTMENT PERSONNEL. Subdivision 1. ELIGIBILITY; RETIREMENT ANNUITY.** An employee of the department of military affairs who is covered by the Minnesota state retirement system, who is ordered to active duty pursuant to Minnesota Statutes, Section 190.08, Subdivision 3, and who is required to retire from federal military status at the age of 60 years by applicable federal laws or regulations shall be entitled upon application, to a retirement annuity commencing at the age of 60 computed in accordance with Minnesota Statutes, Section 352.115, Subdivisions 2 and 3, without reduction pursuant to Minnesota Statutes, Section 352.116, Subdivision 1.

**Subd. 2. DISABILITY BENEFIT.** An employee described in subdivision 1, who is less than 60 years of age and who shall become disabled and physically or mentally unfit to perform his duties due to injury, sickness or other disability, and who shall be found disqualified for retention on active duty as a result of a physical examination required by applicable federal laws or regulations, shall be entitled upon application to disability benefits computed in the same manner as specified in Minnesota Statutes, Section 352.113. Disability benefits shall be otherwise governed by Minnesota Statutes, Section 352.113, except that the age for the termination of the disability benefit shall be 60 years.

**Subd. 3. ADDITIONAL CONTRIBUTIONS.** The special retirement annuities and disability benefits authorized by this section shall be financed by an employee contribution of one percent and an employer contribution of one percent, which contributions shall be in addition to the contributions required by Minnesota Statutes, Section 352.04, Subdivisions 2 and 3, and shall be made in the manner provided for in Minnesota Statutes, Section 352.04, Subdivisions 4, 5 and 6.

**Subd. 4. ELECTION OF COVERAGE.** To be covered by the provisions of this act, any employee of the department of military affairs, described in subdivision 1, who is employed on July 1, 1980, or is first employed in such position after July 1, 1980, shall by August 1, 1980, or within 30 days of their employment, whichever is later, file a notice with the executive director of the Minnesota state retirement system on a form prescribed by the executive director stating whether or not the employee elects to be covered. Elections shall be irrevocable during any period of covered employment.

**Subd. 5. RESTRICTION ON COVERAGE.** Nothing in this section shall be construed to apply to the adjutant general.

Sec. 23. **PRIOR MODIFICATIONS IN RETIREMENT COVERAGE APPLICABLE TO CERTAIN LOCAL POLICE AND SALARIED FIRE-FIGHTERS RELIEF ASSOCIATIONS.** Any actions of the city of Richfield or the city of Crystal providing by ordinance for the membership of newly employed police officers or police officer trainees, or firefighters or firefighter trainees in the public employees police and fire fund which occurred prior to the date of final enactment of this act are ratified and confirmed.

Sec. 24. **REPEALER.** Laws 1979, Chapter 293, Section 10, Subdivision 2, is repealed effective retroactively to July 1, 1979.

Sec. 25. **EFFECTIVE DATE.** Sections 1, 2, 6, 11, 12, 15, 19 and 20 are effective the day following final enactment. Sections 3 and 17 are effective July 1, 1980. Section 4 is effective June 15, 1980. Section 16 is effective for the first pay period ending after July 1, 1980. Section 5 is effective January 1, 1981. Section 18 is effective retroactively to November 30, 1979. Sections 8, 9, 10, 13, 14 and 21 are effective on the day of compliance with Minnesota Statutes, Section 645.021, Subdivision 3. Any benefit change pursuant to section 7 is effective upon approval by the governing body of the applicable municipality and upon compliance with Minnesota Statutes, Section 645.021. Section 22 is effective July 1, 1980. Section 23 is effective the day following final enactment.

#### **ARTICLE XVI**

#### **MINNEAPOLIS MUNICIPAL EMPLOYEES RETIREMENT FUND**

Section 1. Minnesota Statutes 1978, Section 422A.02, is amended to read:

422A.02 **RETIREMENT BOARD; MEMBERS.** A retirement board of seven members is hereby constituted which shall consist of the following:

- (1) Mayor;
- (2) The city ~~comptroller or corresponding official~~ comptroller-treasurer;
- (3) One member of the city council selected by the council; and

(4) Four legally qualified voters of ~~the city, residents thereof for the preceding five years~~, to be chosen by the employees as defined in sections 422A.01 to 422A.25 who are contributors to the retirement fund created by sections 422A.01 to 422A.25. The employees may form an association for that purpose and the employing authorities are authorized to make payroll deductions for the payment of dues to ~~said~~ the association. The persons selected shall serve for staggered terms of two years from the first of the next succeeding January after their election, and until their successors are duly elected. ~~Such~~ The selection shall be made by the employees during the first week of December of each year. Vacancies occurring by death, resignation, or removal of ~~such~~ representatives shall be filled by representatives chosen by the employees.

Sec. 2. Minnesota Statutes, 1979 Supplement, Section 422A.03, Subdivision 1, is amended to read:

422A.03 **MEETINGS; EMPLOYEES; RULES AND REGULATIONS.** Subdivision 1. The retirement board shall meet on the third Tuesday of each

**Changes or additions indicated by underline deletions by ~~strikeout~~**

calendar month of each year and may adjourn from time to time. Special meetings may be held upon the call of the president. The board shall, by a four-sevenths vote of all members of the board, appoint an executive secretary director, who shall have charge of the performance of the duties required by the provisions of sections 422A.01 to 422A.25, and shall appoint other necessary ~~electrical help~~ employees. If at the time of his appointment as executive secretary director the appointee holds a position subject to the civil service rules and regulations of the city he shall be deemed to be on leave of absence from ~~such~~ the civil service position during his tenure as executive secretary, and upon termination of ~~such~~ such service shall be returned to his permanent civil service classification. If no vacancy is available in his permanent civil service classified position, seniority shall prevail, and the person most recently certified to ~~such~~ the position shall be returned to the permanent civil service classification held by him prior to such certification.

Sec. 3. Minnesota Statutes, 1979 Supplement, Section 422A.03, Subdivision 2, is amended to read:

Subd. 2. The executive secretary director may be removed by a four-sevenths vote of all members of the board at a meeting called for ~~such~~ that purpose. Before exercising the power of removal, 15 days written notice shall be given to the executive secretary director setting forth the cause for removal and stating the time and place where ~~such~~ the charges will be heard. The hearing shall be open to the public. Other employees under the supervision of the board and employees appointed hereafter shall be subject to applicable civil service laws and rules of the city unless the board determines that they should be unclassified. The compensation of the executive secretary director and the other employees under the supervision of the board shall be fixed by ~~such~~ the board.

Sec. 4. Minnesota Statutes 1978, Section 422A.03, Subdivision 3, is amended to read:

Subd. 3. At the regular meeting in January each year, the board shall elect ~~one of~~ from among its members as a president, ~~one member~~ as a vice president, and ~~one member~~ as ~~recording a~~ secretary, who shall hold office for one year or until successors have been elected and qualified. The city comptroller-treasurer shall serve as treasurer of the board. The president shall preside at all meetings at which he is present. In the absence of the president the vice president shall preside and have all the powers of the president while acting as such. The recording secretary shall keep a record of all proceedings of the board, which shall be open to public inspection. At least one of the officers of the board shall be one of the representatives elected by the employees of the city to the board.

Sec. 5. Minnesota Statutes 1978, Section 422A.03, Subdivision 5, is amended to read:

Subd. 5. For the purpose of administration, except as otherwise herein provided, the executive secretary director, under the direction of the board, shall perform any and all acts and make ~~such~~ such regulations as may be necessary and proper for the purpose of carrying out the provisions of sections 422A.01 to 422A.25.

Changes or additions indicated by underline deletions by ~~strikeout~~

Sec. 6. Minnesota Statutes 1978, Section 422A.05, Subdivision 1, is amended to read:

422A.05 **TRUSTEE OF FUNDS.** Subdivision 1. Except as otherwise provided by law the members of the retirement board shall be the trustees and custodians of the several funds created by sections 422A.01 to 422A.25 and shall have exclusive control and management of these funds, and power to invest the same, subject to all the terms, conditions, limitations, and restrictions imposed by law upon savings banks in the making and disposing of their investments, ~~except convertible bonds which may be purchased as to rating but subject to the eligibility limits imposed below for common or preferred stock. Subject to like terms, conditions, limitations, and restrictions, these trustees shall have full power them~~ and to hold, purchase, sell, assign, transfer, or dispose of any of the securities and investments in which any of the funds created by sections 422A.01 to 422A.25 shall have been invested as well as the proceeds of the investments, and of the money belonging to these funds.

Sec. 7. Minnesota Statutes 1978, Section 422A.05, is amended by adding a subdivision to read:

Subd. 2a. In the discharge of their respective duties, the members of the board, the executive director, the board staff and any other person charged with the responsibility of investing money pursuant to the standards set forth in chapter 422A shall act in good faith and shall exercise that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived therefrom.

Sec. 8. Minnesota Statutes 1978, Section 422A.05, is amended by adding a subdivision to read:

Subd. 2b. No member of the board may participate in the deliberations or the voting on any matter before the board which will or is likely to result in direct, measurable personal gain to the member.

Sec. 9. Minnesota Statutes 1978, Section 422A.05, is amended by adding a subdivision to read:

Subd. 2c. The board may invest funds in corporate stocks or corporate obligations of any corporation organized under the laws of the United States or of any state of the United States or the Dominion of Canada or any province thereof and other corporations traded on the New York or American Stock Exchanges if they conform to the following provisions:

(a) On corporate stocks:

(1) The market value of these investments shall not exceed 50 percent of the market value of the funds.

(2) Investments in any one corporation shall not exceed five percent of the market value of the funds or five percent of the total shares outstanding of any one corporation.

Changes or additions indicated by underline deletions by ~~strikeout~~

(3) Cash dividends on these investments shall have been earned and paid for the preceding five years.

(4) Investments which do not conform to the dividend standard contained in clause (3) may be held, but the total amount of these securities shall not exceed five percent of the total market value of the funds.

(b) On corporate obligations:

(1) The consolidated net pretax earnings of corporations other than finance corporations shall have been an average for the preceding five years at least 1.5 times the annual interest charge on total funded debt applicable to that period.

(2) The consolidated net pretax earnings of banks and finance corporations shall have been an average for the preceding five years at least 1.2 times the annual interest charges on total funded debt applicable to that period.

(3) Obligations shall be rated among the top three quality categories by a nationally recognized rating agency; or if unrated, the corporation shall have other comparably secured issues similarly rated; or the consolidated net pretax earnings of the corporation shall have been an average for the preceding five years at least twice the ratios required in clauses (a) and (b).

Sec. 10. Minnesota Statutes 1978, Section 422A.05, Subdivision 3, is amended to read:

Subd. 3. The board shall have authority:

(1) To make such loans and advances of credits and purchases of obligations; representing loans and advances of credit, as are insured by the federal housing administration, and to obtain such insurance;

(2) To make such loans secured by mortgages on real property, which the federal housing administrator has insured or made a commitment to insure, and to obtain such insurance; (1) To invest in mortgage participation certificates and pools secured by first mortgages or trust deeds on improved real estate located in the United States where there is a guarantee of replacement by a note or bond of comparable value and security in the event of a default, and where the loan to value ratio for each loan does not exceed 80 percent for fully amortizable residential properties and in all other respects meets the requirements of section 61A.28, subdivision 3.

(3) (2) To enter into any and all agency agreements necessary to enable it to invest its funds in loans, advances of credit, and obligations insured by the federal housing administrator; or which he has made a commitment to insure and to enter into any agreement or arrangement with any other of the pension and retirement systems of the city for the joint handling of these securities;

(4) To provide for the prorating of part or all of the cost of making, handling or foreclosing of such mortgages against the earnings of such mortgages and to establish reserve accounts from such earnings to liquidate losses or future losses on such mortgages;

Changes or additions indicated by underline deletions by ~~strikeout~~

~~(5)~~ (3) To employ and dismiss agents, attorneys, appraisers, and others necessary for the proper handling ~~of and~~ servicing of ~~such mortgages~~ investments and to fix their compensation or fee on ~~such the~~ basis as it may see fit for ~~such~~ services rendered in connection with ~~such mortgages~~ the investments; and

~~(6)~~ (4) To do any and all things necessary to carry out the provisions of sections 422A.01 to 422A.25 in the best interest of the funds.

Sec. 11. Minnesota Statutes 1978, Section 422A.05, Subdivision 5, is amended to read:

Subd. 5. All payments from the funds created by sections 422A.01 to 422A.25 shall be made signed by the treasurer ~~of the city only upon warrant signed by the~~ executive secretary director, ~~or employee~~ or other person appointed by the retirement board, and ~~no warrant payment shall be drawn made~~ except by order of the board duly entered in the record of its proceedings, except that the board may create a revolving fund in ~~such an~~ amount as may be necessary to be used for the purpose of withdrawals from the fund of excess contributions; refunds to employees upon their separation from the service and for ~~such~~ other purposes as may be determined by the board. The revolving fund ~~herein~~ provided for shall be periodically reimbursed by ~~warrant drawn and signed as set forth herein. It shall be kept in the same bank or trust company as the city treasurer keeps other retirement funds.~~ It shall be subject to withdrawal upon check signed by the executive secretary director, ~~or employee~~ or other person appointed by the board. ~~The revolving fund shall be considered funds of the city insofar as it is necessary to bring them within any bond or security furnished by such bank or trust company to protect the city against loss.~~

Sec. 12. Minnesota Statutes 1978, Section 422A.06, Subdivision 1, is amended to read:

422A.06 **RETIREMENT FUND.** Subdivision 1. **CREATION; DIVISIONS OF FUND.** For the purposes of sections 422A.01 to 422A.25 there shall be a city ~~municipal~~ Minneapolis employees retirement fund, hereafter referred to as the retirement fund. The retirement fund shall be subdivided into (1) a deposit accumulation fund, (2) a participating share in the Minnesota adjustable fixed-benefit fund, (3) a survivor benefit fund, and (4) a disability benefit fund. Expense of administration of the retirement fund shall be paid from the deposit accumulation fund, less ~~such the~~ amount as the retirement board may charge against income from investments as the cost of handling the investments of the retirement fund.

Sec. 13. Minnesota Statutes 1978, Section 422A.06, Subdivision 3, is amended to read:

Subd. 3. **DEPOSIT ACCUMULATION FUND.** The deposit accumulation fund shall consist of the assets held in such fund, increased by amounts contributed by or for employees, amounts contributed by the city, amounts contributed by municipal activities supported in whole or in part by revenues other than taxes and amounts contributed by any public corporation, and by income from investments. There shall be paid from ~~such the~~ fund the amounts required to be trans-

ferred to the Minnesota adjustable fixed-benefit fund or the disability benefit fund, refunds of contributions, death benefits payable on death before retirement not payable from the survivors' benefit fund, retirement allowances granted pursuant to Laws 1965, Chapter 688, Laws 1969, Chapter 859, and expenses of administration.

Sec. 14. Minnesota Statutes 1978, Section 422A.06, Subdivision 5, is amended to read:

Subd. 5. **VALUATION OF ASSETS; ADJUSTMENTS OF BENEFITS.** (a) For those members retiring pursuant to sections 422A.01 to 422A.25, assets equal to the required reserves as determined in accordance with a mortality table appropriate to the fund with an interest assumption of five percent, shall be transferred to the Minnesota adjustable fixed-benefit fund or the disability benefit funds as provided in subdivision 7, except for any amounts payable from the survivor benefit fund, as of date of retirement.

(b) Annuity payments shall be adjusted in accordance with the provisions of sections 422A.09 and 422A.15, except that no minimum retirement payments therein described shall include any amounts payable from the survivors' benefit fund or disability benefit fund and supplemented benefits specifically financed by statute.

(c) Notwithstanding the provisions of section 356.18 increases in annuity payments pursuant to this section will be made automatically unless written notice on a form prescribed by the board is filed with the retirement board requesting that the increase shall not be made.

(d) All annuities payable from the Minnesota adjustable fixed-benefit fund which are in effect on June 30, 1973 shall be increased in the same ratio that the actuarially computed reserve for such annuities determined by using an interest assumption of 3-1/2 percent bears to the actuarially computed reserve for such annuities determined by using an interest assumption of five percent. The reserves upon which such increases shall be based shall be the actuarially determined reserves for all Minnesota adjustable fixed-benefit fund annuities which were in effect on December 31, 1972, in accordance with the mortality assumptions then in effect and at interest assumptions of 3-1/2 percent and five percent. ~~Such~~ The ratio of increase computed to the last full 1/100 of one percent shall be applied to all annuities payable from the Minnesota adjustable fixed-benefit fund which are in effect on June 30, 1973. Any additional annuity shall begin to accrue on July 1, 1973 and shall be considered as part of the base amount to be used in determining any increase which may become effective on January 1, 1974 under the provisions of section 11.25, subdivisions 12 and 13.

(e) All assets in the annuity stabilization reserve and suspense account shall be credited proportionately to the individual retirement funds' participation in the Minnesota adjustable fixed-benefit fund. Effective January 1, 1974 each participating fund in the Minnesota adjustable fixed-benefit fund, except the municipal employees retirement fund, shall increase the benefits in effect on June 30, 1973 by an amount that when added to the increase granted to such benefits effective



July 1, 1973, equals 20 percent. The increase shall apply to accrual of benefits commencing January 1, 1974 and shall be in lieu of the adjustment provided by Minnesota Statutes, 1973 Supplement, Section 11.25, Subdivisions 12 and 13 scheduled to take effect January 1, 1974. The municipal employees retirement fund of Minneapolis shall determine the increase if any in accrual of benefits commencing January 1, 1974, determined on the basis of its entire participation in the manner provided in Minnesota Statutes, 1973 Supplement, Section 11.25, Subdivisions 12 and 13 as amended by ~~Laws 1973, Chapter 7~~.

(f) The actuary for each participating fund shall calculate the reserve required to support the benefits in effect on June 30, 1973 as increase July 1, 1973 and herein. As of December 31, 1973, each participating fund shall transfer to or from the Minnesota adjustable fixed-benefit fund assets so that its participation equals the total of such required reserves and the reserve for benefits authorized on or after July 1, 1973. The increased benefits accruing as of January 1, 1974 shall be considered the "originally determined benefits" for the purpose of future adjustments.

Sec. 15. Minnesota Statutes, 1979 Supplement, Section 422A.08, Subdivision 2, is amended to read:

Subd. 2. Prior to August 31 of each year the retirement board shall prepare an itemized statement of its financial requirements from tax revenue for the succeeding fiscal year. A copy of the statement shall be submitted to the board of estimate and taxation and to the city council prior to September 15 of each year. This statement shall include:

(1) An estimate of the administrative expense of the board less:

(a) Such amount as the board may charge against the interest income account of the fund as cost of handling the investment securities of the fund.

(b) The cost of handling the retirement benefits of any city-owned public utility, improvement project, or other municipal activities supported in whole or in part by revenues other than taxes.

(c) The cost of handling the retirement benefits of any public corporation and its employees who have availed themselves of the provisions of sections 422A.01 to 422A.25.

(2) An estimated amount not to exceed 7-1/4 percent of the salaries and wages of all employees covered by the retirement fund less any amounts contributed for current cost of future retirement benefits by any city-owned public utility, improvement project, other municipal activities supported in whole or in part by revenues other than taxes, or any public corporation.

(3) The estimated amount to meet the requirements of section 422A.06, subdivision 3, less any amounts contributed for this purpose by any city-owned public utility, improvement project, other municipal activities supported in whole or in part by revenues other than taxes, or any public corporation.

(4) The cost of all monthly survivor's benefits provided in section 422A.23 as an obligation of the city and any of its boards, departments, commission or public corporations as therein provided, less any amounts contributed for this purpose by any city-owned public utility, improvement project, other municipal activities supported in whole or in part by revenues other than taxes, or any public corporation.

(5) Such other levies and financing as are required by law.

(6) The total of items 1, 2, and 3 above shall be increased or decreased as the case may be by any deficiency or excess of the amount of tax revenue actually collected within the preceding fiscal year under or over the amount actually determined to meet the financial requirements of the fund for such year. In no event shall the amount requested for levy exceed the total of entry age normal cost, less the amounts contributed by the employees, plus administrative expense, plus an amount necessary to amortize on a level annual dollar basis the principal amount of the actuarial deficit by the year 2017 using an interest rate of five percent, compounded annually, plus interest upon any deficiency from the previous year's levy at the rate of ~~four~~ six percent per annum. This limit does not apply to the requirements for survivors benefits provided in section 422A.23 nor to any levy which is administered by the retirement board pursuant to special act.

Sec. 16. Minnesota Statutes, 1979 Supplement, Section 422A.09, Subdivision 3, is amended to read:

Subd. 3. The exempt class shall consist of:

(1) Employees who are members of any other organization or association of the city on behalf of which a tax is levied by the city for the purpose of paying retirement allowances to disabled or superannuated employees.

(2) Persons filling elective position. Provided that any elective officer holding an elective city office, excepting judges of a municipal court, shall, upon written application to the retirement board, be entitled to become a member of the contributing class of the fund, and after becoming a contributor to the fund be entitled to all benefits conferred upon employees of the contributing class except retirement on a service allowance, which shall be granted only upon completion of ten or more years of service and attaining at least age 60.

All retirement allowances shall be computed and determined as provided herein, except that in determining the number of years of service, credit shall be given for time served as an elective officer or employee, or member of an executive board or commission or any combination thereof. Persons who have served in elective positions which qualified them for membership in the fund prior to July 1, 1967, and who immediately thereafter hold elective office, first being appointed to that elective office in Hennepin county in which they served as an elected official, may retain or resume membership in the fund as an elective officer of the county. The county shall collect and pay to the retirement fund the employee contribution. The employer cost of allowances and benefits credited to an elected officer as set forth above shall be paid from the county revenue fund by the

proper county officials upon certification of such costs by the retirement board in the same manner as prescribed in section 422A.08 for the payment of costs by public corporations. A tax shall be levied by Hennepin county to defray the cost of such retirement allowances which may be in addition to all other taxes levied by the county. Before receiving a retirement allowance, or any other benefit, any person who claims credit for service under this section shall contribute to the fund an amount equal to the amount of contributions to the fund which such person would have made had he been a contributor to the fund since the date he first became eligible for membership in the fund, in accordance with the method of contribution herein provided for, plus ~~four~~ six percent compound interest.

(3) Persons serving without pay.

(4) Persons employed on a temporary basis, as doorkeepers, ticket takers, and attendants at the municipal auditorium, park recreation facilities, or like activities, employed less than 1000 hours, or its equivalent if employed on any other basis than an hourly basis, in any calendar year from January 1 to December 31, inclusive, provided that employees who are contributing members of the fund on July 1, 1959 shall not be affected by the exclusions contained in this section.

(5) A person who is exempted from the contributing class by Minnesota Statutes 1974, Section 422A.09, Subdivision 3, Clauses (4) and (5), but who is employed by and paid, in whole or in part, by the city or any of its boards, departments, or commissions, operated as a department of the city government or independently, if financed in whole or in part by city funds, including any person employed by a public corporation as herein defined, and including any person employed by the Minneapolis school district, each of whom is not a member of any other retirement system, who later becomes a contributing member of the fund may elect to qualify such time for credit by paying into the fund an amount equal to the amount of contributions to the fund which such person would have made had he been a contributor to the fund since the date he first qualified as an exempt member of the contributing class, in accordance with the method of contribution herein provided, plus four percent compound interest.

(6) Any person who is employed by the city or any of its boards, departments, commissions or a public corporation, as herein outlined, and is excluded from participation in the fund by paragraph (4) shall be separated from the service upon reaching the age of 70 regardless of the provisions of the veterans preference act.

(7) Any person who is employed in subsidized on-the-job training, work experience or public service employment as an enrollee under the federal comprehensive employment and training act from and after March 30, 1978, unless the city council of the city of Minneapolis specifies that the person is to be considered as a provisional member of the retirement fund pursuant to section 356.451 or unless the person has as of the later of March 30, 1978 or the date of employment sufficient service credit in the retirement fund to meet the minimum vesting requirements for a deferred retirement annuity, or the employer agrees in writing to make the required employer contributions, including any employer additional

contributions, on account of that person from revenue sources other than funds provided under the federal comprehensive training and employment act, or the person agrees in writing to make the required employer contribution in addition to the required employee contribution.

**Sec. 17. INSTRUCTIONS TO THE REVISOR.** Subdivision 1. In the next and subsequent editions of Minnesota Statutes, the revisor of statutes shall substitute the term "executive director" for the term "executive secretary" wherever that term appears in reference to the state board of investment, shall substitute the term "Minnesota supplemental retirement investment fund" for the term "Minnesota supplemental retirement fund" wherever that term appears, and shall substitute the term "Minnesota variable annuity investment fund" for the term "Minnesota variable annuity fund" wherever that term appears.

Subd. 2. In the next and subsequent editions of Minnesota Statutes, the revisor of statutes shall substitute wherever the amount "four percent interest" appears in reference to the Minneapolis employees retirement fund the amount "six percent interest".

Subd. 3. In the next and subsequent editions of Minnesota Statutes, the revisor of statutes shall substitute "director" or "executive director" for "secretary" or "executive secretary" in chapter 422A.

**Sec. 18. TEMPORARY PROVISION.** Portfolio securities held by the retirement board of the Minneapolis employees retirement fund which met statutory criteria at the time of purchase but which became nonconforming as a result of the passage of this act may be retained.

**Sec. 19. REPEALER.** Minnesota Statutes 1978, Sections 422A.05, Subdivisions 2 and 4; and 422A.07 are repealed.

**Sec. 20. EFFECTIVE DATE.** This article is effective upon compliance with Minnesota Statutes, Section 645.021, Subdivision 3.

#### **ARTICLE XVII** **BALLOT QUESTIONS**

Section 1. Minnesota Statutes 1978, Section 10A.01, Subdivision 7, is amended to read:

*Subd. 7. "Contribution" means a transfer of funds or a donation in kind.*

Contribution includes any loan or advance of credit to a political committee, political fund, or principal campaign committee, which loan or advance of credit is (a) forgiven, or (b) paid by an entity other than the political committee, political fund, or principal campaign committee to which the loan or advance of credit is made. If an advance of credit or a loan is forgiven or paid as provided in this subdivision, it is a contribution in the year in which the loan or advance of credit is made.

A contribution made for the purpose of defeating a candidate is considered made for the purpose of influencing the nomination or election of that candidate or any opponent of that candidate.

Changes or additions indicated by underline deletions by ~~strikeout~~

Contribution does not include services provided without compensation by an individual volunteering his time on behalf of a candidate, ballot question, political committee or political fund, or the publishing or broadcasting of news items or editorial comments by the news media.

Sec. 2. Minnesota Statutes 1978, Section 10A.01, Subdivision 7a, is amended to read:

Subd. 7a. "Transfer of funds" or "transfer" means money or negotiable instruments given by an individual or association to a political committee, political fund, or principal campaign committee for the purpose of influencing the nomination or election of a candidate or for the purpose of promoting or defeating a ballot question.

Sec. 3. Minnesota Statutes 1978, Section 10A.01, Subdivision 7b, is amended to read:

Subd. 7b. "Donation in kind" means anything of value other than money or negotiable instruments given by an individual or association to a political committee, political fund, or principal campaign committee for the purpose of influencing the nomination or election of a candidate or for the purpose of promoting or defeating a ballot question. Donation in kind includes an approved expenditure.

Sec. 4. Minnesota Statutes 1978, Section 10A.01, Subdivision 10, is amended to read:

Subd. 10. "Campaign expenditure" or "expenditure" means a purchase or payment of money or anything of value, or an advance of credit, made or incurred for the purpose of influencing the nomination or election of a candidate or for the purpose of promoting or defeating a ballot question.

An expenditure is considered to be made in the year in which the goods or services for which it was made are used or consumed.

An expenditure made for the purpose of defeating a candidate is considered made for the purpose of influencing the nomination or election of that candidate or any opponent of that candidate.

Except as provided in clause (a), expenditure includes the dollar value of a donation in kind.

Expenditure does not include:

- (a) Noncampaign disbursements as defined in subdivision 10c;
- (b) Transfers as defined in subdivision 7a;
- (c) Services provided without compensation by an individual volunteering his time on behalf of a candidate, ballot question, political committee, or political fund; or

**Changes or additions indicated by underline deletions by ~~strikeout~~**

(d) The publishing or broadcasting of news items or editorial comments by the news media.

Sec. 5. Minnesota Statutes 1978, Section 10A.01, Subdivision 10c, is amended to read:

Subd. 10c. "Noncampaign disbursement" means a purchase or payment of money or anything of value made, or an advance of credit incurred, by a political committee, political fund, or principal campaign committee for any purpose other than to influence the nomination or election of a candidate or to promote or defeat a ballot question .

Noncampaign disbursement includes:

- (a) Payment for accounting and legal services;
- (b) Return of a contribution to the source;
- (c) Repayment of a loan made to the political committee, political fund, or principal campaign committee by that committee or fund;
- (d) Return of moneys from the state elections campaign fund;
- (e) Payment for food and beverages consumed at a fundraising event;
- (f) Services for a constituent by a member of the legislature or a constitutional officer in the executive branch, performed from the beginning of the term of office to adjournment sine die of the legislature in the election year for the office held; and
- (g) A donation in kind given to the political committee, political fund, or principal campaign committee for purposes listed in clauses (e) and (f). The board shall determine whether an activity involves a noncampaign disbursement within the meaning of this subdivision.

Sec. 6. Minnesota Statutes 1978, Section 10A.01, Subdivision 15, is amended to read:

Subd. 15. "Political committee" means any association as defined in subdivision 3 whose major purpose is to influence the nomination or election of a candidate or to promote or defeat a ballot question .

"Political committee" includes a major political party as defined in subdivision 12, a minor political party as defined in subdivision 13, and any principal campaign committee formed pursuant to section 10A.19.

Sec. 7. Minnesota Statutes 1978, Section 10A.01, Subdivision 16, is amended to read:

Subd. 16. "Political fund" means any accumulation of dues or voluntary contributions by an association other than a political committee, which accumulation is collected or expended for the purpose of influencing the nomination or election of a candidate or for the purpose of promoting or defeating a ballot question .

Changes or additions indicated by underline deletions by ~~strikeout~~

Sec. 8. Minnesota Statutes 1978, Section 10A.01, is amended by adding a subdivision to read:

Subd. 23. "Ballot question" means a question or proposition which is placed on the ballot and which may be voted on by all voters of the state. "Promoting or defeating a ballot question" includes activities related to qualifying the question for placement on the ballot.

Sec. 9. Minnesota Statutes 1978, Section 10A.12, Subdivision 1, is amended to read:

**10A.12 POLITICAL FUNDS.** Subdivision 1. No association other than a political committee shall transfer more than \$100 in aggregate in any one year to candidates or political committees or make any approved or independent expenditure or expenditure to promote or defeat a ballot question unless the transfer or expenditure is made from a political fund.

Sec. 10. Minnesota Statutes 1978, Section 10A.20, Subdivision 3, is amended to read:

Subd. 3. Each report under this section shall disclose:

(a) The amount of liquid assets on hand at the beginning of the reporting period;

(b) The name, address and employer, or occupation if self-employed, of each individual, political committee or political fund who within the year has made one or more transfers or donations in kind to the political committee or political fund, including the purchase of tickets for all-fund raising efforts, which in aggregate exceed \$50 for legislative candidates or \$100 for statewide candidates or ballot questions, together with the amount and date of each transfer or donation in kind, and the aggregate amount of transfers and donations in kind within the year from each source so disclosed. A donation in kind shall be disclosed at its fair market value. An approved expenditure is listed as a donation in kind. A donation in kind is considered consumed in the reporting period in which it is received. The names of contributors shall be listed in alphabetical order;

(c) The sum of contributions to the political committee or political fund during the reporting period;

(d) Each loan made or received by the political committee or political fund within the year in aggregate in excess of \$100, continuously reported until repaid or forgiven, together with the name, address, occupation and the principal place of business, if any, of the lender and any endorser and the date and amount of the loan. If any loan made to the principal campaign committee of a candidate is forgiven at any time or repaid by any entity other than that principal campaign committee, it shall be reported as a contribution for the year in which the loan was made;

(e) Each receipt in excess of \$100 not otherwise listed under clauses (b) to (d);

Changes or additions indicated by underline deletions by ~~strikeout~~

(f) The sum of all receipts of the political committee or political fund during the reporting period;

(g) The name and address of each individual or association to whom aggregate expenditures, including approved expenditures, have been made by or on behalf of the political committee or political fund within the year in excess of \$100, together with the amount, date and purpose of each expenditure and the name and address of, and office sought by, each candidate on whose behalf the expenditure was made, identification of the ballot question which the expenditure is intended to promote or defeat, and ~~and~~ in the case of independent expenditures made in opposition to a candidate, the name, address and office sought for each such candidate;

(h) The sum of all expenditures made by or on behalf of the political committee or political fund during the reporting period;

(i) The amount and nature of any advance of credit incurred by the political committee or political fund, continuously reported until paid or forgiven. If any advance of credit incurred by the principal campaign committee of a candidate is forgiven at any time by the creditor or paid by any entity other than that principal campaign committee, it shall be reported as a donation in kind for the year in which the advance of credit was incurred;

(j) The name and address of each political committee, political fund, or principal campaign committee to which aggregate transfers in excess of \$100 have been made within the year, together with the amount and date of each transfer;

(k) The sum of all transfers made by the political committee, political fund, or principal campaign committee during the reporting period;

(l) For principal campaign committees only, the sum of noncampaign disbursements made in each category listed in section ~~49~~ of this act 10A.01, subdivision 10c during the reporting period; and

(m) The sum of all noncampaign disbursements made by the political committee, political fund, or principal campaign committee during the reporting period.

Sec. 11. Minnesota Statutes 1978, Section 10A.20, Subdivision 6, is amended to read:

Subd. 6. Every candidate who does not designate and cause to be formed a principal campaign committee, and any individual who makes independent expenditures or expenditures expressly advocating the approval or defeat of a ballot question in aggregate in excess of \$100 in any year, shall file with the board a report containing the information required by subdivision 3. Reports required by this subdivision shall be filed on the dates on which reports by committees and funds are filed.

Sec. 12. Minnesota Statutes 1978, Section 10A.32, Subdivision 3, is amended to read:

Changes or additions indicated by underline deletions by ~~strikeout~~



Subd. 3. As a condition of receiving any ~~moneys~~ money from the state elections campaign fund, a candidate shall agree by stating in writing to the board that (a) his expenditures and approved expenditures shall not exceed the expenditure limits as set forth in section 10A.25 and that (b) he shall not accept contributions or allow approved expenditures to be made on his behalf for the period beginning with January 1 of the election year or with the registration of his principal campaign committee, whichever occurs later, and ending December 31 of the election year, which aggregate contributions and approved expenditures exceed the difference between the amount which may legally be expended by him or on his behalf, and the amount which he receives from the state elections campaign fund. The agreement, insofar as it relates to the expenditure limits set forth in section 10A.25, remains effective until the dissolution of the principal campaign committee of the candidate or the opening of filings for the next succeeding election to the office held or sought at the time of agreement, whichever occurs first. ~~Beginning in 1980, Money in the account of the principal campaign committee of a candidate on January 1 of the election year for the office held or sought shall be considered contributions accepted by that candidate in that year for the purposes of this subdivision. Notwithstanding the effective date of this section, for 1978, the period for determining the aggregate contribution and approved expenditure limit agreed to pursuant to this subdivision shall begin January 1, 1978. That amount of all contributions accepted by a candidate in an election year which equals the amount of noncampaign disbursements and contributions and expenditures to promote or defeat a ballot question which are made by that candidate in that year, and the amount of contributions received and approved expenditures made between January 1, 1978, and February 28, 1978 which equals the amount of expenditures made between January 1, 1978, and February 28, 1978, for goods consumed and services used before February 28, 1978, shall not count toward the aggregate contributions and approved expenditure limit imposed by this subdivision. Any amount by which his aggregate contributions and approved expenditures agreed to under clause (b) exceed the difference shall be returned to the state treasurer in the manner provided in subdivision 2. In no case shall the amount returned exceed the amount received from the state elections campaign fund.~~

The candidate may submit his signed agreement to the filing officer on the day he files his affidavit of candidacy or petition to appear on the ballot, or he may submit the agreement to the board no later than September 1.

The board prior to the first day of filing for office shall forward forms for the agreement to all filing officers. The filing officer shall without delay forward signed agreements to the board. An agreement may not be rescinded after September 1.

For the purposes of this subdivision only, the total amount to be distributed to each candidate is calculated to be his share of the total estimated funds in his party account as provided in subdivision 3a, plus the total amount estimated as provided in subdivision 3a to be in the general account of the state elections campaign fund and set aside for that office divided by the number of candidates whose names are to appear on the general election ballot for that office. If for

any reason the amount actually received by the candidate is greater than his share of the estimate, and his contributions thereby exceed the difference, the agreement shall not be considered violated.

Sec. 13. Minnesota Statutes 1978, Section 210A.26, Subdivision 3, is amended to read:

Subd. 3. **STATEMENTS OF POLITICAL COMMITTEES.** Statements shall also be made by any political committee showing the total amount of receipts and disbursements, and for what purpose such disbursements were made. Such statement shall be filed within 30 days after any primary, municipal, or general election:

(a) When the committee is organized to support a candidate for a federal office with the filing officer of such candidate;

(b) When the committee is organized to support a candidate for a judicial district or county office with the auditor of the county in which such committee has its headquarters;

~~(c) When the committee is organized to support or oppose any constitutional amendment with the secretary of state;~~

~~(d) When the committee is organized to support a candidate for municipal office in municipalities having more than 20,000 population or to support or oppose propositions in elections in such municipalities with the filing officer of the municipality.~~

Sec. 14. Minnesota Statutes 1978, Section 210A.26, is amended by adding a subdivision to read:

Subd. 6. **BALLOT QUESTIONS.** Any individual, political committee, association or corporation that makes any contribution or expenditure to promote or defeat a ballot question shall file reports as required by this subdivision. Reports shall be filed at the times required for filing financial statements under subdivision 1. Reports shall be filed with the official responsible for placing the question on the ballot. Each report shall show the following information, covering the period from the last report to seven days before the filing date:

(a) The name and address of each committee, individual, or other person to whom aggregate contributions or expenditures in excess of \$100 have been made to promote or defeat a ballot question, together with the amount, date and purpose of the contribution or expenditure;

(b) The total amount of contributions and expenditures made to promote or defeat a ballot question; and

(c) Identification of the ballot question which the individual, political committee, association or corporation seeks to promote or defeat.

The secretary of state shall prescribe the form for reports required under this subdivision and may do so without adopting rules pursuant to chapter 15.

Changes or additions indicated by underline deletions by ~~strikeout~~

For the purpose of this subdivision:

(1) "Ballot question" means a question or proposition, other than a ballot question as defined in section 10A.01, subdivision 23, which is placed on the ballot and which may be voted on by the voters of one or more political subdivisions of the state; and

(2) A contribution or expenditure for activities related to qualifying a question for placement on the ballot is a contribution or expenditure to promote or defeat the ballot question.

Sec. 15. Minnesota Statutes 1978, Section 210A.34, Subdivision 1, is amended to read:

**210A.34 CORPORATIONS NOT TO CONTRIBUTE TO POLITICAL CAMPAIGN; PERMITTED ACTIVITIES; REPORTS; PENALTIES.** Subdivision 1. It shall be unlawful for any corporation doing business in this state to ~~pay or contribute or make any contribution or to offer, consent or agree to pay or contribute~~ make any contribution, directly or indirectly, of any money, property, free service of its officers or employees or thing of value to any political party, organization, committee or individual ~~for any political purpose whatsoever, or to promote or defeat the candidacy of any person for nomination, election, or appointment to any political office.~~ For the purpose of this subdivision, "contribution" includes an expenditure to promote or defeat the election or nomination of any candidate to any political office which is made with the authorization or expressed or implied consent of, or in cooperation or in concert with, or at the request or suggestion of a candidate, his principal campaign committee or his agent.

Sec. 16. Minnesota Statutes 1978, Section 210A.34, is amended by adding a subdivision to read:

Subd. 1a. It shall be unlawful for any corporation doing business in this state to make any independent expenditure or to offer, consent or agree to make any independent expenditure to promote or defeat the candidacy of any person for nomination, election or appointment to any political office. For the purpose of this subdivision, "independent expenditure" means an expenditure which is not made with the authorization or expressed or implied consent of, or in cooperation or concert with, or at the request or suggestion of, a candidate, his principal campaign committee or his agent.

Sec. 17. Minnesota Statutes 1978, Section 210A.34, is amended by adding a subdivision to read:

Subd. 1b. A corporation doing business in this state may make contributions or expenditures to promote or defeat a ballot question, to qualify a question for placement on the ballot, or to express its views on issues of public concern. But no such contribution shall be made to any candidate for nomination, election or appointment to a political office or to any committee organized wholly or partly to promote or defeat such a candidate.

Sec. 18. Minnesota Statutes 1978, Section 210A.34, is amended by adding a subdivision to read:

Subd. 1c. Nothing in this section shall be construed to prohibit publication or broadcasting of news items or editorial comments by the news media.

Sec. 19. **EFFECTIVE DATE.** This article is effective the day following final enactment.

#### ARTICLE XVIII GASOHOL

Section 1. Minnesota Statutes 1978, Section 296.01, is amended by adding a subdivision to read:

Subd. 24. AGRICULTURAL ALCOHOL GASOLINE. "Agricultural alcohol gasoline" means a gasoline blend at least ten percent of which is agricultural ethyl alcohol of at least 190 proof.

Sec. 2. Minnesota Statutes 1978, Section 296.02, is amended by adding a subdivision to read:

Subd. 7. TAX REDUCTION FOR AGRICULTURAL ALCOHOL GASOLINE. The tax on gasoline imposed by subdivision 1 shall be reduced by four cents per gallon for gasoline which is agricultural alcohol gasoline as defined in section 1, which is blended by a distributor with alcohol distilled in this state from agricultural products produced in this state, and which is used in producing and generating power for propelling motor vehicles used on the public highways of this state. The tax imposed by this subdivision shall be payable at the same time, and collected in the same manner, as the tax imposed by subdivision 1. The reduction in gasoline taxes imposed by this subdivision shall expire on December 31, 1984.

Sec. 3. **EFFECTIVE DATE.** This article is effective May 1, 1980.

#### ARTICLE XIX MISCELLANEOUS

Section 1. Minnesota Statutes 1978, Section 10.39, Subdivision 1, is amended to read:

**10.39 LOANS, DUES; DEDUCTIONS FROM SALARIES.** Subdivision 1. The heads of the various departments of the government of the state of Minnesota are hereby authorized, by and with the written consent of any employee of any state department, to deduct from the salary of such employee such sum or sums as may be agreed to by such employee for the payment of any moneys to any state employees' credit union, or the Minnesota Benefit Association or to any organization contemplated by the provisions of section 179.65, of which the employee is a member; provided, that where an employee is a member of more than one such credit union or more than one such organization, only one credit union and one organization may be paid money by payroll deduction from the employee's salary; and provided further, that no deduction shall be made from the salary of any state employee for payment to any credit union or organi-

zation hereinbefore referred to unless there are at least 100 state employees who have deductions made from their salaries for payment to such credit union or organization. Provided however, that the above noted numerical requirement shall not apply to present and prospective members of credit unions and organizations which received authorized payroll deduction payments on the effective date of this act.

Sec. 2. Minnesota Statutes 1978, Section 117.155, is amended to read:

**117.155 PAYMENTS; PARTIAL PAYMENT PENDING APPEAL.** Except as otherwise provided herein payment of damages awarded may be made or tendered at any time after the filing of the report; and the duty of the petitioner to pay the amount of any award or final judgment upon appeal shall, for all purposes, be held and construed to be full and just compensation to the respective owners or the persons interested in the lands. If either the petitioner or any respondent appeals from an award, the respondent or respondents, if there is more than one, except encumbrancers having an interest in the award which has been appealed, may demand of the petitioner a partial payment of the award pending the final determination thereof, and it shall be the duty of the petitioner to comply with such demand and to promptly pay the amount demanded but not in excess of an amount equal to three-fourths of the award of damages for the parcel which has been appealed, less any payments made by petitioner pursuant to section 117.042; provided, however, that the petitioner may by motion after due notice to all interested parties request, and the court may order, reduction in the amount of the partial payment for cause shown. If an appeal is taken from an award the petitioner may, but it cannot be compelled to, pay the entire amount of the award pending the final determination thereof. If any respondent or respondents having an interest in the award refuses to accept such payment the petitioner may pay the amount thereof to the clerk of district court to be paid out under direction of the court. A partial or full payment as herein provided shall not draw interest from the condemnor from the date of payment or deposit, and upon final determination of any appeal the total award of damages shall be reduced by the amount of the partial or full payment. If any partial or full payment exceeds the amount of the award of compensation as finally determined, the petitioner shall have a claim against the respondents receiving such payment for the amount thereof, to be recoverable in the same manner as in any civil action.

Sec. 3. Minnesota Statutes 1978, Section 296.14, is amended by adding a subdivision to read:

**Subd. 4. PAYMENT AND TRANSFER OF TAX ON ETHYL ALCOHOL FOR PERSONAL USE.** Notwithstanding the provisions of this section, the producer of ethyl alcohol which is produced for personal use and not for sale in the usual course of business shall report and pay the tax on all ethyl alcohol delivered into the supply tank of a licensed motor vehicle during the preceding calendar year. The tax shall be reported and paid together with the income tax return of the taxpayer. The commissioner of revenue shall transfer the amount collected in each calendar year to the highway user tax distribution fund by March

Changes or additions indicated by underline deletions by ~~strikeout~~

30 of the following taxable year. Any producer, qualifying under this subdivision, shall be exempt from the licensing requirements contained in section 296.01, subdivision 1.

Sec. 4. Minnesota Statutes 1978, Section 297.03, Subdivision 6, is amended to read:

Subd. 6. **TAX METER MACHINES.** (1) The commissioner may authorize any person licensed as a distributor to stamp packages with a tax meter machine, approved by him, which shall be provided by the distributor. He may provide for the use of such a machine by the distributor, supervise and check its operation, provide for the payment of the tax on any package so stamped, subject to the discount provided in subdivision 5, and in that connection require the furnishing of a corporate surety bond in a suitable amount to guarantee the payment of the tax.

(2) The commissioner may authorize any person licensed as a distributor to stamp packages with a heat-applied tax stamping machine, approved by him, which shall be provided by the distributor. The commissioner shall supervise and check the operation of the machines and shall provide for the payment of the tax on any package so stamped, subject to the discount provided in subdivision 5. The commissioner may sell heat-applied stamps on a credit basis under conditions prescribed by him, and in that connection require the furnishing of a corporate surety bond in an amount suitable to guarantee payment of the tax stamps so purchased by a distributor. The stamps shall be sold by the commissioner at a price which includes the tax after giving effect to the discount provided in subdivision 5.

Sec. 5. Minnesota Statutes 1978, Chapter 298, is amended by adding a section to read:

**[298.75] GRAVEL REMOVAL; PRODUCTION TAX.** Subdivision 1. A county may impose upon every person, firm, corporation or association, hereafter referred to as "operator," engaged in the business of removing gravel for sale from gravel pits or deposits, a production tax in an amount not to exceed ten cents per cubic yard of gravel removed.

Subd. 2. On October 1, 1980, and thereafter on the first day of each calendar quarter in each county in which a tax is imposed pursuant to this section, every operator shall make and file with the county auditor of the county in which the gravel is removed, a correct report under oath, in such form and containing such information as the auditor shall require relative to the quantity of gravel removed during the preceding calendar quarter. The report shall be accompanied by a remittance of the amount of tax due.

Subd. 3. If any operator fails to make the report required by subdivision 2 or files an erroneous report, the county auditor shall determine the amount of tax due and notify the operator by registered mail of the amount of tax so determined. An operator may, within 30 days from the date of mailing the notice, file in the office of the county auditor a written statement of objections to the amount

of taxes determined to be due. The statement of objections shall be deemed to be a petition within the meaning of Minnesota Statutes, Chapter 278, and shall be governed by sections 278.02 to 278.13.

Subd. 4. Failure to file the report shall result in a penalty of \$5 for each of the first 30 days, beginning on the 14th day after the date when the county auditor has sent notice to the taxpayer as provided in subdivision 3, during which the report is overdue and no statement of objection has been filed. For each subsequent day during which the report is overdue and no statement of objection has been filed, a penalty of \$10 shall be assessed against the person who is required to file the report. The penalties imposed by this subdivision shall be collected as part of the tax. If neither the report nor a statement of objection has been filed after more than 60 days have elapsed from the date when the notice was sent, the person who is required to file the report is guilty of a misdemeanor.

Subd. 5. It is a misdemeanor for any operator to remove gravel from a pit or deposit unless all taxes due under this section have been paid or objections thereto have been filed pursuant to subdivision 3.

Subd. 6. All moneys collected as taxes under this section shall be deposited in the county treasury and credited as follows, for expenditure by the county board:

(a) Sixty percent to the county road and bridge fund for expenditure for the maintenance, construction and reconstruction of roads traveled by vehicles hauling gravel;

(b) Thirty percent to the town road and bridge fund, for expenditure for maintenance, construction and reconstruction of roads traveled by vehicles hauling gravel, in a manner determined by the county; and

(c) Ten percent to a special reserve fund which is hereby established, for expenditure for the restoration of abandoned gravel pits or deposits upon lands to which the county holds title or upon tax forfeited lands within the county.

Sec. 6. Minnesota Statutes 1978, Chapter 298, is amended by adding a section to read:

[298.76] LOCAL LAWS, APPLICATION. Section 5 shall not supersede any local law.

Sec. 7. [340.435] FARM WINERY LICENSES. Subdivision 1. For purposes of this section and of section 8:

(a) "Farm winery" means a winery operated by the owner of a Minnesota farm and producing table or sparkling wines from grapes, grape juice, other fruit bases or honey with a majority of the ingredients grown or produced in Minnesota.

(b) "Table or sparkling wines" means a beverage made without rectification or fortification and containing not more than 25 percent of alcohol by volume and made by the fermentation of grapes, grape juice, other fruits or honey.

Changes or additions indicated by underline deletions by ~~strikeout~~

Subd. 2. The commissioner of public safety may issue a farm winery license to the owner or operator of a farm winery located within the state and producing table or sparkling wines. Licenses shall be issued and renewed on an annual basis upon payment of a fee of \$25, which shall be in lieu of all other license fees required by Minnesota Statutes, Chapter 340.

Subd. 3. A license shall authorize the sale on the farm winery premises of table or sparkling wines produced by that farm winery at on-sale or off-sale in retail or wholesale lots, in total quantities not in excess of 50,000 gallons in any calendar year, glassware, wine literature and accessories, and the dispensing of free samples of the wines offered for sale. Sales at on-sale and off-sale may be made on Sundays between 12 o'clock noon and 12 o'clock midnight. Labels for each type or brand produced shall be registered with the commissioner, without fee, prior to the sale thereof.

Subd. 4. Except as otherwise specified in this section, all provisions of Minnesota Statutes, Chapter 340 shall govern the production, sale, possession and consumption of table or sparkling wines produced by a farm winery.

Subd. 5. If Minnesota produced or grown grapes, grape juice, other fruit bases or honey is not available in quantities sufficient to constitute a majority of the table or sparkling wine produced by a farm winery, the holder of the farm winery license may file an affidavit stating this fact with the commissioner of public safety. If the commissioner determines, after consultation with the commissioner of agriculture, this to be true, the farm winery may use imported products and shall continue to be governed by the provisions of this section and section 8. The affidavit is effective for a period of one year, after which time the farm winery shall use the required amount of Minnesota products as provided by subdivision 1 unless the farm winery holder files a new affidavit with the commissioner.

Sec. 8. [340.436] TAXATION. In lieu of all taxes imposed by Minnesota Statutes, Section 340.47, there shall be levied and collected on all table or sparkling wines manufactured or produced by a Minnesota farm winery, the following excise tax:

(a) Wines containing 14 percent or less of alcohol by volume, the sum of four cents per liter;

(b) Wines containing more than 14 percent of alcohol by volume, the sum of 13 cents per liter.

Payment and collection of taxes imposed by this section shall be governed by Minnesota Statutes, Chapter 340.

Sec. 9. Minnesota Statutes 1978, Section 340.47, Subdivision 1, is amended to read:

340.47 EXCISE TAX. Subdivision 1. ON INTOXICATING LIQUORS. There shall be levied and collected on all intoxicating liquors manufactured, imported, sold or in possession of any person in this state, except as herein

Changes or additions indicated by underline deletions by ~~strikeout~~



provided by sections 340.50 and 340.601, and except the natural fermentation of fruit juices in the home for family use the following excise tax:

(1) On all table wine containing 14 percent or less of alcohol by volume, the sum of 27 cents per gallon;

(2) On all wines containing more than 14 percent and not exceeding 21 percent of alcohol by volume, the sum of 79 cents per gallon;

(3) On all wines containing more than 21 percent and not exceeding 24 percent of alcohol by volume, the sum of \$1.58 per gallon;

(4) On all wines containing more than 24 percent of alcohol by volume, the sum of \$3.08 per gallon;

(5) On all natural and artificial sparkling wines containing alcohol, the sum of ~~\$3.08~~ \$1.50 per gallon;

(6) On all other distilled spirituous liquors, liqueurs, cordials, and liquors designated as specialties regardless of alcoholic content, the sum of \$4.39 per gallon, but not including ethyl alcohol; provided, that in computing the tax on any package of spirits a proportional tax at a like rate on all fractional parts of a gallon shall be paid except that all fractional parts of a gallon less than 1/16 shall be taxed at the same rate as shall be taxed for 1/16 of a gallon; provided, however, that the contents of miniatures containing two fluid ounces or less shall be taxed 12 cents.

Sec. 10. Minnesota Statutes 1978, Section 340.47, Subdivision 1a, is amended to read:

Subd. 1a. **METRIC CONTAINERS.** In lieu of the tax imposed by subdivision 1, there shall be levied and collected on all intoxicating liquors manufactured, imported, sold or in possession of any person in this state when packaged in containers where the net contents is stated in metric units of measure, except as herein provided by sections 340.50 and 340.601, and except the natural fermentation of fruit juices in the home for family use the following excise tax:

(1) On all table wine containing 14 percent or less of alcohol by volume, the sum of seven cents per liter;

(2) On all wines containing more than 14 percent and not exceeding 21 percent of alcohol by volume, the sum of 21 cents per liter;

(3) On all wines containing more than 21 percent and not exceeding 24 percent of alcohol by volume, the sum of 42 cents per liter;

(4) On all wines containing more than 24 percent of alcohol by volume, the sum of 81 cents per liter;

(5) On all natural and artificial sparkling wines containing alcohol, the sum of ~~81~~ 40 cents per liter;

(6) On all other distilled spirituous liquors, liqueurs, cordials, and liquors designated as specialties regardless of alcoholic content, the sum of \$1.16 per liter, but not including ethyl alcohol; provided, that in computing the tax on any package of intoxicating liquors where the net contents is stated in metric units of measure, a proportional tax at a like rate on all fractional or multiple parts of a liter shall be paid, provided, however, that the contents of miniatures containing 50 milliliters or less shall be taxed 12 cents.

Sec. 11. Minnesota Statutes, 1979 Supplement, Section 471.665, Subdivision 1, is amended to read:

471.665 **MILEAGE ALLOWANCES.** Subdivision 1. The maximum amount which shall be paid by any county, home rule charter or statutory city, town, or school district, to any officer or employee as compensation or reimbursement for the use by the officer or employee of his own automobile in the performance of his duties shall be set by the town board or other governing body of the unit in an amount not exceeding that provided to be determined by the commissioner of personnel for state officers and employees the governing body.

Sec. 12. Minnesota Statutes 1978, Section 471.665, Subdivision 3, is amended to read:

Subd. 3. In lieu of the mileage allowance provided in subdivision 1, the governing body or town board of any city, county, town, or school district may pay any officer or employee thereof as compensation or reimbursement for the use by such the officer or employee of his own automobile in the performance of his official duties such mileage allowances as the governing body or town board may prescribe and may provide a monthly or periodic allowance in lieu of mileage; but no such allowance in lieu of mileage shall be paid to the members of such the governing body or town board except as otherwise provided by special law or home rule charter.

Sec. 13. **REPEALER.** Minnesota Statutes, 1979 Supplement, Section 340.47, Subdivision 1b, is repealed.

Sec. 14. **APPROPRIATION.** The sum of \$30,000 is appropriated annually from the general fund in the state treasury to the commissioner of revenue for the purchase of heat-applied stamps. \* Section 14 was vetoed by the governor.

Sec. 15. **EFFECTIVE DATE.** Section 2 applies to all partial payments on deposit with the court on its effective date and to partial payments deposited thereafter. Sections 5 and 6 are effective for gravel removed from pits or deposits after June 30, 1980.

## ARTICLE XX DEPARTMENT APPROPRIATIONS

Section 1. **APPROPRIATION.** There is appropriated from the general fund to the commissioner of revenue for the purpose of funding the study of railroad gross earnings taxes, the amount of \$150,000 for fiscal year 1980. This amount shall be reduced by any amount otherwise appropriated for this purpose during this legislative session.

Changes or additions indicated by underline deletions by ~~strikeout~~

Sec. 2. **APPROPRIATION.** There is appropriated from the general fund to the commissioner of revenue for the purpose of implementing tax changes in Laws 1979, Chapter 303, the amount of \$92,600 for fiscal year 1980 and \$92,600 for fiscal year 1981. This amount shall be reduced by any amount otherwise appropriated for this purpose during this legislative session.

Sec. 3. **APPROPRIATION.** There is appropriated from the general fund to the commissioner of revenue the amount of \$100,000 to be available through June 30, 1981. This appropriation is for the purpose of implementing the sales ratio study design recommendations made in the 1980 legislative report entitled "Property Tax Equalization in Minnesota: A Review of the Sales Ratio Study."

Notwithstanding any law to the contrary, the commissioner of revenue may negotiate with private consultants for the development of the sales ratio study system.

The recommended design changes shall be used in computing the 1980 adjusted assessed valuations as provided in Minnesota Statutes 1978, Section 124.212, Subdivision 10, Clause (a) and they shall be completed by March 15, 1981. The revenue department shall also compute the 1980 adjusted assessed valuations using the same methodology as had been used for the previous year's valuations and shall report them to the legislature by March 15, 1981. The commissioner of revenue shall report his progress to the legislature in the development of this sales ratio system by July 1, 1980; October 1, 1980; and January 15, 1981. This appropriation shall be reduced by any amount otherwise appropriated for this purpose during this legislative session.

Approved April 23, 1980

\* See the amendment to Article XII, Section 9 in Laws 1980, Chapter 615, Section 64.

## CHAPTER 608—H.F.No. 8

*An act relating to taxation; gasoline tax; increasing the tax on gasoline; prohibiting use of proceeds of gas tax for access routes to the metropolitan sports facility; amending Minnesota Statutes 1978, Section 296.02, Subdivision 1; and Minnesota Statutes, 1979 Supplement, Section 473.596.*

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

Section 1. Minnesota Statutes 1978, Section 296.02, Subdivision 1, is amended to read:

296.02 **GASOLINE, EXCISE TAX.** Subdivision 1. **TAX IMPOSED FOR MOTOR VEHICLE USE.** There is hereby imposed an excise tax of ~~nine~~ **11** cents per gallon on all gasoline used in producing and generating power for propelling motor vehicles used on the public highways of this state. This tax shall be payable at the times, in the manner, and by persons specified in this chapter.

Changes or additions indicated by underline deletions by ~~strikeout~~