

apply to an emergency jobs program established under the authority of this section. Service in a St. Louis County emergency jobs program shall not constitute employment under Minnesota Statutes, chapter 268, but shall come within the exclusion established in Minnesota Statutes, section 268.04, subdivision 12, clause (10)(d), and St. Louis County shall not be liable for contributions to the unemployment compensation fund for participants of an emergency jobs program.

Sec. 2. LOCAL APPROVAL.

Section 1 is effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the St. Louis County board.

Approved April 25, 1984

CHAPTER 502 — H.F.No. 2016

An act relating to financing and operation of government in this state; increasing the budget reserve account; repealing the income tax surtax; providing a tax amnesty; increasing the school agricultural credit; providing for distribution of proceeds from Minnesota breeders fund; changing notice provisions and qualifying debts under the revenue recapture capture act; clarifying the application of the mortgage registry tax to revolving lines of credit; changing refund procedure of motor fuels tax; abolishing the excise tax on boxing; changing the maximum property tax levy of Duluth port authority; exempting hot water heating from St. Paul franchise tax; giving certain powers to the Ramsey-Washington metro watershed district; creating the Croft Historical Park board; giving the city of Cloquet power to contract and levy for public transportation; providing for the conveyance of certain lands in St. Louis County and Morrison County; authorizing levy limit increases for the cities of Breezy Point and Oakdale; abolishing rent capitalization and providing for study by the department of revenue; imposing requirements for disaster relief property tax credits; changing certain assessment ratios; changing eligibility for certain assessment ratios; changing homestead classification treatment; changing property tax statement requirements; delaying imposition of a property tax penalty; providing for notice of sale of certain tax forfeited lands; changing computation of payments in lieu; requiring tax clearance prior to issuance of certain licenses; restoring local government aid payments for 1984; modifying the computation formula for local government aids; providing for a local government aids study commission; changing designation and funding for enterprise zones; changing procedures and eligibility for certain business income tax credits; allowing or increasing income tax deductions for certain dividends and royalties; restricting tax exemptions for redevelopment companies; providing grants for plant expansions; adjusting the computation of taxes on taconite and iron ore and authorizing certain refunds and credits; modifying distributions from the proceeds of the taconite tax; changing computation of agricultural, homestead, and taconite homestead credits; allowing taxing districts to levy for certain purposes; changing the definition of political party for purposes of the political contribution credit; changing the income tax pension exclusion; altering certain gross income modifications; increasing the tuition deduc-

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tion; providing for the adjustment of income under the farm loss modification; providing for the determination of sales within the state for income tax purposes; changing or eliminating withholding on parimutuel winnings and purses; reenacting rental registration provisions; establishing an agricultural resource loan guaranty program; regulating charitable gambling; requiring prompt payment by state agencies; providing that certain admission taxes are discretionary with the metropolitan sports facilities commission; changing certain transfers to the education aids increase account; exempting sales of candy by nonprofit youth organizations from the sales tax; changing certain provisions relating to sales ratios and property tax appeals; including logging equipment in the definition of farm machinery; providing a reduced sales tax rate on capital equipment and special tooling; exempting hot water and certain manufactured homes from the sales tax; exempting certain vehicles used in interstate commerce; providing that sales of certain leased vehicles are not exempt; simplifying hydropower lease procedures; clarifying certain exempt land; modifying the definition of wetlands; extending availability of confession of judgment procedures to certain nonhomestead property; modifying and extending the targeting credit for certain years; providing property tax reimbursement for certain transit levies; changing certain procedures for valuing railroad property; providing certain refunds for railroad abatements; appropriating money; amending Minnesota Statutes 1982, sections 10A.31, subdivisions 3a and 5; 105.482, subdivisions 8 and 9; 124.2131, subdivision 1; 270.04, subdivision 2; 270.80, subdivision 4; 270.84, subdivision 1; 270.86; 270.87; 270A.03, subdivision 5; 270A.08, subdivisions 1 and 2; 271.01, subdivision 5; 271.06, subdivision 6; 272.02, by adding a subdivision; 273.123, by adding subdivisions; 273.13, subdivision 19; 273.135, subdivisions 2 and 5; 273.1391, subdivisions 2 and 4; 273.19, by adding a subdivision; 279.37, subdivisions 1 and 3; 287.05, by adding subdivisions; 290.06, by adding a subdivision; 290.08, by adding a subdivision; 290.19, subdivision 1a; 290.21, by adding a subdivision; 290.61; 290A.04, by adding a subdivision; 295.44, subdivision 1; 296.18, subdivisions 3 and 8; 297A.01, subdivision 15, and by adding subdivisions; 297A.15, by adding a subdivision; 297A.44, subdivision 1; 297B.035, subdivision 3; 298.01; 298.02, subdivision 1; 298.031, subdivision 2; 298.225; 298.24, subdivision 1, and by adding a subdivision; 298.40, by adding a subdivision; 299.012, subdivision 1; 341.05; 349.11; 349.12; 349.13; 349.14; 349.15; 349.16; 349.17; 349.18; 349.19; 349.20; 349.21; 349.22; 349.31, subdivision 1; 362A.01, subdivision 1; 362A.05; 458.14; 462.651, subdivision 1, and by adding a subdivision; 473.595, subdivision 1; 477A.13; Minnesota Statutes 1983 Supplement, sections 16A.15, subdivision 6; 124.2137, subdivision 1; 240.18; 272.02, subdivision 1; 273.11, subdivision 1; 273.13, subdivisions 6, 7, 9, 17, 17b, 17c, and 21; 273.1312, subdivision 4; 273.1314, subdivisions 6, 8, and 15; 275.125, subdivisions 11a, 11b, and 12a; 276.04; 278.01, subdivision 1; 278.05, subdivision 4; 279.01, subdivision 1; 290.01, subdivisions 20a and 20b; 290.06, subdivision 11; 290.069, subdivisions 1, 2, 4, 5, and by adding subdivisions; 290.089, subdivision 2; 290.09, subdivision 29; 290.18, subdivision 2; 290.21, subdivision 4; 290.92, subdivisions 27 and 28; 290A.04, subdivisions 2e and 2f; 296.14, subdivision 4; 296.18, subdivision 1; 297A.02, subdivision 2, and by adding a subdivision; 297A.14; 297A.25, subdivision 1; 297B.03; 298.28, subdivision 1; 340.14, subdivision 2; 473.446, subdivision 1; 477A.013, subdivisions 1 and 2; 477A.0131, subdivision 1; 609.75, subdivision 3; 609.761; amending Laws 1979, chapter 189, section 2; Laws 1982, Second Special Session, chapter 2, sections 12, as amended, and 14, as amended; Laws 1983, chapter 342, article 1, section 44; 1984 Regular Session, H.F. No. 1393, article 9, section 9; proposing new law coded as Minnesota Statutes, chapter 41A; proposing new law coded in Minnesota Statutes, chapters 16A; 270; 282; 349;

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362A; 507; 508; repealing Minnesota Statutes 1982, sections 270.051; 290.06, subdivision 13; 295.44, subdivisions 2, 3, and 4; 349.26; 462.651, subdivision 2; Minnesota Statutes 1983 Supplement, sections 273.11, subdivision 7; 290.06, subdivision 2e; 462.651, subdivision 3; 477A.0131, subdivision 2; and 477A.03, subdivision 2; Laws 1983, chapter 342, article 1, section 8.

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

ARTICLE 1

BUDGET RESERVE

Section 1. Minnesota Statutes 1983 Supplement, section 16A.15, subdivision 6, is amended to read:

Subd. 6. **BUDGET RESERVE ACCOUNT.** A budget reserve account is created in the general fund in the state treasury. The commissioner of finance on July 1, 1983, shall transfer \$250,000,000 to a the budget reserve account in the general fund in the state treasury. The commissioner of finance on July 1, 1984, shall transfer an additional \$125,000,000 to the budget reserve account in the general fund. The amounts transferred shall remain in the budget reserve account until expended under subdivision 1.

ARTICLE 2

INCOME TAX

Section 1. Minnesota Statutes 1982, section 10A.31, subdivision 3a, is amended to read:

Subd. 3a. A minor political party as defined in section 10A.01, subdivision 13 qualifies for inclusion on the income tax form and property tax refund return as provided in subdivision 3, provided that

(1) (a) if a petition is filed, it is filed by June 1 of the taxable year; or

(b) if the party ran a candidate for statewide office, that office must have been the office of governor and lieutenant governor, secretary of state, state auditor, state treasurer, or attorney general; and

(2) the secretary of state certifies to the commissioner of revenue by July 1, 1984, and by July 1 of every odd-numbered year thereafter the parties which qualify as minor political parties under this subdivision.

A minor party shall be certified only if the secretary of state determines that the party satisfies the following conditions:

(a) the party meets the requirements of section 10A.01, subdivision 13, and in the last applicable election ran a candidate for the statewide offices listed in clause (1)(b) of this subdivision;

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(b) it is a political party, not a principal campaign committee;

(c) it has held a state convention in the last two years, adopted a state constitution, and elected state officers; and

(d) an officer of the party has filed with the secretary of state a certification that the party held a state convention in the last two years, adopted a state constitution, and elected state officers.

Sec. 2. Minnesota Statutes 1982, section 10A.31, subdivision 5, is amended to read:

Subd. 5. In each calendar year the moneys in each party account and the general account shall be allocated to candidates as follows:

(1) 21 percent for the offices of governor and lieutenant governor together;

(2) 3.6 percent for the office of attorney general;

(3) 1.8 percent each for the offices of secretary of state, state auditor and state treasurer;

(4) In each calendar year during the period in which state senators serve a four year term, 23-1/3 percent for the office of state senator and 46-2/3 percent for the office of state representative;

(5) In each calendar year during the period in which state senators serve a two year term, 35 percent each for the offices of state senator and state representative;

(6) To assure that moneys will be returned to the counties from which they were collected, and to assure that the distribution of those moneys rationally relates to the support for particular parties or for particular candidates within legislative districts, moneys from the party accounts for legislative candidates shall be distributed as follows:

Each candidate for the state senate and state house of representatives whose name is to appear on the ballot in the general election shall receive moneys from his party account set aside for candidates of the state senate or state house of representatives, whichever applies, according to the following formula;

For each county within his district the candidate's share of the dollars allocated in that county to his party account and set aside for that office shall be:

(a) The sum of the votes cast in the last general election in that part of the county in his district for all candidates of his party (i) whose names appeared on the ballot in each voting precinct of the state and (ii) for the state senate and state house of representatives, divided by

(b) The sum of the votes cast in that county in the last general election for all candidates of his party (i) whose names appeared on the ballot in each voting

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precinct in the state and (ii) for the state senate and state house of representatives, multiplied by

(c) The amount in his party account allocated in that county and set aside for the candidates for the office for which he is a candidate.

The sum of all the county shares calculated in the formula above is the candidate's share of his party account.

In a year in which an election for the state senate occurs, with respect to votes for candidates for the state senate only, "last general election" means the last general election in which an election for the state senate occurred.

For any party under whose name no candidate's name appeared on the ballot in each voting precinct in the state in the last general election, "last general election" means the last general election in which the name of a candidate of that party appeared on the ballot in each voting precinct in the state amounts in the party's account shall be allocated based on (a) the number of people voting in the last general election in that part of the county in his district, divided by (b) the number of the people voting in that county in the last general election, multiplied by (c) the amount in his party account allocated in that county and set aside for the candidates for the office for which he is a candidate.

Sec. 3. Minnesota Statutes 1983 Supplement, section 290.01, subdivision 20a, is amended to read:

Subd. 20a. **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 other state exempt from federal income taxes under the Internal Revenue Code of 1954;

(2) 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;

(3) 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;

(4) 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;

(5) The amount of any increase in the taxpayer's federal tax liability under section 47 of the Internal Revenue Code of 1954 to the extent of the credit under section 38 of the Internal Revenue Code of 1954 that was previously allowed as a deduction under Minnesota Statutes 1982, section 290.01, subdivision 20b, clause (7);

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

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

(8) 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;

(9) To the extent deducted in computing the taxpayer's federal adjusted gross income for the taxable year, losses 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;

(10) Interest income from qualified scholarship funding bonds as defined in section 103(e) of the Internal Revenue Code of 1954, if the nonprofit corporation is domiciled outside of Minnesota;

(11) Exempt-interest dividends, as defined in section 852(b)(5)(A) of the Internal Revenue Code of 1954, not included in federal adjusted gross income pursuant to section 852(b)(5)(B) of the Internal Revenue Code of 1954, except for that portion of 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;

(12) The amount of any excluded gain 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;

(13) 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 40 percent of the portion of the gain. This modification is limited to property that qualified for the equity investment credit contained in section 290.069, subdivision 4, and to property acquired in exchange for the release of the taxpayer's marital rights contained in section 290.14, clause (7);

(14) 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;

(15) To the extent deducted in computing the taxpayer's federal adjusted gross income, interest, taxes and other expenses which are not allowed under section 290.10, clause (9) or (10);

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(16) The deduction for two-earner married couples provided in section 221 of the Internal Revenue Code of 1954;

(17) Losses from the business of mining as defined in section 290.05, subdivision 1, clause (a) which is not subject to the Minnesota income tax;

(18) Expenses and depreciation attributable to property subject to Laws 1982, chapter 523, article 7, section 3 which has not been registered;

(19) The amount of contributions to an individual retirement account, including a qualified voluntary employee contribution, simplified employee pension plan, or self-employed retirement plan which is allowed under sections 311 and 312 of Public Law Number 97-34, section 238 of Public Law Number 97-248, and section 103(d)(1)(B) of Public Law Number 97-448 to the extent those contributions were not an allowable deduction prior to the enactment of that law; provided that an individual on whose behalf stock worth less than \$300 is contributed during the taxable year to a tax credit employee stock ownership plan that satisfies the requirements of sections 44G and 409A of the Internal Revenue Code of 1954 shall not be required, as a consequence of that contribution, to include contributions to another plan or account in gross income under this clause to the extent the contributions do not exceed the difference between the value of the stock contributed during the taxable year and \$1,500; and

(20) To the extent not included in the taxpayer's federal adjusted gross income, the amount of any contributions to a qualified pension plan, designated as employee contributions but which the employing unit picks up and which are treated as employer contributions pursuant to section 414(h)(2) of the Internal Revenue Code of 1954, provided that employee contributions to police and fire relief associations that previously were not included within gross income as contributions to organizations qualified under section 501(c)(4) of the Internal Revenue Code of 1954 shall not be included in gross income under this clause.

Sec. 4. Minnesota Statutes 1983 Supplement, section 290.01, subdivision 20b, is amended to read:

Subd. 20b. **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 40 per centum of the portion of the gain. This

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modification shall not be applicable if the difference in basis is due to disallowance of depreciation pursuant to section 290.101.

(3) Income from the performance of personal or professional services which is subject to the reciprocity exclusion contained in section 290.081, clause (a);

(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 or out of state loss carryforwards resulting from the losses, and including any farm loss carryforwards or carrybacks;

(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 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, (ii) as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 404, 405, 408, 409 or 409A of the Internal Revenue Code of 1954, or (iii) severance pay distributed to an individual upon discontinuance of the individual's employment due to termination of business operations by the individual's employer, provided that the termination is reasonably likely to be permanent, involves the discharge of at least 75 percent of the employees at that site within a one-year period, and the business is not acquired by another person who continues operations at that site. The maximum amount of this subtraction shall be \$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. For purposes of this clause, "severance pay" means an amount received for cancellation of an employment contract or a collectively bargained termination payment made as a substitute for income which would have been earned for personal services to be rendered in the future. 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~~

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subtraction shall be \$11,000; ~~this subtraction shall not be reduced by the amount of the individual's federal adjusted gross income in excess of \$17,000~~ Pension income as provided by section 7;

(7) To the extent included in the taxpayer's federal adjusted gross income for the taxable year, gain 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;

(8) 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;

(9) 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 before January 1, 1986 that is guaranteed by the commissioner of agriculture as provided in sections 41.51 to 41.60;

(10) 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 subdivision 20b, clause (6);

(11) 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 subdivision 20b, clause (6);

(12) 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;

(13) 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;

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

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

(16) Interest earned on a contract for deed entered into for the sale of property for agricultural use if the rate of interest set in the contract is no more than nine percent per year for the duration of the term of the contract. This exclusion shall be available only if (1) the purchaser is an individual who, together with his spouse and dependents, has a total net worth valued at less than \$150,000 and (2) the property sold under the contract is farm land as defined in section 41.52, subdivision 6 of no more than 1,000 acres that the purchaser intends to use for agricultural purposes. Compliance with these requirements shall be stated in an affidavit to be filed with the first income tax return on which the taxpayer claims the exclusion provided in this clause. Upon request accompanied by the information necessary to make the determination, the commissioner shall determine whether interest to be paid on a proposed transaction will qualify for this exclusion; the determination shall be provided within 30 days of receipt of the request, unless the commissioner finds it necessary to obtain additional information, or verification of the information provided, in which case the determination shall be provided within 30 days of receipt of the final item of information or verification. The exclusion provided in this clause shall apply to interest earned on contracts for deed entered into after December 31, 1981 and before July 1, 1983;

(17) Income from the business of mining as defined in section 290.05, subdivision 1, clause (a) which is not subject to the Minnesota income tax;

(18) To the extent included in federal adjusted gross income, distributions from a qualified governmental pension plan which represent a return of designated employee contributions to the plan and which contributions were included in gross income pursuant to subdivision 20a, clause (20); and

(19) To the extent included in federal adjusted gross income, distributions from an individual retirement account which represent a return of designated employee contributions if the contributions were included in gross income pursuant to subdivision 20a, clause (19). The distribution shall be allocated first to return of contributions included in gross income until the amount of the contributions has been exhausted.

Sec. 5. Minnesota Statutes 1983 Supplement, section 290.06, subdivision 11, is amended to read:

Subd. 11. **CONTRIBUTIONS TO POLITICAL PARTIES AND CANDIDATES.** A taxpayer may take a credit against the tax due under this chapter of 50 percent of his contributions to candidates for elective state or federal public office and to any political party. The maximum gross credit for an individual shall not exceed \$50 and, for a married couple filing jointly or filing a combined return, shall not exceed \$100. No credit shall be allowed under this

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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. For purposes of this subdivision, a political party means a major political party as defined in section 200.02, subdivision 7, or a minor political party qualifying for inclusion on the income tax or property tax refund form under section 10A.31, subdivision 3a. A major or minor party includes the aggregate of the party organization within each house of the legislature, the state party organization, and the party organization within congressional districts, counties, legislative districts, municipalities, and precincts. A "federal office" means the office of the president or vice president of the United States or the office of United States senator or congressman from Minnesota.

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

Sec. 6. Minnesota Statutes 1982, section 290.06, is amended by adding a subdivision to read:

Subd. 19. CONSERVATION TILLAGE FARM EQUIPMENT; CREDIT. (a) A credit is allowed against the tax imposed by this chapter in an amount equal to ten percent of the net cost of conservation tillage planters.

(b) The credit for a taxable year may not exceed the liability for tax. "Liability for tax" means the tax imposed under this chapter for the taxable year reduced by the sum of any nonrefundable credits allowed under this chapter except the credit provided in section 290.068. The amount of any unused credit for a taxable year shall be a carryback to each of the preceding three taxable years and a carryover to each of the succeeding five taxable years. The entire amount of the credit shall be carried to the earliest of the taxable years to which it may be carried.

(c) For the purposes of sections 290.46 and 290.50, if the claim for refund relates to an overpayment attributable to a carryback under this subdivision, in lieu of the period of limitation prescribed in sections 290.46 and 290.50, the period of limitation shall be that period which ends with the expiration of the 15th day of the 46th month, or the 45th month, in the case of a corporation, following the end of the taxable year in which the credit arises which results in the carryback. With respect to any portion of a credit carryback from a taxable year attributable to a loss carryback from a subsequent taxable year, the period of limitations shall be that period which ends with the expiration of the 15th day of the 46th month, or, in the case of a corporation, the 45th month following the end of the subsequent taxable year. In any case in which a taxpayer is entitled to a refund in a carryback year due to the carryback, interest shall be computed only from the end of the taxable year in which the credit arises. With respect to any portion of a credit carryback from a taxable year attributable to a loss

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carryback from a subsequent taxable year, interest shall be computed from the end of the subsequent taxable year.

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

(1) "Conservation tillage planters" means planters or planting attachments designed and configured in a manner to plant row or small grain crops under a no-till, ridge-till, or strip-till method of conservation tillage.

(2) "No-till" means a conservation tillage system in which the soil is left undisturbed prior to planting and planting is completed in a narrow seedbed approximately one to three inches wide.

(3) "Ridge-till" means a conservation tillage system in which the soil is left undisturbed prior to planting and approximately one-third of the soil surface is tilled at planting with sweeps or row cleaners. Planting is completed on ridges several inches higher than the row middles.

(4) "Strip-till" means a conservation tillage system in which the soil is left undisturbed prior to planting and approximately one-third of the soil surface is tilled at planting using a rototiller, inrow chisel, row cleaner, or other similar conservation tillage equipment.

Sec. 7. Minnesota Statutes 1982, section 290.08, is amended by adding a subdivision to read:

Subd. 26. PENSION INCOME. (a) EXCLUSION. Gross income shall not include the taxpayer's pension income. The maximum amount of this exclusion is the greater of the following two amounts:

(1) \$11,000 reduced by the amount of the taxpayer's federal adjusted gross income in excess of \$17,000; or

(2) \$11,000 reduced by the sum of

(A) social security benefits,

(B) railroad retirement benefits, and

(C) the excess over \$23,000 of federal adjusted gross income, but excluding social security benefits and railroad retirement benefits to the extent included in federal adjusted gross income.

(3) Notwithstanding clauses (1) and (2), in the case of an involuntary lump sum distribution of pension or retirement benefits to volunteer firefighters, the maximum amount of the exclusion is \$11,000. This amount is not subject to reduction for other income of the taxpayer.

(4) Pension income consisting of severance pay qualifies only for the exclusion computed according to paragraph (a), clause (1).

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(b) **DEFINITIONS.** For purposes of this subdivision the following terms have the meanings given:

(1) "Internal Revenue Code" means the Internal Revenue Code of 1954, as amended through December 31, 1983.

(2) "Federal adjusted gross income" is the federal adjusted gross income referred to in section 290.01, subdivision 20, for the current taxable year, and includes the ordinary income portion of a lump sum distribution as defined in section 402(e) of the Internal Revenue Code.

(3) "Pension income" means to the extent included in the taxpayer's federal adjusted gross income the amount received by the taxpayer

(A) 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,

(B) as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 404, 405, 408, 409, or 409A of the Internal Revenue Code, or

(C) severance pay distributed to an individual upon discontinuance of the individual's employment due to termination of business operations by the individual's employer, if the termination is reasonably likely to be permanent, involves the discharge of at least 75 percent of the employees at that site within a one-year period, and the business is not acquired by another person who continues operations at that site.

(4) "Severance pay" means an amount received for cancellation of an employment contract or a collectively bargained termination payment made as a substitute for income which would have been earned for personal services to be rendered in the future.

Sec. 8. Minnesota Statutes 1983 Supplement, section 290.089, subdivision 2, is amended to read:

Subd. 2. **ITEMIZED DEDUCTIONS.** Subject to the provisions of section 290.18, subdivision 1, an amount equal to the amount determined pursuant to section 63(f) of the Internal Revenue Code is allowed with the following adjustments:

(a) Add the amount paid to others not to exceed ~~\$500~~ \$650 for each dependent in grades K to 6 and ~~\$700~~ \$1,000 for each dependent in grades 7 to 12, for tuition, textbooks, and transportation of each dependent in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which

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adheres to the provisions of the Civil Rights Act of 1964 and chapter 363. As used in this clause, "textbooks" includes books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs;

(b) Add the amount of Minnesota and other states' estate or inheritance taxes which were allowed as a deduction under section 290.077, subdivision 4, on income in respect of a decedent;

(c) Add the amount by which the deduction for the taxable year allowed pursuant to subdivision 4 exceeds the amount determined pursuant to section 222 of the Internal Revenue Code;

(d) Subtract income taxes paid or accrued within the taxable year under this chapter;

(e) Subtract income taxes paid to any other state or to any province or territory of Canada if a credit is allowed for the taxes under section 290.081;

(f) If the deduction computed under section 164 of the Internal Revenue Code is not reduced by the amount of the credit or refund allowed under chapter 290A, subtract that amount;

(g) Subtract the amount of interest on investment indebtedness paid or accrued in a taxable year beginning before January 1, 1981, which has been carried forward and is allowed as a deduction in the taxable year under section 163(d) of the Internal Revenue Code;

(h) Subtract the amount of charitable contributions deducted under section 170 of the Internal Revenue Code that (i) exceeds the following limitations: (A) an overall limit of 30 percent of the taxpayer's Minnesota gross income which, for purposes of this paragraph, shall include the ordinary income portion of a lump sum distribution as defined in section 402(e) of the Internal Revenue Code; and (B) the aggregate of contributions to organizations described in section 290.21, subdivision 3, clause (c) shall not exceed 20 percent of the taxpayer's Minnesota gross income; or (ii) was deducted as a carryover under section 170(d) of the Internal Revenue Code.

Sec. 9. Minnesota Statutes 1983 Supplement, section 290.09, subdivision 29, is amended to read:

Subd. 29. **DEDUCTIONS ATTRIBUTABLE TO FARMING.** (a) **DEFINITIONS.** For purposes of this subdivision, income and gains and expenses

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and losses shall be considered as "arising from a farm" if such items are received or incurred in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, including horses for horse racing, bees, poultry, and fur-bearing animals and wildlife, and all operations incident thereto, including but not limited to the common use of "hedging."

(b) **DEDUCTIONS LIMITED.** Except as provided in this subdivision, expenses and losses, except for interest and taxes, arising from a farm shall not be allowed as deductions in excess of income and gains arising from a farm.

(c) **DEDUCTIONS ALLOWED; CARRYOVER DEDUCTIONS.** Expenses and losses arising from a farm or farms shall be allowed as deductions up to the amount of the income and gains arising from a farm or farms in any taxable year, plus the first \$30,000 of nonfarm gross income, or nonfarm taxable net income in the case of a corporation, provided however that in any case where nonfarm income exceeds \$30,000, the maximum allowable amount of \$30,000 shall be reduced by an amount equal to the nonfarm income in excess of \$30,000 multiplied by three. For this purpose and for the purpose of applying the limitation in the following paragraph regarding the application of any carryback or carryforward, the term gross income shall include the ordinary income portion of a lump sum distribution as defined in section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, 1981, and no deduction shall be allowed for two-earner married couples as provided in section 221 of the Internal Revenue Code of 1954, as amended through December 31, 1981. Any remaining balance of the deductions shall be carried back three years and carried forward five years, in chronological order, provided, however, that in any case in which any individual, estate or trust which elects a net operating loss carryforward under section 172(b)(3)(C) of the Internal Revenue Code of 1954, as amended through December 31, 1981, such losses shall not be carried back but shall only be carried forward.

Current expenses and losses shall be utilized as deductions in any taxable year, to the extent herein allowable, prior to the application of any carryback or carryover deductions. In any event, the combined amounts of such current expenses and losses and carryback or carryover deductions shall be allowed as deductions up to the amount of the income and gains arising from a farm or farms in any taxable year, plus the first \$30,000 of nonfarm gross income, or nonfarm taxable net income in the case of a corporation, provided however that in any case where nonfarm income exceeds \$30,000, the maximum allowable amount of \$30,000 shall be reduced by an amount equal to the nonfarm income in excess of \$30,000 multiplied by three. For taxable years beginning after December 31, 1984, the \$30,000 amount in this subdivision shall be adjusted for inflation in the manner provided in section 290.06, subdivision 2d. The commissioner shall round that amount to the nearest hundred dollar amount. When

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adjusting the amount for inflation, the commissioner shall use the actual dollar amount of the maximum allowable amount of nonfarm income prior to rounding. Carryback or carryover deductions will be subject to the maximum amount in effect for the year to which the deduction is carried.

(d) **SHAREHOLDERS SEPARATE ENTITIES.** For purposes of this subdivision, individual shareholders of an S corporation shall be considered separate entities.

(e) **SPECIAL PERIOD OF LIMITATION WITH RESPECT TO FARM LOSS LIMITATION CARRYBACKS.** For the purposes of sections 290.46 and 290.50, if the claim for refund relates to an overpayment attributable to a farm loss limitation carryback under this subdivision, in lieu of the period of limitation prescribed in sections 290.46 and 290.50, the period of limitation shall be that period which ends with the expiration of the 15th day of the 46th month (or the 45th month, in the case of a corporation) following the end of the taxable year of the farm loss which results in the carryback. During this extended period, married individuals who elected to file separate returns or a combined return may change their election and file a joint return.

(f) **INTEREST ON CLAIMS.** In any case in which a taxpayer is entitled to a refund in a carryback year due to the carryback of a farm loss, interest shall be computed only from the end of the taxable year in which the loss occurs.

(g) **ORDER OF APPLICATION.** The application of this subdivision shall be made after applying any limitation to out of state losses contained in section 290.17.

Sec. 10. Minnesota Statutes 1983 Supplement, section 290.18, subdivision 2, is amended to read:

Subd. 2. **FEDERAL INCOME TAX PAYMENTS AND REFUNDS.** The adjusted gross income shall be computed by deducting from the gross income assignable to this state under section 290.17, the deduction for allowable federal income taxes determined under the provisions of sections ~~290.09, subdivision 4,~~ 290.10 (8), (9) or (10), and 290.18. For purposes of the preceding sentence, federal income tax shall include the foreign tax credit allowed under section 33 of the Internal Revenue Code of 1954, as amended through December 31, 1983.

This deduction shall be allowed to individuals, estates, or trusts (i) for taxable years beginning after December 31, 1980 in the taxable year to which the liability applies. Such liability includes the portion of self-employment tax allowed under section 290.10, clause (8). The self-employment tax must be deducted by the person who is deriving the income. When the federal tax liability is joint and several under the computation of a joint federal return of husband and wife, the federal tax liability must be split between the spouses in the same ratio that the federal adjusted gross income of that spouse bears to the total federal adjusted gross income. For purposes of the preceding sentence,

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“federal adjusted gross income” includes the ordinary income portion of a lump sum distribution as defined in section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, 1981.

(ii) Taxes paid for a taxable year beginning before January 1, 1981 shall be allowed as follows:

(1) Those taxes paid in a taxable year beginning before January 1, 1981, shall be claimed in the year in which the payment was made.

(2) Those paid in a taxable year beginning after December 31, 1980 but before January 1, 1983 shall be divided and deducted in equal installments reflected by the yearly periods beginning with the first day of the taxable year in which the payment was made and ending December 31, 1986. For an amount which remains to be deducted in a taxable year beginning after December 31, 1982, where the federal tax liability for the year in which the payment was made is joint and several under the computation of a joint federal return of husband and wife, the remaining amounts to be deducted shall be claimed by the same spouse and in the same dollar amount as the deduction was claimed in the first taxable year beginning after December 31, 1981.

(3) Those paid in a taxable year beginning after December 31, 1982 shall be claimed in the year in which the payment was made. This amount shall be apportioned between spouses as provided in clause (i) and shall be allocated for exempt income under the provisions of section 290.10, clause (9) or (10) as though the payment was part of the federal tax liability for the year in which the payment was made.

(4) In the case of a person who was self employed during all or a portion of the taxable year, the federal income tax liability for purposes of this clause shall be increased by the self-employment tax allowed under section 290.10, clause (8). The self-employment tax shall be deducted in the year paid as provided in paragraph (1), (2), or (3). The self-employment tax must be deducted by the person who earned the income. Self-employment tax paid in a taxable year beginning after December 31, 1982 shall be allocated for exempt income as provided in paragraph (3).

(iii) If a taxpayer's federal tax liability is eventually not paid by reason of compromise, discharge, or court order, the deduction allowed pursuant to this subdivision shall be disallowed for the taxable year in which the liability was accrued.

(iv) In the event a federal tax liability for a taxable year commencing after December 31, 1980 is increased, decreased or modified, and such increase, decrease or modification has resulted in a change in the amount of Minnesota income tax in the year to which such increase, decrease or modification is attributable, the taxpayer's deduction under this subdivision shall be modified for such year.

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(v) If the readjustments required in (iii) or (iv) are for taxes reflected in the transition rule described in (ii)(2), the readjustment shall be made equally to the remaining installments and if a reduction to such installments is required under this readjustment which exceeds the total of all remaining installments, the remaining installments will be reduced to zero and the excess included in income as a federal income tax refund.

(vi) Refunds which are not involved with any readjustments under the transition rule shall be included in income under Minnesota Statutes 1982, section 290.01, subdivision 20a, clause (6) if it is from a year beginning before January 1, 1981.

(vii) Refunds of taxes for years beginning after December 31, 1980, shall be used to adjust the deduction in the taxable year of the liability unless that year is closed by statute and no other adjustments are to be required or allowable in which case such refund shall be reportable in the year received.

Sec. 11. Minnesota Statutes 1982, section 290.19, subdivision 1a, is amended to read:

Subd. 1a. **DETERMINATION OF SALES MADE WITHIN THIS STATE.** For purposes of this section the following rules shall apply in determining whether or not sales are made within this state.

Sales of tangible personal property are made within this state if the property is ~~delivered or shipped to~~ received by a purchaser at a point within this state, and the taxpayer is taxable in this state, regardless of the f.o.b. point or, other conditions of the sale, or the ultimate destination of the property. However, when intoxicating liquor, wine, fermented malt beverages, cigarettes, or tobacco products are sold to a purchaser who is licensed by a state or political subdivision to resell this property only within the state of ultimate destination, the sale is made in that state. Tangible personal property delivered to a common or contract carrier or foreign vessel for delivery to a purchaser in another state or nation is a sale in that state or nation, regardless of f.o.b. point or other conditions of the sale.

Sales made by or through a corporation which is qualified as a domestic international sales corporation under section 992 of the Internal Revenue Code of 1954, as amended through December 31, 1981, shall not be considered to have been made within this state.

Sec. 12. Minnesota Statutes 1982, section 290.61, is amended to read:

290.61 PUBLICITY OF RETURNS, INFORMATION.

It shall be unlawful for the commissioner or any other public official or employee to divulge or otherwise make known in any manner any particulars set forth or disclosed in any report or return required by this chapter, or any information concerning, the taxpayer's affairs acquired from his or its records,

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officers, or employees while examining or auditing any taxpayer's liability for taxes imposed hereunder, except in connection with a proceeding involving taxes due under this chapter from the taxpayer making such return or to comply with the provisions of sections 290.612 and 302A.821. The commissioner may furnish a copy of any taxpayer's return to any official of the United States or of any state having duties to perform in respect to the assessment or collection of any tax imposed upon or measured by income, if such taxpayer is required by the laws of the United States or of such state to make a return therein. The commissioner may disclose information from withholding tax returns received from the taxpayer to the Minnesota department of economic security for purposes of auditing unemployment tax. Prior to the release of any information to any official of the United States or any other state or the department of economic security 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. The commissioner and all other public officials and employees shall keep and maintain the same secrecy in respect to any information furnished by any department, commission, or official of the United States or of any other state in respect to the income of any person as is required by this section in respect to information concerning the affairs of taxpayers under this chapter. Nothing herein contained shall be construed to prohibit the commissioner from publishing statistics so classified as not to disclose the identity of particular returns or reports and the items thereof. Upon request of a majority of the members of the senate tax committee or of the house tax committee or the tax study commission, the commissioner shall furnish abstracted financial information to those committees for research purposes from returns or reports filed pursuant to this chapter, provided that he shall not disclose the name, address, social security number, business identification number or any other item of information associated with any return or report which the commissioner believes is likely to identify the taxpayer. The commissioner shall not furnish the actual return, or a portion thereof, or a reproduction or copy of any return or portion thereof. "Abstracted financial information" means only the dollar amounts set forth on each line on the form including the filing status.

Any person violating the provisions of this section shall be guilty of a gross misdemeanor.

In order to locate the named payee on state warrants issued pursuant to this chapter or chapter 290A and undeliverable by the United States postal service, the commissioner may publish in any English language newspaper of general circulation in this state a list of the name and last known address of the payee as shown on the reports or returns filed with the commissioner. The commissioner may exclude the names of payees whose refunds are in an amount which is less than a minimal amount to be determined by the commissioner. The published list shall not contain any particulars set forth on any report or return. The publication shall include instructions on claiming the warrants.

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An employee of the department of revenue may, in connection with his official duties relating to any audit, collection activity, or civil or criminal tax investigation or any other offense under this chapter, disclose return information to the extent that such disclosure is necessary in obtaining information, which is not otherwise reasonably available, with respect to the correct determination of tax, liability for tax, or the amount to be collected or with respect to the enforcement of any other provision of this chapter.

In order to facilitate processing of returns and payments of taxes required by this chapter, the commissioner may contract with outside vendors and may disclose private and nonpublic data to the vendor. The data disclosed will be administered by the vendor consistent with this section.

Information from a tax return required under this chapter on a holder of a license issued by the Minnesota racing commission or an owner of a horse may be provided by the commissioner to the Minnesota racing commission.

Sec. 13. Minnesota Statutes 1983 Supplement, section 290.92, subdivision 27, is amended to read:

Subd. 27. Any holder of a class A, B, or D license issued by the Minnesota horse racing commission, ~~who makes a payment or payments for winnings on a pari-mutuel betting ticket or tickets in an amount of \$200 or more to the same individual, shall deduct from the payment or payments and withhold 11 ten percent of the amount the payment of winnings which are subject to withholding as Minnesota withholding tax. For purposes of this subdivision, winnings from a pari-mutuel betting ticket must be determined by reducing the amount received by the amount paid for the ticket, and payments for winning on a pari-mutuel betting ticket which are not money must be taken into account at their fair market value the term "winnings which are subject to withholding" has the meaning given in section 3402(q)(3) of the Internal Revenue Code of 1954, as amended through December 31, 1983.~~ For purposes of the provisions of this section, a payment to any person of winnings which are subject to withholding must be treated as if the payment was a wage paid by an employer to an employee. Every individual who is to receive a payment of winnings which are subject to withholding shall furnish the license holder with a statement, made under the penalties of perjury, containing the name, address, and social security account number of the person receiving the payment and of each person entitled to any portion of such payment. The license holder is liable for the payment of the tax required to be withheld under this subdivision and subdivision 28 but is not liable to any person for the amount of the payment.

Sec. 14. Minnesota Statutes 1983 Supplement, section 290.92, subdivision 28, is amended to read:

Subd. 28. Any holder of a class A or B license issued by the Minnesota horse racing commission who makes a payment to a holder of a class C license

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issued by the commission, or who pays except an amount paid as a purse, shall deduct from the payment and withhold seven percent of the amount as Minnesota withholding tax when the amount paid to that individual during the calendar year exceeds \$200 \$600. For purposes of the provisions of this section, a payment to any person which is subject to withholding under this subdivision must be treated as if the payment was a wage paid by an employer to an employee. Every individual who is to receive a payment which is subject to withholding under this subdivision shall furnish the license holder with a statement, made under the penalties of perjury, containing the name, address, and social security account number of the person receiving the payment. No withholding is required if the individual presents a signed certificate from his employer which states that the individual is an employee of that employer. A nonresident individual who holds a class C license must be treated as an athlete for purposes of applying the provisions of sections 290.17, subdivision 2(1)(b)(ii) and 290.92, subdivision 4a.

Sec. 15. TRANSITION PROVISION; UNITARY NET OPERATING LOSSES.

(a) If for a taxable year a corporation is subject to the provisions of Minnesota Statutes, section 290.095, subdivision 3, clause (d), the corporation may elect to take a net operating loss carryback pursuant to this section. If the taxpayer elects to be covered by the provisions of this section, the carryback shall be subject to the provisions of Minnesota Statutes, section 290.095, subdivision 3, but excluding clause (d).

(b) If the corporation elects to be covered by this section, all members of the unitary group must file amended returns for the year to which the loss is carried back. The amended returns must reflect the income of the entire unitary business as provided in Minnesota Statutes, section 290.34, subdivision 2. The unitary group of corporations must calculate the sum of the separate tax liabilities prior to the amended returns and the sum of the tax liabilities after the amended returns are filed. (1) If the sum of the separate tax liabilities is more than the sum of the unitary tax liabilities per amended returns, no refund is allowed from the filing of the amended returns. (2) If the sum of the separate tax liabilities is less than the sum of the unitary tax liabilities per amended returns, the difference must be paid with the filing of the amended returns.

(c) After filing the amended returns required by clause (b), the corporation shall be allowed a net operating loss carryback pursuant to section 290.095, subdivision 3. The net operating loss carryback is allowable only to the extent of the tax liability on the amended returns. The time limit on the filing of the amended return allowed under this section shall be the same as the time limit on the filing of the return for the year from which the loss is carried back.

(d) This section is effective for taxable years beginning after June 1981 and is repealed for taxable years beginning after December 31, 1984.

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If the taxpayer elects to be covered by this section, the extension of net operating loss carryovers provided by the last sentence of Minnesota Statutes, section 290.095, subdivision 3, clause (d), does not apply to any year to which a loss is carried back under this section.

Sec. 16. Laws 1983, chapter 342, article 1, section 44, is amended to read:

Sec. 44. REPEALER.

Minnesota Statutes 1982, sections 290.01, subdivisions 23, 27, and 28; 290.032, subdivision 5; 290.06, subdivisions 9 and 9a; 290.077, subdivision 2; 290.08, subdivision 25; 290.09, subdivisions 10, 15, 22, and 27; 290.21, subdivision 3a; 290.501; and 352C.07; and Laws 1982, chapter 523, article VII, section 3, and Third Special Session chapter 1, article 5, section 4, are repealed.

Sec. 17. REPEALER.

Minnesota Statutes 1983 Supplement, section 290.06, subdivision 2e, and Laws 1983, chapter 342, article 1, section 8, are repealed.

Sec. 18. EFFECTIVE DATE.

Sections 1, 5, 10, 11, 17, and the amendment to clause (19) in section 3 are effective for taxable years beginning after December 31, 1983, and, to the extent applicable, for property tax refund claims based on rent paid in 1984 and thereafter and property taxes payable in 1985 and thereafter. Sections 2 and 12 to 14 are effective the day following final enactment. Sections 4, 6, 7, and 8 are effective for taxable years beginning after December 31, 1984. In section 16, Laws 1982, chapter 523, article VII, section 3, is reenacted and effective the day following final enactment of this act for taxable years beginning after December 31, 1983. The amendment to clause (20) in section 3 is effective for taxable years beginning after December 31, 1982.

**ARTICLE 3
PROPERTY TAX**

Section 1. Minnesota Statutes 1982, section 105.482, subdivision 8, is amended to read:

Subd. 8. **HYDROPOWER GENERATION POLICY; LEASING OF DAMS AND DAM SITES.** Consistent with laws relating to dam construction, reconstruction, repair, and maintenance, the legislature finds that the public health, safety, and welfare of the state is also promoted by the use of state waters to produce hydroelectric or hydromechanical power. Further, the legislature finds that the leasing of existing dams and potential dam sites primarily for such power generation is a valid public purpose. A local governmental unit, or the

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commissioner of natural resources with the approval of the state executive council, may provide pursuant to a lease or development agreement for the development and operation of dams, dam sites, and hydroelectric or hydromechanical power generation plants owned by the respective government by an individual, a corporation, an organization, or other legal entity upon such terms and conditions as the local governmental unit or the commissioner may negotiate for a period not to exceed 50 99 years. For installations of 15,000 kilowatts or less at a dam site and reservoir that is not being used on January 1, 1984 in connection with the production of hydroelectric or hydromechanical power, the lease or development agreement negotiated by the local governmental unit and the developer shall constitute full payment by the lessee and may be in lieu of all real or personal property taxes that might otherwise be due to a local governmental unit. If the dam, dam site, or power generation plant is located in or contiguous to a city or town, other than the lessor governmental unit, the lease or agreement shall not be effective unless it is approved by the governing body of ~~such~~ the city or town. For purposes of this subdivision, city means a statutory or home rule charter city.

Sec. 2. Minnesota Statutes 1982, section 105.482, subdivision 9, is amended to read:

Subd. 9. **CONTENTS OF DEVELOPMENT AGREEMENT.** An agreement for the development or redevelopment of a hydropower site may contain, but need not be limited to, the following provisions:

(a) Length of the development agreement, subject to negotiations between the parties but not more than 50 99 years, and conditions for extension, modification, or termination;

(b) Provisions for a performance bond on the developer, or, certification that the equipment and its installation have a design life at least as long as the lease;

(c) Provisions to assure adequate maintenance and safety in the impoundment structures, if any, and to assure access to recreational sites, if any.

Sec. 3. Minnesota Statutes 1983 Supplement, section 124.2137, subdivision 1, is amended to read:

Subdivision 1. **TAX REDUCTIONS.** The county auditor shall reduce the tax for school purposes on all property receiving the homestead credit pursuant to section 273.13, subdivision 6, by an amount equal to ~~29~~ 33 percent of the tax levy imposed on up to 320 acres of land including the buildings and structures thereon but excluding the homestead dwelling and surrounding one acre of land. The county auditor shall reduce the tax for school purposes on the next 320 acres classified pursuant to section 273.13, subdivision 6 by an amount equal to ~~43~~ 15 percent of the tax levy imposed on the property. The tax on all other agricultural lands classified pursuant to section 273.13, subdivision 6 shall

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be reduced by an amount equal to ten percent of the tax levy imposed on the property. The tax on the first 320 acres of agricultural land classified pursuant to section 273.13, subdivision 4 including buildings and structures thereon but excluding all dwellings and an acre of land for each dwelling and all real estate devoted to temporary and seasonal residential occupancy for recreational purposes, but not devoted to commercial purposes, shall be reduced by an amount equal to ~~13~~ 15 percent of the tax imposed on the property. The tax on timber land classified pursuant to section 273.13, subdivision 8a and agricultural land in excess of 320 acres classified pursuant to section 273.13, subdivision 4 shall be reduced by an amount equal to ten percent of the tax levy imposed on the property. The amounts so computed by the county auditor shall be submitted to the commissioner of revenue as part of the abstracts of tax lists required to be filed with the commissioner under the provisions of section 275.29. Any prior year adjustments shall also be certified in the abstracts of tax lists. The commissioner of revenue shall review the certifications to determine their accuracy. He may make changes in the certification as he may deem necessary or return a certification to the county auditor for corrections. The amount of the reduction provided under this subdivision which any taxpayer can receive on all qualifying property which he owns shall not exceed ~~\$2,000~~ \$4,000 in the case of agricultural property and shall not exceed \$100 in the case of seasonal residential recreational property. In the case of property owned by more than one person, the maximum amount of the reduction shall apply to the total of all the owners. For purposes of computing the credit pursuant to this subdivision, the "tax levy" shall be the tax levy reduced by the credits provided by sections 273.115, 273.116, 273.123, 273.42, subdivision 2, and 473H.10.

Sec. 4. Minnesota Statutes 1983 Supplement, section 272.02, subdivision 1, is amended to read:

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 parcels of property containing structures and the structures assessed pursuant to section 273.13, subdivisions 17, 17b, 17c or 17d;
- (7) All public property exclusively used for any public purpose;

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(8) (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 the exemption from the total valuation of the property as equalized by the commissioner of revenue assessed to the 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 cases where a single domestic establishment is maintained in two or more adjoining districts.

Bonds, certificates of indebtedness, or other obligations 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 are exempt from ad valorem property taxation; provided, that this subdivision shall not exempt the obligations or their interest from any excise or other tax levied on income, gross earnings, estates, inheritance, bequests, gifts, transfers, sales, or other transactions, other than an ad valorem property tax.

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

(10) 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, clause (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.

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(11) 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 chapter 297A;

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

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

(14) 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. The 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 the property from taxation. The 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.

(15) Wetlands. For purposes of this subdivision, "wetlands" means (1) land described in section 105.37, subdivision 15, or (2) 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, provided it is preserved in its natural condition, and drainage of which it would be legal, feasible, and economically practical 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. "Wetlands" shall not include woody swamps containing shrubs or trees, wet meadows, meandered water, streams, rivers, and floodplains or river bottoms. 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.

(16) Native prairie. The commissioner of the department of natural resources shall determine lands in the state which are native prairie and shall notify the county assessor of each county in which the lands are located. Pasture land used for livestock grazing purposes shall not be considered native prairie for the purposes of this clause and section 273.116. Upon receipt of an application for the exemption and credit provided in this clause and section 273.116 for lands

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for which the assessor has no determination from the commissioner of natural resources, the assessor shall refer the application to the commissioner of natural resources who shall determine within 30 days whether the land is native prairie and notify the county assessor of his decision. Exemption of native prairie pursuant to this clause shall not grant the public any additional or greater right of access to the native prairie or diminish any right of ownership to it.

(17) Property used in a continuous program to provide emergency shelter for victims of domestic abuse, provided the organization that owns and sponsors the shelter is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1954, as amended through December 31, 1982, notwithstanding the fact that the sponsoring organization receives funding under section 8 of the United States Housing Act of 1937, as amended.

(18) If approved by the governing body of the municipality in which the property is located, property not exceeding one acre which is owned and operated by 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; provided the property is used primarily as a clubhouse, meeting facility or recreational facility by the group or association and the property is not used for residential purposes on either a temporary or permanent basis.

(19) To the extent provided by section 295.44, real and personal property used or to be used primarily for the production of hydroelectric or hydromechanical power on a site owned by the state or a local governmental unit which is developed and operated pursuant to the provisions of section 105.482, subdivisions 1, 8 and 9.

(20) If approved by the governing body of the municipality in which the property is located, a direct satellite broadcasting facility or fixed satellite regional or national program service facility, construction of which is commenced after June 30, 1983, for a period not to exceed five years. When the facility no longer qualifies for exemption, it shall be placed on the assessment rolls as provided in subdivision 4. As used in this clause, a "direct satellite broadcasting facility" is a facility operated by a corporation licensed by the federal communications commission to provide direct satellite broadcasting services using direct broadcast satellites operating in the 12-ghz. band and a "fixed satellite regional or national program service facility" is a facility operated by a corporation licensed by the federal communications commission to provide fixed satellite-transmitted regularly scheduled broadcasting services using satellites operating in the 6-ghz. band. Before approving a tax exemption pursuant to this paragraph, the governing body of the municipality shall provide an opportunity to the members of the county board of commissioners of the county in which the facility is proposed to be located and the members of the school board of the school district

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in which the facility is proposed to be located to meet with the governing body. The governing body shall present to the members of those boards its estimate of the fiscal impact of the proposed property tax exemption. The tax exemption shall not be approved by the governing body until the county board of commissioners has presented its written comment on the proposal to the governing body, or 30 days has passed from the date of the transmittal by the governing body to the board of the information on the fiscal impact, whichever occurs first.

(21) If approved by the governing body of the municipality in which the property is located, a facility construction of which is commercial after June 30, 1983, at which a licensed Minnesota manufacturer produces distilled spirituous liquors, liqueurs, cordials, or liquors designated as specialties regardless of alcoholic content, but not including ethyl alcohol, distilled with a majority of the ingredients grown or produced in Minnesota, for a period not to exceed five years. When the facility no longer qualifies for exemption, it shall be placed on the assessment rolls as provided in subdivision 4. Before approving a tax exemption pursuant to this paragraph, the governing body of the municipality shall provide an opportunity to the members of the county board of commissioners of the county in which the facility is proposed to be located and the members of the school board of the school district in which the facility is proposed to be located to meet with the governing body. The governing body shall present to the members of those boards its estimate of the fiscal impact of the proposed property tax exemption. The tax exemption shall not be approved by the governing body until the county board of commissioners has presented its written comment on the proposal to the governing body, or 30 days has passed from the date of the transmittal by the governing body to the board of the information on the fiscal impact, whichever occurs first.

Sec. 5. Minnesota Statutes 1982, section 272.02, is amended by adding a subdivision to read:

Subd. 6. Notwithstanding the provisions of subdivision 5, real and personal property used or to be used primarily for the production of hydroelectric or hydromechanical power and leased from the state or a local governmental unit pursuant to section 105.482, subdivisions 1, 8, and 9 may be exempt from taxation or payments in lieu of taxes.

The exemption from taxation or payments in lieu of taxes provided by this subdivision does not apply to hydroelectric or hydromechanical facilities operated at any time between January 1, 1980 and January 1, 1984.

Sec. 6. Minnesota Statutes 1983 Supplement, section 273.11, subdivision 1, is amended to read:

Subdivision 1. **GENERALLY.** Except as provided in subdivisions 6, 7, 8, and 9 or section 273.17, subdivision 1, all property shall be valued at its market value. The market value as determined pursuant to this section shall be stated

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such that any amount under \$100 is rounded up to \$100 and any amount exceeding \$100 shall be rounded to the nearest \$100. In estimating and determining such value, the assessor shall not adopt a lower or different standard of value because the same is to serve as a basis of taxation, nor shall he adopt as a criterion of value the price for which such property would sell at a forced sale, or in the aggregate with all the property in the town or district; but he shall value each article or description of property by itself, and at such sum or price as he believes the same to be fairly worth in money. In assessing any tract or lot of real property, the value of the land, exclusive of structures and improvements, shall be determined, and also the value of all structures and improvements thereon, and the aggregate value of the property, including all structures and improvements, excluding the value of crops growing upon cultivated land. In valuing real property upon which there is a mine or quarry, it shall be valued at such price as such property, including the mine or quarry, would sell for a fair, voluntary sale, for cash. In valuing real property which is vacant, the fact that such property is platted shall not be taken into account. An individual lot of such platted property shall not be assessed in excess of the assessment of the land as if it were unplatted until the lot is improved with a permanent improvement all or a portion of which is located upon the lot, or for a period of three years after final approval of said plat whichever is shorter. When a lot is sold or construction begun, the assessed value of that lot or any single contiguous lot fronting on the same street shall be eligible for reassessment. All property, or the use thereof, which is taxable under sections 272.01, subdivision 2, or 273.19, shall be valued at the market value of such property and not at the value of a leasehold estate in such property, or at some lesser value than its market value.

Sec. 7. Minnesota Statutes 1982, section 273.123, is amended by adding a subdivision to read:

Subd. 2a. APPLICATION REQUIREMENTS. A request for property tax relief shall be considered by the executive council only if the following requirements are met by the local unit of government submitting the request:

- (1) a completed disaster survey shall be included with the request;
- (2) the average dollar amount of damage for the homes which are damaged and located within the geographic boundaries of the applicant shall be \$5,000 or more; and
- (3) either (a) at least 25 homes located within the geographic boundaries of the applicant must have been damaged or destroyed; or (b) the total dollar amount of damage to all of the damaged homes located within the geographic boundaries of the applicant shall be equal to at least one percent of the total market value of all homestead property located within the geographic boundaries of the applicant.

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Sec. 8. Minnesota Statutes 1982, section 273.123, is amended by adding a subdivision to read:

Subd. 7. LOCAL OPTION. The owner of homestead property not qualifying for an adjustment in valuation pursuant to subdivisions 1 to 5 may receive a reduction in the amount of taxes payable for the year in which the destruction occurs on the homestead portion if:

(a) 50 percent or more of the homestead dwelling, as established by the county assessor, is unintentionally or accidentally destroyed and the homestead is uninhabitable;

(b) the owner of the property makes written application to the county assessor as soon as practical after the damage has occurred; and

(c) the owner of the property makes written application to the county board, upon completion of the restoration of the destroyed structure.

The county board may grant a reduction in the amount of property tax which the owner must pay on the qualifying home in the year of destruction. Any reduction in the amount of tax payable which is authorized by county board action shall be calculated based upon the number of months that the home is uninhabitable. The amount of net tax due from the taxpayer shall be multiplied by a fraction, the numerator of which is the number of months the dwelling was occupied by that taxpayer and the denominator of which is 12. For purposes of this subdivision, if a structure is occupied for a fraction of a month, it is considered a month. "Net tax" is defined as the amount of tax after the subtraction of all of the state paid property tax credits. If application is made following payment of all property taxes due for the year of destruction, the amount of the reduction granted by the county board shall be refunded to the taxpayer by the county treasurer as soon as practical.

Any reductions or refunds approved by the county board shall not be subject to approval by the commissioner of revenue.

The county board may levy in the following year the amount of tax dollars lost to the county government as a result of the reductions granted pursuant to this subdivision. Any amount levied for this purpose shall be exempt from the levy limit provisions of sections 275.50 to 275.56.

Sec. 9. Minnesota Statutes 1983 Supplement, section 273.13, subdivision 9, is amended to read:

Subd. 9. **CLASS 4A, 4B, 4C, AND 4D.** (1) 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 as otherwise provided in this subdivision.

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(2) 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.

(3) Commercial and industrial property, except as provided in this subdivision, shall constitute class 4c and shall be valued and assessed at 34 28 percent of the first ~~\$50,000~~ \$60,000 of market value and 43 percent of the remainder, provided that in the case of state-assessed commercial or industrial property owned by one person or entity, only one parcel shall qualify for the 34 28 percent assessment, and in the case of other commercial or industrial property owned by one person or entity, only one parcel in each county shall qualify for the 34 28 percent assessment.

(4) Employment property defined in section 273.1313, during the period provided in section 273.1313, shall constitute class 4d and shall be valued and assessed at 20 percent of the first \$50,000 of market value and 21.5 percent of the remainder, except that for employment property located in an enterprise zone designated pursuant to section 273.1312, subdivision 4, paragraph (c), clause (3), the first \$50,000 of market value shall be valued and assessed at 31.5 percent and the remainder shall be assessed and valued at 38.5 percent, unless the governing body of the city designated as an enterprise zone determines that a specific parcel shall be assessed pursuant to the first clause of this sentence. The governing body may provide for assessment under the first clause of the preceding sentence only for property which is located in an area which has been designated by the governing body for the receipt of tax reductions authorized by section 273.1314, subdivision 9, paragraph (a).

Sec. 10. Minnesota Statutes 1983 Supplement, section 273.13, subdivision 17, is amended to read:

Subd. 17. **TITLE II OR STATE HOUSING FINANCE AGENCY PROPERTY USED FOR ELDERLY AND LOW AND MODERATE INCOME FAMILIES.** (a) Except as provided in clause (b), a structure situated on real property that is used for housing for the elderly or for low and moderate income families as defined by Title II of the National Housing Act or the Minnesota housing finance agency law of 1971 or regulations promulgated by the agency pursuant thereto and financed by a direct federal loan or federally insured loan or a loan made by the Minnesota housing finance agency pursuant to the provisions of either of those acts and acts amendatory thereof shall, for 15 years from the date of the completion of the original construction or substantial rehabilitation, or for the original term of the loan, be assessed at 20 percent of the 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.

(b) In the case of a structure described in clause (a) ~~with respect to which construction or substantial rehabilitation had not been commenced prior to~~

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January 1, 1984, the 20 percent assessment ratio shall apply only to that portion of the structure that is occupied by elderly persons or low and moderate income families as defined above unless (1) construction or substantial rehabilitation of the structure had been commenced prior to January 1, 1984; or (2) the project had been approved by the governing body of the municipality in which it is located prior to June 30, 1983; or (3) financing of the project had been approved by a federal or state agency prior to June 30, 1983.

Sec. 11. Minnesota Statutes 1983 Supplement, section 273.13, subdivision 17b, is amended to read:

Subd. 17b. **VALUATION OF FARMERS HOME ADMINISTRATION PROPERTY IN MUNICIPALITIES OF UNDER 10,000.** (a) Notwithstanding any other provision of law, except as provided in clause (b), any structure

(1) 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,

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

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

(4) 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, be assessed at five percent of the 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.

(b) A structure described in clause (a) ~~with respect to which construction had not been commenced prior to January 1, 1984,~~ shall be assessed at 20 percent of its market value, but only in proportion to its occupancy by elderly persons or low and moderate income families as defined above unless (1) construction of the structure had been commenced prior to January 1, 1984; or (2) the project had been approved by the governing body of the municipality in which it is located prior to June 30, 1983; or (3) financing of the project had been approved by a federal or state agency prior to June 30, 1983.

Sec. 12. Minnesota Statutes 1983 Supplement, section 273.13, subdivision 17c, is amended to read:

Subd. 17c. **VALUATION OF LOWER INCOME HOUSING.** (a) Except as provided in clause (b), a structure which is

(1) situated upon real property that is used for housing lower income families or elderly or handicapped persons, as defined in section 8 of the United States Housing Act of 1937, as amended, and

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(2) owned by an entity which has entered into a housing assistance payments contract under section 8 which provides assistance for 100 percent of the dwelling units in the structure, other than dwelling units intended for management or maintenance personnel, shall, for the term of the housing assistance payments contract, including all renewals, or for the term of its permanent financing, whichever is shorter, be assessed at 20 percent of its market value. The market value determined by the assessor shall be based on the normal approach to value using normal unrestricted rents.

(b) In the case of a structure described in clause (a) ~~with respect to which construction had not been commenced prior to January 1, 1984~~, the 20 percent assessment ratio shall apply only to that portion of the structure that is occupied by lower income families or elderly or handicapped persons as defined above unless (1) construction of the structure had been commenced prior to January 1, 1984; or (2) the project had been approved by the governing body of the municipality in which it is located prior to June 30, 1983; or (3) financing of the project had been approved by a federal or state agency prior to June 30, 1983.

Sec. 13. Minnesota Statutes 1982, 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 ~~36 percent of market value for taxes levied in 1981 and 34 percent of market value for taxes levied in 1982 and thereafter.~~ 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 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~~ four 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. A single rented or leased dwelling unit located within or attached to a private garage or similar structure owned by the owner of a homestead and located on the premises of that homestead must be classified as 3b, 3c, or 3cc as part of the owner's homestead according to the provisions of subdivisions 6 and 7. If more than one dwelling unit is attached to the structure, the units must be assessed as class 3d or 3dd property.

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Sec. 14. Minnesota Statutes 1983 Supplement, section 273.13, subdivision 21, is amended to read:

Subd. 21. **LIMITATION ON HOMESTEAD CLASSIFICATION.** If the assessor has classified a property as both homestead and nonhomestead, only the values greater of the value attributable to the portion of the property classified as 3b, 3c, or 3cc or the value of the first tier of assessment percentages provided under those subdivisions shall be entitled to homestead treatment, except as provided in subdivision 19 for buildings containing fewer than four residential units and for a single rented or leased dwelling unit located within or attached to a private garage or similar structure owned by the owner of a homestead and located on the premises of that homestead.

If the assessor has classified a property as both homestead and nonhomestead, the homestead credit provided under subdivisions 6 and 7 and the reductions in tax provided under sections 273.135 and 273.1391, shall apply to the value of both the homestead and the nonhomestead portions of the property.

Except for buildings containing fewer than three units classified pursuant to section 273.13, subdivision 19, if the portion of a building used as the owner's homestead is separate from other dwelling units in the building, only the owner's residence plus the land attributable to the residence is to receive either the 3b, 3c, or 3cc classification.

Sec. 15. Minnesota Statutes 1982, section 273.19, is amended by adding a subdivision to read:

Subd. 5. Notwithstanding the provisions of subdivision 4, real and personal property used or to be used primarily for the production of hydroelectric or hydromechanical power and leased from the state or a local governmental unit pursuant to section 105.482, subdivisions 1, 8, and 9 may be exempt from taxation or payments in lieu of taxes.

The exemption from taxation or payments in lieu of taxes provided by this subdivision does not apply to hydroelectric or hydromechanical facilities operated at any time between January 1, 1980 and January 1, 1984.

Sec. 16. Minnesota Statutes 1983 Supplement, 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

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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 dollar amounts may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The statement shall include the following sentence, printed in upper case letters in bold face print: "THE STATE OF MINNESOTA DOES NOT RECEIVE ANY PROPERTY TAX REVENUES. THE STATE OF MINNESOTA REDUCES YOUR PROPERTY TAX BY PAYING CREDITS AND REIMBURSEMENTS TO LOCAL UNITS OF GOVERNMENT." 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. The taxpayer is defined as the owner who is responsible for the payment of the tax. 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 show the amount attributable to section 124.2137 as "state paid agricultural credit" and the amount attributable to section 273.13, subdivisions 6 and 7 as "state paid homestead credit." The statement shall show the reduction attributable to the aid given pursuant to section 273.139 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. Failure to mail the tax statement shall not be deemed a material defect to affect the validity of any judgment and sale for delinquent taxes.

Sec. 17. Minnesota Statutes 1983 Supplement, section 279.01, subdivision 1, is amended to read:

Subdivision 1. On May 16, of each year, with respect to property actually occupied and used as a homestead by the owner of the property, a penalty of three percent shall accrue and thereafter be charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer, and a penalty of seven percent on nonhomestead property, except that this penalty shall not accrue until June 1 of each year on commercial use real property used for seasonal residential recreational purposes and classified as class 3 or 3a, and on other commercial use real property classified as class 4c, provided that over 60 percent of the gross income earned by the enterprise on the class 4c property is earned during the months of May, June, July, and August. Any property owner of such class 4c property who pays the first half of the tax due on the property after May 15 and before June 1 shall attach an affidavit to his payment attesting

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to compliance with the income provision of this subdivision. Thereafter, for both homestead and nonhomestead property, on the 16th day of each month, up to and including October 16 following, an additional penalty of one percent for each month shall accrue and be charged on all such unpaid taxes. When the taxes against any tract or lot exceed \$10, one-half thereof may be paid prior to May 16; and, if so paid, no penalty shall attach; the remaining one-half shall be paid at any time prior to October 16 following, without penalty; but, if not so paid, then a penalty of four percent shall accrue thereon for homestead property and a penalty of four percent on nonhomestead property. Thereafter, for homestead property, on the 16th day of each month up to and including December 16 following, an additional penalty of two percent for each month shall accrue and be charged on all such unpaid taxes. Thereafter, for nonhomestead property, on the 16th day of each month up to and including December 16 following, an additional penalty of four percent for each month shall accrue and be charged on all such unpaid taxes. If one-half of such taxes shall not be paid prior to May 16, the same may be paid at any time prior to October 16, with accrued penalties to the date of payment added, and thereupon no penalty shall attach to the remaining one-half until October 16 following; provided, also, that the same may be paid in installments as follows: One-fourth prior to March 16; one-fourth prior to May 16; one-fourth prior to August 16; and the remaining one-fourth prior to October 16, subject to the aforesaid penalties. Where the taxes delinquent after October 16 against any tract or parcel exceed \$40, they may be paid in installments of not less than 25 percent thereof, together with all accrued penalties and costs, up to the next tax judgment sale, and after such payment, penalties, interest, and costs shall accrue only on the sum remaining unpaid. Any county treasurer who shall make out and deliver or countersign any receipt for any such taxes without including all of the foregoing penalties therein, shall be liable to the county for the amount of such penalties.

Sec. 18. Minnesota Statutes 1982, section 279.37, subdivision 1, is amended to read:

Subdivision 1. **COMPOSITION INTO ONE ITEM.** Delinquent taxes upon any parcel of real estate which have been bid in for and are held by the state and not assigned by it, may be composed into one item or amount by confession of judgment at any time prior to the forfeiture of ~~such~~ the parcel of land to the state for taxes, for the aggregate amount of all ~~such~~ the taxes, costs, penalties, and interest accrued against ~~said~~ the parcel, as hereinafter provided; provided except that ~~only~~ taxes upon property which, for the previous year's assessment, was classified as ~~homestead property pursuant to section 273.13, subdivisions 6, 6a, 7, and 14a~~ vacant land, mineral property, employment property, or commercial or industrial property shall ~~not~~ be eligible to be composed into any confession of judgment pursuant to this section.

Sec. 19. Minnesota Statutes 1982, section 279.37, subdivision 3, is amended to read:

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Subd. 3. Upon the receipt of said the offer and payment of the sums herein sum required, the said auditor shall notify the county board of the offer. If the county board approves the offer, the auditor shall note the same it upon his records and shall forthwith file said the offer and confession of judgment with the clerk of the district court of the county who is hereby directed to enter judgment in accordance with said the offer. If the county board does not approve the offer within 30 days of its notification by the county auditor, confession of judgment will not be allowed for the property, and the amount remitted pursuant to subdivision 2 shall be returned to the payor.

Sec. 20. [282.021] NOTIFICATION OF SALE.

Thirty days before the sale of tax-forfeited land at public auction, the county auditor shall publish in a newspaper of general circulation the notice of sale and each parcel's appraised value or market value, whichever is higher, as determined by the county or local assessor who is responsible for valuing the property. The county auditor shall also mail notice to all owners of land adjoining each parcel to be sold and to all owners of platted or unplatted land whose boundaries are within 300 feet of the boundaries of each parcel to be sold.

Sec. 21. Minnesota Statutes 1983 Supplement, section 290A.04, subdivision 2e, is amended to read:

Subd. 2e. If the net property taxes payable on a homestead increase more than 20 percent over the net property taxes payable in the previous year on the same property, a claimant who is a homeowner shall be allowed an additional refund equal to 50 100 percent of the amount by which the increase exceeds 20 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 \$200. The maximum refund shall be reduced by \$20 for each \$1,000 of the claimant's household income in excess of \$30,000. No refund shall be allowed if the claimant's household income exceeds \$40,000. The refund shall be reduced by one-tenth for each \$1,000 of claimant's household income in excess of \$40,000.

No refund pursuant to this subdivision shall be allowed if the claimant's household income exceeds \$50,000.

For purposes of this subdivision, "net property taxes payable" means property taxes payable after reductions made pursuant to sections 124.2137; 273.13, subdivisions 6, 7, and 14a; 273.115, subdivision 1; 273.116, subdivision 1; 273.135; 273.1391; and 273.42, subdivision 2, and any other state paid property tax credits and after the deduction of tax refund amounts for which the claimant qualifies pursuant to subdivisions 2, 2a and 2b.

In addition to the other proofs required by this chapter, each claimant under this subdivision shall file with the property tax refund return a copy of the

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property tax statement for taxes payable in the preceding year or other documents required by the commissioner.

~~On or before December 1, 1983, the commissioner shall estimate the cost of making the payments provided by this section. Notwithstanding the open appropriation provision of section 290A.23, if the estimated total refund claims exceed \$11,000,000, the commissioner shall adjust accordingly the percentage increase in net property taxes payable over the previous year which is required to qualify for the credit provided in this subdivision.~~

This subdivision is repealed effective for property taxes levied in 1984, payable in 1985.

Sec. 22. Minnesota Statutes 1983 Supplement, section 290A.04, subdivision 2f, is amended to read:

Subd. 2f. If the net property taxes payable in 1984 on a homestead increases more than ten percent over the net property taxes payable in 1983 on the same property, and if the effective tax rate of property tax paid in 1983 on that homestead as compared to the January 2, 1982, estimated market value exceeds 2.25 percent, an additional credit shall be paid by the commissioner to the claimant. The additional credit shall be equal to 50 percent of the amount by which the increase exceeds ten percent ~~but in no case shall the additional credit exceed \$200.~~ This subdivision shall not apply to any increase in the net property taxes payable attributable to improvements made to the homestead.

For purposes of this subdivision, "effective tax rate" means the net property tax paid by the claimant in 1983, divided by the assessor's 1982 estimated market value times 100.

For purposes of this subdivision, "net property taxes" means the gross tax less the homestead credit and any other state paid credit and after the deduction of tax refund amounts for which the claimant qualifies.

The city assessor, or the county assessor if the property is located in a taxing district which does not have a city assessor, shall notify all affected property owners of the availability of this credit and furnish the forms which the commissioner shall prescribe.

The additional refunds shall be paid at the same time as the commissioner pays other property tax refund claims.

Sec. 23. Minnesota Statutes 1982, section 290A.04, is amended by adding a subdivision to read:

Subd. 2g. If the net property taxes payable on a homestead in 1985 increase more than 12.5 percent over the net property taxes payable in 1984 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 12.5

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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 \$400.

For purposes of this subdivision, "net property taxes payable" means property taxes payable after reductions made pursuant to sections 124.2137; 273.13, subdivisions 6, 7, and 14a; 273.115, subdivision 1; 273.116, subdivision 1; 273.135; 273.1391; and 273.42, subdivision 2, and any other state paid property tax credits and after the deduction of tax refund amounts for which the claimant qualifies pursuant to subdivisions 2, 2a, and 2b.

In addition to the other proofs required by this chapter, 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.

This subdivision is repealed effective for property taxes levied in 1985, payable in 1986.

Sec. 24. Minnesota Statutes 1982, section 295.44, subdivision 1, is amended to read:

Subdivision 1. **EXEMPTION.** Notwithstanding the provisions of sections 272.01, subdivision 2, 272.02, subdivision 5, and 273.19, subdivision 1, real or personal property used or to be used primarily for the production of hydroelectric or hydromechanical power on a site owned by the state or a local governmental unit and developed and operated pursuant to section 105.482, subdivisions 1, 8 and 9 shall may be exempt from property taxation for the five calendar years succeeding the year in which the development agreement is executed all years during which the site is developed and operated under the terms of a lease or agreement authorized by section 105.482, subdivisions 1, 8, and 9.

Sec. 25. Minnesota Statutes 1983 Supplement, section 473.446, subdivision 1, is amended to read:

Subdivision 1. **TAXATION WITHIN TRANSIT TAXING DISTRICT.** For the purposes of sections 473.401 to 473.451 and the metropolitan transit system, except as otherwise provided in this subdivision the metropolitan transit commission shall levy each year upon all taxable property within the metropolitan transit taxing district, defined in subdivision 2, a transit tax consisting of:

(a) An amount up to two mills times the assessed value of all such property, based upon the level of transit service provided for the property, the proceeds of which shall be used for payment of the expenses of operating transit and paratransit 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

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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 or to be 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.

The county auditor shall reduce the tax levied pursuant to this subdivision on all property within cities or towns that receive full peak service and limited off-peak service by an amount equal to the tax levy that would be produced by applying a rate of 0.5 mills on the property. The county auditor shall reduce the tax levied pursuant to this subdivision on all property within cities or towns that receive limited peak service by an amount equal to the tax levy that would be produced by applying a rate of 0.75 mills on the property. The amounts so computed by the county auditor shall be submitted to the commissioner of revenue as part of the abstracts of tax lists required to be filed with the commissioner under section 275.29. Any prior year adjustments shall also be certified in the abstracts of tax lists. The commissioner shall review the certifications to determine their accuracy. He may make changes in the certification as he may deem necessary or return a certification to the county auditor for corrections. The commissioner shall pay to the regional transit board the amounts certified by the county auditors on the dates provided in section 273.13, subdivision 15a, clause (3). There is annually appropriated from the general fund in the state treasury to the department of revenue the amounts necessary to make these payments in fiscal year 1985 and thereafter.

For the purposes of this subdivision, "full peak and limited off-peak service" means peak period service plus weekday midday service with a frequency of more than 60 minutes on the route with the greatest frequency; and "limited peak period service" means peak period service only.

Sec. 26. Minnesota Statutes 1982, section 477A.13, is amended to read:

477A.13 TIME OF PAYMENT, DEDUCTIONS.

Payments to the counties shall be made from the general fund during the month of July of the year next following certification. There shall be deducted from amounts paid any amounts paid to a county or township during the preceding year pursuant to sections ~~84A.51~~, 89.036, 97.49, subdivision 3, and 272.68, subdivision 3 with respect to the lands certified pursuant to section 477A.12.

Payments under section 477A.12 must also be reduced by the following percentages of the amounts paid during the preceding year under section 84A.51:

(1) for the payment made July 15, 1984, 75 percent;

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- (2) for the payment made July 15, 1985, 50 percent;
- (3) for the payment made July 15, 1986, 25 percent; and
- (4) for the payment made thereafter, 0 percent.

Sec. 27. STATEMENT OF PURPOSE.

The legislature finds that the method of valuing farm property on the basis of sales of comparable properties overstates the value of farm property. Further, the legislature finds that methods of determining the production value of farm property are not suitable as a basis for directly determining the value of individual parcels of farm property. Therefore, the legislature determines that market value should continue to be used as the basis for taxation but that that market value should be adjusted to reflect the production value of farm property.

Sec. 28. DETERMINATION OF RATIO.

The commissioner of revenue shall consider alternative methods of determining the production value of farm property and shall make a recommendation to the legislature by January 15, 1985, as to the percentage of market value to be used in determining the production value to be used for the 1985 assessment, taxes payable in 1986.

Sec. 29. GUIDELINES TO COUNTY ASSESSORS.

The department of revenue is directed by the legislature to prepare and issue guidelines to all county assessors by October 1984, on the following two topics:

(a) the proper assessment methods which should be used when valuing land which is irrigated or capable of being irrigated, and

(b) the proper method for adjusting sales price for financing terms and other conditions of a sale in determining true market value.

The guidelines are not rules subject to the Administrative Procedure Act of chapter 14.

Sec. 30. COMPUTATION; REFUNDS.

An additional credit shall be allowed to owners of all property subject to the \$2,000 agricultural aid credit maximum imposed by Laws 1983, chapter 342, article 2, section 1. The county auditor shall determine the amount of credit to be allowed by recomputing the property tax for taxes payable in 1984 on this property, reducing the tax by the rates set by Minnesota Statutes 1983 Supplement, section 124.2137, subdivision 1. The difference so computed, not to exceed \$2,000, shall be allowed as an additional credit against the property taxes payable in 1984. Amended statements shall be mailed to the affected taxpayers by May 11, 1984. The statements shall contain the information required in Minnesota Statutes, section 276.04, except that a notice must be enclosed stating that the

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statement is amended pursuant to this section. The auditor shall certify the additional agricultural aid amounts pursuant to this section to the commissioner of revenue by the time and in the form determined by the commissioner. The auditor shall also list the number of property tax statements which were revised as a result of the change in the maximum \$4,000 agricultural aid limitation. The commissioner shall reimburse the county \$5 for each revised statement for the administrative expenses incurred as a result of the recomputations pursuant to this section. The commissioner of revenue shall review the certifications to determine their accuracy. He may make changes in the certification he deems necessary or return a certification to the county auditor for corrections.

If property taxes payable in 1984 have been paid in full without the adjustments required by this section, the taxpayer shall receive a refund equal to the difference between the taxes paid and the tax as recomputed. The county treasurer or auditor shall determine the amount of the refund and mail it to the taxpayer as soon as practical.

If property taxes payable in 1984 have been partially paid without the adjustments required by this section, the county treasurer or auditor shall reduce the remaining taxes due by the amount of the tax reduction required by this section, and refund any excess. He shall notify the affected taxpayer of the corrected tax.

Refunds paid under this section do not include interest.

If the county treasurer or auditor has settled and distributed funds under Minnesota Statutes, section 276.10 with respect to any amounts which have been refunded to taxpayers under this section, the amounts of those refunds must be deducted from the next settlement and distribution. Additional credits payable under this section may be designated as state school agriculture credit on the tax statements, but for distribution purposes, the credit shall be distributed to all taxing districts in the same manner and the same proportion as taxes paid by the taxpayer for the property.

Sec. 31. PAYMENT; PENALTIES.

Section 30 does not excuse timely payment of taxes as required in Minnesota Statutes, section 279.01. Penalties shall accrue as provided in Minnesota Statutes, section 279.01 only on the amount of the taxes as recomputed under section 30.

Sec. 32. PROPERTY TAX REFUNDS.

For purposes of Minnesota Statutes, section 290A.03, subdivision 13, "property taxes payable" means property taxes as recomputed under section 30. Taxpayers who filed property tax refund returns utilizing the payable 1984 property taxes before the recomputation must file an amended return and attach an amended property tax statement to the amended return.

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Sec. 33. APPROPRIATION.

There is appropriated from the general fund to the commissioner of revenue the amount necessary to pay the county the amount by which the property taxes payable in 1984 as certified under section 30 are reduced and the fee for issuing the revised tax statements. Payment must be made not later than September 15, 1984.

Sec. 34. HOMESTEAD CREDIT ADJUSTMENTS.

The commissioner of revenue shall by May 1, 1984, advise each county auditor to recompute the homestead credit to be applied against each parcel of property assessed by the county as both homestead and nonhomestead property. The homestead credit shall be applied against the entire parcel. The county auditor shall file an abatement with the county board listing each affected parcel and the additional homestead credit. The county board shall approve the abatement in the same manner as provided in Minnesota Statutes, section 375.192 and forward it to the commissioner. For purposes of this section, "homestead credit" means reductions paid pursuant to Minnesota Statutes, sections 273.13, subdivision 14a; 273.135; and 273.1391.

The county treasurer shall issue corrected property tax statements showing the corrected taxes. The additional homestead credit shall be a reduction against the second half taxes unless the county treasurer issues the corrected statements on or before May 11, 1984.

By July 1, 1984, each county auditor shall notify the commissioner in writing about the procedures used in the county to handle this process. The auditor shall also list the number of property tax statements which were revised as a result of the homestead credit adjustments. The commissioner shall reimburse the county \$5 for each revised statement for the administrative expenses incurred as a result of the recomputations pursuant to this section. There is appropriated from the general fund to the commissioner of revenue the amount necessary to make these payments to the county.

Sec. 35. LEVY LIMIT ADJUSTMENT.

If a governmental unit subject to the levy limitation provisions of Minnesota Statutes, sections 275.50 to 275.56 realizes savings in the form of reduced employer contributions to public pension funds resulting from the enactment of S.F. No. 147 at the 1984 regular session, its levy limit base is permanently reduced, beginning with taxes payable in 1985, by twice the amount of savings realized during the period from July 1, 1984, to December 31, 1984, but only to the extent that the doubled amount exceeds the amount levied as a special levy pursuant to section 275.50, subdivision 5, clause (o), for taxes payable in 1984.

Sec. 36. REPEALER.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Minnesota Statutes 1982, section 295.44, subdivisions 2, 3, and 4 and Minnesota Statutes 1983 Supplement, section 273.11, subdivision 7, is repealed.

Sec. 37. EFFECTIVE DATE.

The increase in the agricultural aid maximum to \$4,000 in section 3 is effective for the 1983 assessment and thereafter, taxes payable 1984 and thereafter. The remainder of section 3 and sections 4, 6 to 14 and the portion of section 36 relating to Minnesota Statutes, section 273.11, subdivision 7, are effective for the 1984 assessment and thereafter, taxes payable in 1985 and thereafter. Sections 1, 2, 5, 15, 17 to 24, 26 to 34 and the portion of section 36 relating to Minnesota Statutes, section 295.44, subdivisions 2, 3, and 4 are effective the day after final enactment. Section 25 is effective in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington for taxes levied in 1985, payable in 1986, and thereafter, but is contingent upon the enactment of the reorganization of metropolitan transit governance in H.F. 2317.

ARTICLE 4

LOCAL GOVERNMENT AIDS

Section 1. LOCAL GOVERNMENT AID RESTORATION.

Subdivision 1. ELIGIBLE AMOUNT. For each town, statutory city, and home rule charter city in the state, the commissioner of revenue shall certify a supplemental aid amount equal to the difference, if any, between (a) its certified distribution for 1984 pursuant to Minnesota Statutes, sections 477A.011 to 477A.03, and (b) the amount that would have been certified had not the limitations of Minnesota Statutes, sections 477A.0131, subdivision 2, and 477A.03, subdivision 2, been in effect.

Subd. 2. TIME OF PAYMENTS. Aid amounts determined pursuant to this section shall be distributed to affected cities in calendar year 1984 according to the payment schedule provided in Minnesota Statutes, section 477A.015. However, if a city is subject to levy limitation pursuant to Minnesota Statutes, sections 275.50 to 275.56, and the amount distributed to it pursuant to this section exceeds the amount by which the city's levy limitation for taxes payable in 1984 exceeds its levy subject to limitation for taxes payable in 1984, the amount of that excess distribution shall be used to reduce the city's levy limitation for taxes payable in 1985 accordingly.

Subd. 3. SUBSEQUENT YEARS. For the purpose of aid distributions pursuant to Minnesota Statutes, sections 477A.011 to 477A.03 for 1985 and subsequent calendar years, aid amounts distributed according to the provisions of this section shall be considered as included in the definition of aids received in 1984 pursuant to Minnesota Statutes, sections 477A.011 to 477A.03.

¹ Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Sec. 2. HIGH-GROWTH ADJUSTMENT.

Subdivision 1. ELIGIBLE AMOUNT. For any statutory city (a) which incorporated in 1974 or thereafter, and (b) whose current population as determined for the calendar year 1979 local government aids distribution exceeded its 1970 census population by a factor of two or more, the commissioner of revenue shall determine the additional amount that the city would have been allocated in the 1984 aid distribution, had the full amount of its then current population been used in the formula calculation for 1979 aids, with aids in the intervening years recalculated using the 1979 adjusted figures.

Subd. 2. ADJUSTMENTS. For every qualifying city, the amount determined pursuant to subdivision 1 shall be permanently added to its adjusted local revenue base pursuant to Minnesota Statutes, section 477A.011, subdivision 7a, and its maximum aid amount pursuant to Minnesota Statutes, section 477A.011, subdivision 10, for aids payable in 1984. 1984 aid distributions for all affected cities shall be based upon formula factors as amended by this section.

This amount shall also be a permanent adjustment to each city's adjusted levy limit base for taxes payable in 1984, pursuant to Minnesota Statutes, section 275.51, subdivision 3h.

Sec. 3. Minnesota Statutes 1983 Supplement, section 477A.013, subdivision 1, is amended to read:

Subdivision 1. TOWNS. In each (a) In 1984, each town shall receive a distribution equal to 50 percent of the amount received in 1983 pursuant to Minnesota Statutes 1982, sections 273.138, 273.139, and 477A.011 to 477A.03.

(b) In 1985 and each succeeding calendar year, each town which has an average equalized mill rate of at least two mills had levied for taxes payable in the previous year at least one mill on the dollar of the assessed value of the town shall receive a distribution equal to 50 percent of the amount received in 1983 pursuant to Minnesota Statutes 1982, sections 273.138, 273.139, and 477A.011 to 477A.03.

Sec. 4. Minnesota Statutes 1983 Supplement, section 477A.013, subdivision 2, is amended to read:

Subd. 2. CITIES AND TOWNS. In each calendar year, each statutory and home rule charter city shall receive a distribution equal to the amount obtained by subtracting ten mills multiplied by the municipality's equalized assessed value from the adjusted local revenue base.

An aid amount shall be computed in the same manner for all towns which have an average equalized mill rate of at least two mills had levied for taxes payable in the previous year at least one mill on the dollar of the assessed value of the town. A town's final aid amount shall be determined by either the subdivision 1 or the subdivision 2 calculation, whichever is greater.

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Sec. 5. Minnesota Statutes 1983 Supplement, section 477A.0131, subdivision 1, is amended to read:

Subdivision 1. (a) No home rule charter or statutory city shall receive a distribution in any calendar year 1985 pursuant to sections 477A.011 to 477A.03 that is less than the sum of the amounts amount certified in the previous calendar year pursuant to sections 477A.011 to 477A.03, section 273.139, and section 273.138, by more than an amount equal to three-fourths of one mill times the unit's equalized assessed value.

(b) No home rule charter or statutory city shall receive a distribution in calendar year 1986 or any subsequent calendar year pursuant to sections 477A.011 to 477A.03 that is less than the amount certified in the previous calendar year pursuant to sections 477A.011 to 477A.03 by more than an amount equal to three-fourths of one mill times the city's equalized assessed value.

Sec. 6. LOCAL GOVERNMENT AIDS STUDY COMMISSION.

A local government aids study commission consisting of 18 members is created. Nine members of the commission shall be members of the senate and appointed by the committee on committees. Nine members of the commission shall be members of the house of representatives and appointed by the speaker. The study commission shall elect a chairman from among its members and meetings of the commission will be held at the call of the chairman.

The purpose of the commission is to study the current funding and distribution of state aid to local units of government including school districts. The commission may do all things necessary and reasonable to conduct the study including holding meetings and soliciting testimony and information. The commission shall make specific recommendations on changes in the present state aid formula and shall report to the legislature and the governor its conclusions and recommendations by January 15, 1985. The commission shall expire on February 1, 1985. Expenses of the commission including per diem and expenses of commission members will be provided by the appointing authority.

Sec. 7. APPROPRIATIONS.

Subdivision 1. An amount sufficient to carry out the provisions of sections 1 and 3 is appropriated from the general fund to the commissioner of revenue.

Subd. 2. The sum of \$120,000 is appropriated from the general fund to the commissioner of revenue for the purpose of providing increased local government aid distributions under section 2. If this appropriation is not sufficient, aid amounts determined pursuant to section 2 shall be proportionately reduced.

Sec. 8. REPEALER.

Changes or additions are indicated by underline, deletions by strikeout.

Minnesota Statutes 1983 Supplement, sections 477A.0131, subdivision 2, and 477A.03, subdivision 2, are repealed.

Sec. 9. EFFECTIVE DATE.

Sections 1 to 4 and 6 to 8 are effective the day following final enactment. Section 5 is effective for distributions beginning with calendar year 1985.

**ARTICLE 5
ECONOMIC DEVELOPMENT**

Section 1. Minnesota Statutes 1983 Supplement, section 273.1312, subdivision 4, as amended by H.F. No. 1877, is amended to read:

Subd. 4. **ELIGIBILITY REQUIREMENTS.** An area is eligible for designation if the following requirements are met:

(a) The boundary of the zone or each subdivision of the zone is continuous and includes vacant or underutilized lands or buildings.

(b) The area of the zone is less than 400 acres. The total market value of the taxable property contained in the zone at the time of application is less than \$100,000 per acre or \$300,000 per acre for an area located wholly within a first class city. A zone which is located in a city of the third or fourth class may be divided into two to four separate subdivisions which need not be contiguous with each other. Each subdivision must contain not less than 100 acres. The restrictions provided by this paragraph shall not apply to areas designated pursuant to paragraph (c), clause (2) or (3).

(c) (1) The proposed zone is located within an economic hardship area, as established by meeting two or more of the following criteria:

(A) the number of residential housing units within the area which are substandard is 15 percent or greater under criteria prescribed by the commissioner using data collected by the bureau of the census or data submitted by the municipality and approved by the commissioner;

(B) the percentage of households within the area that fall below the poverty level, as determined by the United States census bureau, is 20 percent or greater;

(C) (i) the total market value of commercial and industrial property in the area has declined over three of the preceding five years, or (ii) the total market value of all property in the area has declined or it has increased less than ~~ten~~ 10.5 percent over the preceding three-year period;

(D) for the last full year for which data is available, the per capita income in the area was 90 percent or less of the per capita income for the state, excluding

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standard metropolitan statistical areas, or for the standard metropolitan statistical area if the area is located in a standard metropolitan statistical area;

(E) (i) the current rate of unemployment in the area is 120 percent of the statewide average unemployment for the last 12-month period for which verifiable figures are available, or (ii) the total number of employment positions has declined by ten percent during the last 18 months; or

(2) The area is so designated under federal legislation providing for federal tax benefits to investors, employers or employees in enterprise zones; or

(3) The area consists of a statutory or home rule charter city with a contiguous border with a city in another state or with a contiguous border with a city in Minnesota which has a contiguous border with a city in another state and the area is determined by the commissioner to be economically or fiscally distressed.

For purposes of this subdivision, an economic hardship area must have a population under the most recent federal decennial census of at least (i) 4,000 if any of the area is located wholly or partly within a standard metropolitan statistical area, or (ii) 2,500 for an area located outside of a standard metropolitan statistical area, or (iii) no minimum in the case of an area located in an Indian reservation; except that, in the case of two or more cities seeking designation of an enterprise zone under a joint exercise of power pursuant to section 471.59, the minimum population required by this provision shall not exceed the sum of the populations of those cities.

Sec. 2. Minnesota Statutes 1983 Supplement, section 273.1314, subdivision 6, is amended to read:

Subd. 6. **LOCAL CONTRIBUTION.** No area may be designated as an enterprise zone unless the municipality agrees to make a qualifying local contribution in the form of (a) a property tax reduction for employment property as provided by section 273.1313 for any business qualifying for a state tax reduction pursuant to this section, or (b) an equivalent local contribution or investment out of other municipal funds, but excluding any special federal grants or loans. In concluding the agreement with the municipality the commissioner may require that the local contribution will be made in a specified ratio to the amount of the state credits authorized. If the local contribution is to be used to fund additional reductions in state taxes, the commissioner and the governing body of the municipality shall enter an agreement for timely payment to the state to reimburse the state for the amount of tax revenue foregone as a result.

Sec. 3. Minnesota Statutes 1983 Supplement, section 273.1314, subdivision 8, is amended to read:

Subd. 8. **FUNDING LIMITATIONS.** The maximum amount of the tax reductions which may be authorized pursuant to designations of enterprise zones

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under section 273.1312 and this section is limited to ~~\$32,000,000~~ \$35,600,000. The maximum amount of this total which may be authorized by the commissioner for tax reductions pursuant to subdivision 9 that will reduce tax revenues which otherwise would have been received during fiscal years 1984 and 1985 is limited to ~~\$8,000,000~~ \$9,000,000. Of the total limitation and the 1984-1985 biennial limitation the commissioner shall allocate to enterprise zones designated under section 273.1312, subdivision 4, paragraph (c), clause (3), an amount equal to ~~\$10,000,000~~ \$16,610,940 and ~~\$4,000,000~~ \$5,000,000 respectively. These funds shall be allocated among such zones on a per capita basis except that the maximum allocation to any one city is \$6,610,940 and no city's allocation shall exceed \$210 on a per capita basis. An amount sufficient to fund the state funded property tax credits authorized pursuant to this section is appropriated to the commissioner of revenue. Upon designation of an enterprise zone the commissioner shall certify the total amount available for tax reductions in the zone for its duration. The amount certified shall reduce the amount available for tax reductions in other enterprise zones. If subsequent estimates indicate or actual experience shows that the approved tax reductions will result in amounts of tax reductions in excess of the amount certified, the commissioner shall implement a plan to reduce the available tax reductions in the zone to an amount within the sum certified. If subsequent estimates indicate or actual experience shows that the approved tax reductions will result in amounts of tax reductions below the amount certified, the difference shall be available for certification in other zones or used in connection with an amended plan of tax reductions for the zone as the commissioner determines appropriate. If the tax reductions authorized result in reduced revenues for a dedicated fund, the commissioner of finance shall transfer equivalent amounts to the dedicated fund from the general fund as necessary.

Sec. 4. Minnesota Statutes 1983 Supplement, section 273.1314, subdivision 15, is amended to read:

Subd. 15. **REPORTING.** The commissioner shall require municipalities receiving enterprise zone designations pursuant to section 273.1312, subdivision 4, to supply information or otherwise report to the state regarding the economic activity which has occurred in the zone following the designation. This information shall include the number of jobs created in the zone, the number of economically disadvantaged individuals hired in the zone, the average wage level of the jobs created, and descriptions of any affirmative action programs undertaken by the municipality in connection with the zone. The amount of the municipality's local contribution and the number of businesses qualifying for or directly benefiting from the local contribution must be reported annually to the commissioner.

Sec. 5. Minnesota Statutes 1983 Supplement, section 290.069, subdivision 1, is amended to read:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Subdivision 1. **DEFINITIONS.** (a) "Small business assistance office" means a nonprofit corporation which is formed under chapter 317, is an exempt organization under section 501(c)(3) of the Internal Revenue Code, and satisfies the following conditions:

(1) The primary purpose of the corporation is to aid in the formation of new businesses which create jobs in the state by training or providing other direct assistance to entrepreneurs, managers, inventors, and other individuals in the development, financing, and operation of qualified small businesses.

(2) The corporation provides audited financial statements to all contributors and the commissioner of energy, planning, and development within 90 days following the close of the corporation's fiscal year.

(3) The corporation employs, at least, two full-time professional employees or the equivalent. This clause is satisfied if the corporation employs one full-time professional employee and shares a professional employee with another organization engaged in related activities, including but not limited to providing development financing or other services to businesses.

(4) The corporation is not engaged in providing financing or primarily engaged in arranging financing for businesses.

(5) The commissioner of energy, ~~planning~~ and economic development certifies that the corporation satisfies the requirements of this paragraph for the calendar year.

(b) "Technology" means a proprietary process, formula, pattern, device, or compilation of scientific or technical information unless it

(1) is in the public domain; or

(2) cannot be accurately valued.

(c) "Controlled group of corporations" means the controlled group of corporations as defined in section 1563 of the Internal Revenue Code, and if the corporation is part of a unitary business, includes the corporations or entities constituting the unitary business which are not in the controlled group of corporations as defined in section 1563.

(d) An "innovation center public corporation" is a nonprofit public corporation located at a state university in Minnesota that has the purpose of assisting, encouraging, developing, and advancing the high technology small business prosperity and economic welfare of the state.

(e) The "Internal Revenue Code" means the Internal Revenue Code of 1954, as amended through January 15, 1983.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(f) "Qualified small business" means a business an entity, whether organized as a corporation, partnership, or proprietorship, organized for profit if the entity that satisfies the following conditions.

(1) Has The entity had 20 or fewer employees and has had less than \$1,000,000 in gross annual receipts; in each of its three previous taxable years. The number of employees for purposes of this clause and clause (2) shall be determined on an annualized full-time equivalent basis.

(2) The entity is not a subsidiary or an affiliate of a business an entity which employs more than 20 employees or has which had total gross receipts for the previous year of more than \$1,000,000, computed by aggregating all of the employees and gross receipts of the business entities affiliated with the business;

(3) The entity has its commercial domicile in this state;

(4) Does The entity did not derive more than 20 percent of its gross receipts from royalties, rents, dividends, interest, annuities, and sales or exchanges of stock or securities; in one or more of the three previous taxable years. Gross receipts from the sale of stock or securities shall be taken into account only to the extent of gains realized. If the business was not in operation for an entire year at the time of application for certification, this clause is not satisfied if the entity engages in or intends to engage in a trade or business producing or is likely to derive more than 20 percent of its gross receipts from rents, royalties, dividends, interest, annuities, and sales or exchanges of stock or securities. This clause does not apply to the first taxable year of the entity if the total amount of passive income for the year is less than \$3,000 or to a sole proprietor.

(5) The entity is not engaged in a trade or business, the primary purpose of which is described in section 103(b)(6)(O) of the Internal Revenue Code of 1954, as amended through January 15, 1983; and.

(6) Is certified by The commissioner of energy, ~~planning~~ and economic development certifies that it the entity satisfies the requirements of clauses (1) to (5). An income tax return filed with the commissioner of energy and economic development in order to obtain a certification is nonpublic data or private data on individuals, whichever is applicable, as defined in section 13.02.

A qualified small business does not include an entity engaged primarily in providing licensed professional services.

Sec. 6. Minnesota Statutes 1983 Supplement, section 290.069, subdivision 2, is amended to read:

Subd. 2. **TECHNOLOGY TRANSFER CREDIT.** A credit may be claimed against the taxes imposed by this chapter in an amount equal to 30 percent of the net value of the technology transferred to a qualified small business if the following conditions are satisfied:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(a) The commissioner certifies that the technology has the value claimed by the transferor taxpayer.

(b) The transferor taxpayer is the exclusive and undisputed owner of the technology at the time the transfer is made.

(c) Except as provided in paragraph (h), the transferor retains no proprietary or financial interest in the technology subsequent to its transfer to the qualified small business and no credit is claimed for the transfer of the technology in a prior or subsequent taxable year, except pursuant to the carryover provisions of subdivision 5.

(d) The credit shall apply only to the first \$1,000,000 of the net value of the technology transferred during the taxable year. The value of the technology shall not exceed the total qualified research expenses, as defined in section 290.068, subdivision 2, expended by the transferor to create or develop the technology. For purposes of this ~~clause~~ paragraph, "net value" means the total value of the technology less any payments received from the transferee and less the value of any equity interest in the transferee received by the transferor in exchange for the technology. For purposes of determining the value of the equity interest, the total value of the transferee shall be deemed to be not less than the value of the technology transferred, less any cash payment made to the transferor.

(e) The taxpayer has not deducted the value of the transferred property from income under any other provisions of this chapter, except that the costs of developing the technology may have been deducted as a business expense or depreciated or included in the computation of the research and experimental expenditure credit pursuant to section 290.068.

(f) The transferee business entity may not be a subsidiary or affiliate of the transferor taxpayer.

(g) The transferee makes a substantial investment in acquiring or developing the technology. The requirements of this clause are satisfied if over a two-year period beginning not later than the date of the transfer (1) the transferee pays the transferor an amount equal to 20 percent of the value of the technology in return for acquisition of the rights to the technology, or if (2) the transferee expends an equivalent amount for equipment, materials, wages, or other direct costs to develop, produce, or otherwise use the technology. The requirements of this paragraph may not be satisfied by granting the transferor an equity interest as provided by paragraph (h).

(h) The transferor may receive in exchange for the transfer of the technology an equity interest in the transferee, but this interest may not exceed 25 percent of the capital interest, if the transferee is a partnership, or 25 percent in value of the outstanding stock, if the transferee is a corporation. The transferor's basis in the equity interest shall be reduced by the amount of the credits received

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pursuant to this subdivision. The transferor may not deduct any loss realized on the sale or exchange of the equity interest.

(i) The maximum credit which is allowed for technology transferred during the taxable year is \$300,000. The maximum credit which is allowable for technology transferred during all taxable years to an entity or a related person to the transferee entity is \$300,000. A person is a related person to the entity if (i) the relationship would result in disallowance of losses under section 267 or 707(b) of the Internal Revenue Code or (ii) the person and the entity are members of the same controlled group or corporation.

The commissioner may require that the taxpayer obtain an appraisal of the value of the transferred technology by a reliable, expert third party. The disclosure to a third party appraiser of information necessary to make an appraisal shall not be subject to the provisions of section 290.61. The commissioner may promulgate administrative rules for appraising the value of transferred technology.

Sec. 7. Minnesota Statutes 1983 Supplement, section 290.069, is amended by adding a subdivision to read:

Subd. 2a. RECAPTURE; TECHNOLOGY TRANSFER CREDIT. (a) A corporation which receives a tax reduction pursuant to subdivision 2 shall repay to the commissioner an amount of the tax reduction as specified in paragraph (b) if any of the following conditions occur within a three-year period after the date of transfer of the technology.

- (1) The transferee ceases operations in Minnesota.
- (2) The transferee becomes a subsidiary or affiliate of the transferor.
- (3) The transferee sells, transfers, or otherwise disposes of the rights to technology.
- (4) The transferee fails to make the necessary payments or expenditures required by subdivision 2, paragraph (g).
- (5) The transferee grants an interest to the transferor in violation of subdivision 2, paragraph (h).

(b) The amount of the repayment is determined pursuant to the following schedule:

<u>Occurrence of event causing recapture</u>	<u>Repayment portion</u>
<u>Less than six months</u>	<u>100 percent</u>
<u>Six months or more but less than 12 months</u>	<u>83-1/3 percent</u>
<u>12 months or more but less than 18 months</u>	<u>66-2/3 percent</u>

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<u>18 months or more but less than 24 months</u>	<u>50 percent</u>
<u>24 months or more but less than 30 months</u>	<u>33-1/3 percent</u>
<u>30 months or more but less than 36 months</u>	<u>16-2/3 percent</u>

Sec. 8. Minnesota Statutes 1983 Supplement, section 290.069, subdivision 4, is amended to read:

Subd. 4. **EQUITY INVESTMENT CREDIT.** (a) A credit shall be allowed against the tax imposed by this chapter for the taxable year in an amount equal to 30 percent of the net investment in excess of \$25,000 in the equity stock of a qualified small business, which is organized as a corporation. ~~The maximum amount of the credit for a taxable year may not exceed \$75,000.~~ The credit for the taxable year is the least of

(1) \$75,000, or

(2) 30 percent of the sum of the following, computed for the investment in each qualified small business:

(A) The net investment made by the taxpayer during the taxable year in the equity stock of the qualified small business, less

(B) \$25,000; or

(3) 75 percent of the taxpayer's tax liability computed after subtraction of all nonrefundable credits.

(b) For purposes of this credit the following limitations apply:

(1) Equity stock means common or preferred stock in the qualified small business, and shall not include any security which provides for fixed or variable interest payments which would be treated as debt under section 385 of the Internal Revenue Code.

(2) The taxpayer and any related persons may not own more than 49 percent of the value of any class of stock. For purposes of this ~~paragraph~~ clause, a person is a related person to another person if (i) the relationship between the persons would result in a disallowance of losses under section 267 or 707(b) of the Internal Revenue Code of 1954 or (ii) the persons are members of the same controlled group of corporations. ~~The restrictions provided by this subdivision shall apply for a three-year period beginning on the date the stock is purchased. If the taxpayer or a related person acquires more than 49 percent of the value of any class of stock after the allowance of a credit under this subdivision and prior to the end of the three-year period, the taxpayer's tax for the taxable year in which the credit was allowed shall be increased by the amount of the credit previously claimed.~~

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(3) The credit shall not exceed 75 percent of the taxpayer's tax liability computed after the subtraction of all credits, other than the credit provided in this subdivision. "Net investment" is limited to cash or the fair market value of marketable securities which are transferred to the qualified small business in return for equity stock, less the value of any other property or other consideration received by the taxpayer. The amount of the net investment shall be reduced by any payments made by the qualified small business to redeem shares of its stock or to acquire the assets or stock of another business during a 24-month period beginning one year prior to the taxpayer's purchase of the stock in the qualified small business. Marketable securities are limited to (A) obligations of the United States government, (B) securities of a corporation or other entity the stock or other securities of which are listed by the New York or American Stock Exchange or by the National Association of Securities Dealers Automated Quotation System, or (C) state or local government obligations, other than industrial development bonds as defined in section 103(b) of the Internal Revenue Code. The transfer of the assets of an entity engaged in a trade or business as a corporation, partnership, association, or proprietorship to a corporation shall not qualify as a net investment for purposes of the credit, if the ownership of the transferee corporation is substantially the same as that of the entity. For purposes of the preceding sentence, any property owned by or used directly in the business, pledged as collateral, or used as working capital shall constitute assets of the business.

(b) (c) If the principal place of business of the qualified small business is located in an enterprise zone designated pursuant to section 273.1312, \$10,000 shall be substituted for \$25,000 and \$100,000 for \$75,000 in paragraph (a).

(e) (d) The taxpayer's basis in the stock shall be reduced by the amount of the credit.

(e) In the case of an investment made by a small business corporation, having a valid election in effect under section 1362 of the Internal Revenue Code, or by a partnership, the credit shall be allocated among the shareholders or partners on a pro rata basis and the limitations contained in paragraphs (a) and (c) shall apply to the small business corporation or partnership. In no case shall a taxpayer be allowed a maximum credit in excess of that permitted by paragraph (a) or (c).

Sec. 9. Minnesota Statutes 1983 Supplement, section 290.069, is amended by adding a subdivision to read:

Subd. 4a. RECAPTURE; EQUITY INVESTMENT CREDIT. (a) A taxpayer who receives a tax reduction pursuant to subdivision 4 shall repay to the commissioner an amount of the tax reduction as specified in paragraph (b) if any of the following conditions occur within a four-year period after the date of the investment:

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(1) The taxpayer transfers, sells, or otherwise disposes of the stock other than transfer by the estate of a taxpayer who died after acquiring the stock.

(2) The taxpayer or a related person acquires an interest in the qualified small business in excess of that permitted by subdivision 4, clause (b)(2).

(3) The transferee ceases operations in Minnesota.

(b) The amount of the repayment is determined pursuant to the following schedule:

<u>Occurrence of event causing recapture</u>	<u>Repayment portion</u>
<u>Less than six months</u>	<u>100 percent</u>
<u>Six months or more but less than 12 months</u>	<u>87-1/2 percent</u>
<u>12 months or more but less than 18 months</u>	<u>75 percent</u>
<u>18 months or more but less than 24 months</u>	<u>62-1/2 percent</u>
<u>24 months or more but less than 30 months</u>	<u>50 percent</u>
<u>30 months or more but less than 36 months</u>	<u>37-1/2 percent</u>
<u>36 months or more but less than 42 months</u>	<u>25 percent</u>
<u>42 months or more but less than 48 months</u>	<u>12-1/2 percent</u>

(c) If a credit was allowed for a qualified small business whose principal place of business was located in an enterprise zone and the business ceases operations in the zone within three years after the investment is made, the taxpayer shall file an amended return claiming the credit without regard to subdivision 4, paragraph (c).

Sec. 10. Minnesota Statutes 1983 Supplement, section 290.069, is amended by adding a subdivision to read:

Subd. 4b. MULTISTATE BUSINESSES. If a qualified small business is engaged in a business partly within and partly without the state, the credit allowable pursuant to subdivision 2 or 4 for technology transferred to or a net investment made in the business must be apportioned. The credit determined pursuant to subdivision 2 or 4 must be multiplied by the arithmetical average of the qualified small business' property and payrolls, determined as provided by section 290.19, subdivision 1, clauses (2)(a)(2) and (2)(a)(3), using data from the most recently available year. After the technology is transferred or the investment made, the qualified small business shall certify to the transferor taxpayer its factors under section 290.19, subdivision 1, clauses (2)(a)(2) and (2)(a)(3) for each of the succeeding two tax years. If the factors for either of these years would

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result in at least a 25 percent change in the allowable credit, the taxpayer shall file an amended return repaying or claiming the difference in the credit. The preceding sentence does not apply if the qualified small business ceases operations in Minnesota and the recapture provisions of subdivision 2a or 4a apply.

Sec. 11. Minnesota Statutes 1983 Supplement, section 290.069, subdivision 5, is amended to read:

Subd. 5. **LIMITATIONS CARRYOVER; OTHER CONDITIONS.** The provisions of section 290.068, subdivisions 3, clause (a); 4; and 5 shall apply to the sum of the credits which this section allows, except that no carryback shall be allowed. The carryover provisions of section 290.068, subdivision 3, clause (b), shall apply to the sum of the credits allowed by this section except that the term "research credit" or "research and experimental expenditure credit" shall include the credits authorized by subdivisions 2 and 3 of this section. If the amount of the allowable credit pursuant to subdivision 2 or 3 for the taxable year exceeds the taxpayer's tax liability or if the limitation contained in subdivision 4, clause (a)(3) applies, the unused credit for the taxable year is a carryover to each of the succeeding five taxable years. The entire amount of the unused credit must be carried to the earliest of the taxable years to which it may be carried. "Tax liability" means the tax imposed by this chapter reduced by the sum of the nonrefundable credits allowed under this chapter except the credit allowed by section 290.068. The credits allowed by subdivisions 2 and 3 shall only be available to corporations and banks whose tax is computed pursuant to section 290.06, subdivision 1.

The maximum limitations on the amount of credits pursuant to subdivisions 2 and 3, and 4 shall be determined by aggregating together the credits of all the corporations in the controlled group of corporations with the taxpayer. In order to facilitate compliance with and enforcement of this provision the commissioner may require the taxpayer to claim the credit on a combined report of the unitary business or to file a copy of the consolidated federal return with the state return or both.

Sec. 12. Minnesota Statutes 1983 Supplement, section 290.069, is amended by adding a subdivision to read:

Subd. 7. **COMMISSIONER'S POWER TO DISALLOW CREDIT.** The commissioner may disallow a credit under subdivision 2 or 4 if he determines that the transaction giving rise to the credit was entered into by the parties primarily to reduce taxes and not primarily for an independent business or commercial purpose other than the reduction of taxes.

Sec. 13. **TRANSITION PROVISION; FARMS.**

An investment made on or before June 30, 1985, in a corporation primarily engaged in the business of farming does not qualify for the equity investment credit under Minnesota Statutes, section 290.069. The business of

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farming includes the activities enumerated in Minnesota Statutes, section 290.09, subdivision 29, paragraph (a). The commissioner of energy and economic development may not certify an entity primarily engaged in farming as a qualified small business under Minnesota Statutes, section 290.069, subdivision 1, prior to July 1, 1985.

Sec. 14. Minnesota Statutes 1983 Supplement, section 290.21, subdivision 4, is amended to read:

Subd. 4. (a) 85 percent of dividends received by a corporation during the taxable year from another corporation, when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom. The remaining 15 percent shall be allowed if the recipient owns 80 percent or more of all the voting stock of such the other corporation, ~~and the dividends were paid from income arising out of business done in this state by the corporation paying such dividends; but if the income out of which the dividends are declared was derived from business done within and without this state, then so much of the remainder shall be allowed as a deduction as the amount of the taxable net income of the corporation paying the dividends assignable or allocable to this state bears to the entire net income of the corporation, such rate being determined by the returns under this chapter of the corporation paying such dividends for the taxable year preceding the distribution thereof; the burden shall be on the taxpayer of showing that the amount of remainder claimed as a deduction has been received from income arising out of business done in this state.~~

(b) If the trade or business of the taxpayer consists principally of the holding of the stocks and the collection of the income and gains therefrom, dividends received by a corporation during the taxable year from another corporation, if the recipient owns 80 percent or more of all the voting stock of such the other corporation, ~~from income arising out of business done in this state by the corporation paying such dividends; but, if the income out of which the dividends are declared was derived from business done within and without this state, then so much of the dividends shall be allowed as deduction as the amount of the taxable net income of the corporation paying the dividends assignable or allocable to this state bears to the entire net income of the corporation, such rate being determined by the returns under this chapter of the corporation paying such dividends for the taxable year preceding the distribution thereof. The burden shall be on the taxpayer of showing that the amount of dividends claimed as a deduction has been received from income arising out of business done in this state.~~

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

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code of 1954, as amended through December 31, 1982.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code of 1954, as amended through December 31, 1982.

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

(e) Dividends received by a corporation from another corporation which is organized under the laws of a foreign country or a political subdivision of a foreign country, if the dividends are paid from income arising from sources without the United States, the commonwealth of Puerto Rico, and the possessions of the United States. The deduction provided by this clause does not apply if the corporate stock with respect to which dividends are paid constitutes the stock in trade of the taxpayer, or would be included in the inventory of the taxpayer, or constitutes property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or if the trade or business of the taxpayer consists principally of the holding of stocks and the collection of the income or gains therefrom. No dividend may be deducted under this clause if it is deducted under clause (a).

Sec. 15. Minnesota Statutes 1982, section 290.21, is amended by adding a subdivision to read:

Subd. 8. FOREIGN SOURCE ROYALTIES. (a) Rentals, fees, and royalties accrued or received from a foreign corporation for the use of or for the privilege of using outside of the United States patents, copyrights, secret processes and formulas, good will, know-how, trademarks, trade brands, franchises, and other like property. Rentals, fees, or royalties deducted under this subdivision shall not be included in the taxpayer's apportionment factors under section 290.19, subdivision 1, clause (1)(a) or (2)(a)(1). The preceding sentence shall not

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be construed to imply that nondeductible rentals, fees, and royalties from such properties are or were included in or excluded from the apportionment factors under any other provision of law.

(b) A corporation is allowed the deduction provided by this subdivision only if during the taxable year it received or accrued at least 80 percent of its gross income from sources as defined in clause (a) and from dividends received from foreign corporations. The corporation's gross income for purposes of this clause shall be computed without regard to the requirement of section 290.34, subdivision 2, that a combined report be filed reflecting the entire income of the unitary business.

(c) For purposes of this subdivision, a foreign corporation is (i) a corporation organized under the laws of a foreign country or the political subdivision of a foreign country or (ii) a corporation which for the taxable year derives at least 80 percent of its gross income from sources without the United States, the commonwealth of Puerto Rico, and the possessions of the United States. A foreign corporation does not include a DISC as defined in section 992(a) of the Internal Revenue Code of 1954, as amended through December 31, 1983.

(d) The deduction provided in this subdivision is allowed only with respect to rentals, fees, and royalties that are included in a corporation's Minnesota taxable net income for the taxable year.

Sec. 16. Minnesota Statutes 1982, section 462.651, subdivision 1, is amended to read:

Subdivision 1. **GENERAL TAXES.** The governing body of a municipality in which any project of a redevelopment company is located may, ~~by ordinance or resolution~~ after the local approval as provided in subdivision 5, exempt from all local taxes ~~so much up to 50 percent~~ up to 50 percent of the value of the property included in that project as which represents an increase over the assessed valuation of the property, both land and improvements, acquired for the project at the time of its original acquisition for redevelopment purposes. ~~Should such a~~ If the governing body grant such a tax grants an exemption, the project shall, to the extent of the municipal exemption and during the period thereof, be exempt from any and all ~~state, county, and school district ad valorem~~ property taxes. The tax exemption specified herein shall not operate for a period of more than ~~25~~ ten years, commencing in each instance from the date on which the benefits of such exemption first become available and effective. ~~There shall be~~ No exemption may be granted from payment of special assessments or from the payment of inspection, supervision, and auditing fees of the commissioner of energy, planning and development or the authority.

Sec. 17. Minnesota Statutes 1982, section 462.651, is amended by adding a subdivision to read:

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Subd. 5. COMMENT BY COUNTY BOARD. Before approving a tax exemption pursuant to this section, the governing body of the municipality must provide an opportunity to the members of the county board of commissioners of the county in which the project is proposed to be located and the members of the school board of the school district in which the project is proposed to be located to meet with the governing body. The governing body must present to the members of those boards its estimate of the fiscal impact of the proposed property tax exemption. The tax exemption may not be approved by the governing body until the county board of commissioners has presented its written comment on the proposal to the governing body, or 30 days have passed from the date of the transmittal by the governing body to the board of the information on the fiscal impact, whichever occurs first.

Sec. 18. ALLOCATION TO DULUTH.

The city of Duluth is allocated \$6,610,940 of the tax reductions permitted by section 273.1314, subdivision 8, pursuant to its designation under section 273.1312, subdivision 4, paragraph (c), clause (3).

Sec. 19. PLANT CONSTRUCTION AND EXPANSION GRANTS.

Subdivision 1. APPROPRIATION. The sum of \$3,400,000 is appropriated from the general fund to the commissioner of energy and economic development for the purpose of providing grants to industrial operations that are substantially renovating their facilities, provided that the renovation enables the operation to continue to provide a substantial portion of the industrial employment of the community in which it is located. The grant is intended to help meet the cost of property tax increases due to plant expansion or renovation and the cost of sales tax or equipment purchased to replace obsolete, inadequate, or inefficient equipment in the plant.

Of the sum appropriated, up to \$1,000,000 may be granted to a meat processing and packing facility that, at the time when renovation or expansion of the facility begins, provides over 20 percent of the industrial employment in the city. The entire amount of this grant may be paid on or after July 1, 1984.

Up to \$2,400,000 may be granted to a manufacturer of internal combustion engines, generators, electrical generating sets, and switchgear that, at the time when renovation or expansion of the facility begins, provides over ten percent of the industrial employment in the city. This grant is to be disbursed as follows. The recipient must annually certify to the commissioner the following amounts paid during the year: (a) the additional property taxes paid as a result of the expansion and (b) one-third of the sales tax paid on replacement capital equipment that does not qualify for the four percent sales tax rate under Minnesota Statutes, section 297A.02, subdivision 2. The commissioner shall pay the lesser of the amount certified for the year or \$480,000. If in a year the amount certified is less than \$480,000, the excess shall carryforward and may be

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paid in a succeeding year. The commissioner may not pay an amount in excess of that certified. The appropriation for this grant does not cancel.

An additional sum of \$100,000 is appropriated to the commissioner of energy and economic development to provide a grant to a city which is selected as the site for a foreign manufacturing development facility. This grant is not subject to the limitations contained in the first paragraph of this subdivision. A foreign manufacturing development project is a production and office facility financed, in whole or part, by an agency of a foreign government or a foreign corporation for the purpose of testing and developing the expertise of foreign firms in manufacturing products in the United States. The city may use the grant moneys to provide assistance to the foreign manufacturing development facility in the manner it determines appropriate.

Designation of grant recipients is not subject to the provisions of chapter 14.

Subd. 2. RECAPTURE. A business that receives a grant pursuant to subdivision 1 shall repay to the commissioner of energy and economic development a portion of the grant if, within five years of the receipt of the grant, the commissioner determines that (1) the recipient has failed to renovate or expand its facility according to the schedule submitted pursuant to subdivision 1 and that the recipient is unlikely to resume the renovation or expansion activity according to a schedule that is reasonably similar in result to the original schedule, allowing for some extension of time, not to exceed 20 percent of the time originally scheduled, for accomplishment of the renovation or expansion, or (2) the recipient has ceased operation of the facility.

The amount of the repayment is determined according to the following schedule:

<u>Occurrence of event causing recapture</u>	<u>Repayment portion</u>
<u>Less than one year</u>	<u>100 percent</u>
<u>One year or more but less than two years</u>	<u>80 percent</u>
<u>Two years or more but less than three years</u>	<u>60 percent</u>
<u>Three years or more but less than four years</u>	<u>40 percent</u>
<u>Four years or more but less than five years</u>	<u>20 percent</u>

Sec. 20. REPEALER.

Minnesota Statutes 1982, section 462.651, subdivision 2, and Minnesota Statutes 1983 Supplement, section 462.651, subdivision 3 are repealed.

Sec. 21. EFFECTIVE DATE; APPROPRIATION.

Changes or additions are indicated by underline, deletions by strikeout.

Sections 1 to 4 are effective the day following final enactment. Sections 5 to 13 are effective for taxable years beginning after December 31, 1983, except that they shall not apply to qualified small businesses that were certified by the commissioner of energy and economic development prior to April 10, 1984. Section 14 is effective for taxable years beginning after June 30, 1985. Section 15 is effective for taxable years beginning after December 31, 1984. Sections 16, 17, and 20 are effective for exemptions approved after July 1, 1984. Section 18 is effective July 1, 1984.

ARTICLE 6 SALES

Section 1. Minnesota Statutes 1982, section 297A.01, subdivision 15, is amended to read:

Subd. 15. "Farm machinery" means new or used machinery, equipment, implements, accessories and contrivances used directly and principally in the production for sale, but not including the processing, of livestock, dairy animals, dairy products, poultry and poultry products, fruits, vegetables, forage, grains and bees and apiary products. "Farm machinery" shall include machinery for the preparation, seeding or cultivation of soil for growing agricultural crops, harvesting and threshing of agricultural products, and certain machinery for dairy, livestock and poultry farms, together with barn cleaners, milking systems, grain dryers, automatic feeding systems and similar installations. Irrigation equipment sold for exclusively agricultural use, including pumps, pipe fittings, valves, sprinklers and other equipment necessary to the operation of an irrigation system when sold as part of an irrigation system, except irrigation equipment which is situated below ground and considered to be a part of the real property, shall be included in the definition of farm machinery. Logging equipment, except chain saws, shall be included in the definition of farm machinery. Repair or replacement parts for farm machinery shall not be included in the definition of farm machinery.

Tools, shop equipment, grain bins, feed bunks, fencing material, communication equipment and other farm supplies shall not be considered to be farm machinery. "Farm machinery" does not include motor vehicles taxed under chapter 297B, snowmobiles, snow blowers, lawn mowers, garden-type tractors or garden tillers and the repair and replacement parts for those vehicles and machines.

Sec. 2. Minnesota Statutes 1982, section 297A.01, is amended by adding a subdivision to read:

Subd. 16. CAPITAL EQUIPMENT. Capital equipment means machinery and equipment and the materials and supplies necessary to construct or install

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the machinery or equipment. To qualify under this definition the capital equipment must be used by the purchaser or lessee for manufacturing, fabricating, or refining a product to be sold at retail and must be used for the establishment of a new or the physical expansion of an existing manufacturing, fabricating, or refining facility in the state. Capital equipment does not include (1) machinery or equipment purchased or leased to replace machinery or equipment performing substantially the same function in an existing facility, (2) repair or replacement parts, or (3) machinery or equipment used to extract, receive, or store raw materials.

Sec. 3. Minnesota Statutes 1982, section 297A.01, is amended by adding a subdivision to read:

Subd. 17. SPECIAL TOOLING. Special tooling means tools, dies, jigs, patterns, gauges and other special tools which have value and use only for the buyer and for the use for which it is made. An item has use or value only to the buyer if the item is not standard enough to be stocked or ordered from a catalog or other sales literature, but must be produced in accordance with special requirements peculiar to the buyer and not common to someone else whose conditions for possible use of the material are reasonably similar to the buyer's.

Sec. 4. Minnesota Statutes 1983 Supplement, section 297A.02, subdivision 2, is amended to read:

Subd. 2. FARM MACHINERY AND EQUIPMENT. Notwithstanding the provisions of subdivision 1, the rate of the excise tax imposed upon sales of farm machinery shall be, special tooling, and capital equipment is four percent.

Sec. 5. Minnesota Statutes 1983 Supplement, section 297A.02, is amended by adding a subdivision to read:

Subd. 4. MANUFACTURED HOUSING. Notwithstanding the provisions of subdivision 1, for sales at retail of manufactured homes used for residential purposes the excise tax is imposed upon 65 percent of the sales price of the home.

Sec. 6. Minnesota Statutes 1983 Supplement, section 297A.14, is amended to read:

297A.14 USING, STORING OR CONSUMING TANGIBLE PERSONAL PROPERTY; ADMISSIONS; UTILITIES.

For the privilege of using, storing or consuming in Minnesota tangible personal property, tickets or admissions to places of amusement and athletic events, electricity, gas, and local exchange telephone service purchased for use, storage or consumption in this state, ~~there a use tax is imposed on every person in this state a use tax at the rate of six percent of the sales price of sales at retail of any of the aforementioned items unless the tax imposed by section 297A.02 was paid on the sales price.~~ Notwithstanding the provisions of this paragraph the

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preceding sentence, the rate of the use tax imposed upon the sales price of sales of farm machinery shall be, special tooling, and capital equipment is four percent.

A motor vehicle subject to tax under this section shall be taxed at its fair market value at the time of transport into Minnesota if the motor vehicle was acquired more than three months prior to its transport into this state.

Sec. 7. Minnesota Statutes 1982, section 297A.15, is amended by adding a subdivision to read:

Subd. 5. REFUND; APPROPRIATION. Notwithstanding the provisions of section 297A.02, subdivision 2, the tax on sales of capital equipment shall be imposed and collected as if the rate under section 297A.02, subdivision 1, applied. Upon application by the purchaser, on forms prescribed by the commissioner, a refund equal to the reduction in the tax due as a result of the application of the rates under section 297A.02, subdivision 2, shall be paid to the purchaser. The application shall include information necessary for the commissioner initially to verify that the purchases qualified as capital equipment under section 297A.02, subdivision 2. No more than two applications for refunds may be filed under this subdivision in a calendar year. Unless otherwise specifically provided by this subdivision, the provisions of section 297A.34 apply to the refunds payable under this subdivision. There is annually appropriated to the commissioner of revenue the amount required to make the refunds.

Sec. 8. Minnesota Statutes 1983 Supplement, section 297A.25, subdivision 1, is amended to read:

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, and food products which are not taxable pursuant to section 297A.01, subdivision 3, clause (c) and which are sold by a retailer, organized as a nonprofit corporation or association, within a place located on property owned by the state or an agency or instrumentality of the state, the entrance to which is subject to an admission charge. This exemption does not include the following:

(i) candy and candy products, except when sold for fundraising purposes by a nonprofit organization that provides educational and social activities for young people primarily aged 18 and under;

(ii) carbonated beverages, beverages commonly referred to as soft drinks containing less than 15 percent fruit juice, or bottled water other than noncarbo-

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nated and noneffervescent bottled water sold in individual containers of one-half gallon or more in size;

(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;

(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 by the purchaser 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); provided that the property is not subject to tax in that state or country to which it is transported for storage or use, or, if subject to tax in that other state, that state allows a similar exemption for property purchased therein and transported to Minnesota for use in this state; except that sales of tangible personal property that is shipped or transported for use outside Minnesota shall be taxed at the rate of the use tax imposed by the state to which the property is shipped or transported, unless that state has no use tax, in which case the sale shall be taxed at the rate generally imposed by this state; and provided further that sales of tangible personal property to be used in other states or countries as part of a maintenance contract shall be specifically exempt; 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;

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(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, hand-bags, pocketbooks, wallets, billfolds, card, pass, and key cases and toilet cases.

(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;

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(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. The term "publication" shall not include magazines and periodicals sold over the counter. 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, including sales in which title is retained by a seller or a vendor or is assigned to a third party under an installment sale or lease purchase agreement under section 465.71, 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. Sales exempted by this clause include sales pursuant to section 297A.01, subdivision 3, clauses (d) and (f). This exemption shall not apply to building, construction or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities;

(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. For purposes of this clause, sales by a nonprofit organization shall be deemed to be "isolated or occasional" if they occur at sale events that have a duration of three or fewer consecutive days. The granting of the privilege of admission to places of amusement and the privilege of use of amusement devices by a nonprofit organization at an isolated or occasional event conducted on property owned or leased for a continuous period of more than 30 days by the nonprofit organization are also exempt. The exemption provided for isolated sales of tangible personal property and of the granting of admissions or the privilege of use of amusement devices by nonprofit organizations pursuant to this clause shall be available only if the sum of the days on

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which the organization and any subsidiary nonprofit organization sponsored by it that does not have a separate sales tax exemption permit conduct sales of tangible personal property, plus the days with respect to which the organization charges for the use of amusement devices or admission to places of amusement, does not exceed eight days in a calendar year. For purposes of this clause, a "nonprofit organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes, no part of the net earnings of which inures to the benefit of a private individual;

(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 airlift 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, "airlift equipment" includes airplanes and parts necessary for the repair and maintenance of such airlift 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. Sales exempted by this clause include sales pursuant to section 297A.01, subdivision 3, clauses (d) and (f). This exemption shall not apply to building, construction or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or

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similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities;

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

(r) 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.

(s) 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.

(t) 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 effective 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.

(u) 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.

(v) 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.

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

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

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(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.

(x) 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 Minnesota Statutes 1980, section 290.05, subdivision 1, clause (i).

(y) 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, 1982; 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.

(z) The gross receipts from the sale of sanitary napkins, tampons, or similar items used for feminine hygiene.

(aa) The gross receipts from the sale of a manufactured home, as defined in section 327.31, subdivision 6, to be used by the purchaser for residential purposes, unless the sale is the first retail sale of the manufactured home in this state.

Sec. 9. Minnesota Statutes 1983 Supplement, section 297B.03, is amended to read:

297B.03 EXEMPTIONS.

There is specifically exempted from the provisions of this chapter and from computation of the amount of tax imposed by it the following:

(1) Purchase or use, including use under a lease purchase agreement or installment sales contract made pursuant to section 465.71, of any motor vehicle by any person described in and subject to the conditions provided in section 297A.25, subdivision 1, clauses (j), (p) and (r).

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(2) Purchase or use of any motor vehicle by any person who was a resident of another state at the time of the purchase and who subsequently becomes a resident of Minnesota, provided the purchase occurred more than 60 days prior to the date such person moved his residence to the state of Minnesota.

(3) Purchase or use of any motor vehicle by any person making a valid election to be taxed under the provisions of section 297A.211.

(4) Purchase or use of any motor vehicle previously registered in the state of Minnesota by any corporation or partnership when such transfer constitutes a transfer within the meaning of sections 351 or 721 of the Internal Revenue Code of 1954, as amended through December 31, 1974.

(5) Purchase or use of any vehicle owned by a resident of another state and leased to a Minnesota based private or for hire carrier for regular use in the transportation of persons or property in interstate commerce provided the vehicle is titled in the state of the owner or secured party, and that state does not impose a sales or motor vehicle excise tax on motor vehicles used in interstate commerce.

Sec. 10. Minnesota Statutes 1982, section 297B.035, subdivision 3, is amended to read:

Subd. 3. Motor vehicles sold by a new motor vehicle dealer in contravention of section 168.27, subdivision 10, clause (1)(b) shall not be considered to have been acquired or purchased for resale in the ordinary or regular course of business for the purposes of this chapter, and the dealer shall be required to pay the excise tax due on the purchase of those vehicles. The sale by a lessor of a new motor vehicle under lease within 120 days of the commencement of the lease is deemed a sale in contravention of section 168.27, subdivision 10, clause (1)(b) unless the lessor holds a valid contract or franchise with the manufacturer or distributor of the vehicle.

Sec. 11. EFFECTIVE DATE.

Section 5 and the provision in section 8, clause (aa), exempting certain sales of manufactured homes are effective January 1, 1985. Section 1, the rest of section 8, and section 10 are effective for sales after June 30, 1984. Sections 2 to 4, 6, and 7 are effective for sales made after June 30, 1984, and also apply to purchases of capital equipment and special tooling made after May 1, 1984, but not placed in service until after June 30, 1984.

ARTICLE 7 TACONITE

Section 1. Minnesota Statutes 1983 Supplement, section 273.13, subdivision 6, is amended to read:

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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 as follows: the first \$60,000 of market value shall be valued and assessed at 14 percent; the remaining market value shall be valued and assessed at 19 percent. The maximum amount of the market value of the homestead bracket subject to the 14 percent rate shall be adjusted by the commissioner of revenue as provided in section 273.1311. The property tax to be paid on class 3b property as otherwise determined by law less any reduction received pursuant to sections 124.2137, 273.123, ~~273.135~~, and 473H.10 shall be reduced by 54 percent of the tax; provided that the amount of the reduction shall not exceed \$650. 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. 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 124.2137, 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.

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. 2. Minnesota Statutes 1983 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 as follows: the first \$30,000 of market value shall be valued and assessed at 17 percent; the next \$30,000 of market value shall be valued and assessed at 19 percent; and the remaining market value shall be valued and assessed at 30 percent. The maximum amounts of the market value of the homestead brackets subject to the 17 percent and 19 percent rates shall be adjusted by the commissioner of revenue as provided in section 273.1311. The property tax to be paid on class 3c property as otherwise determined by law, less any reduction received pursuant to

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sections 273.123, ~~273.135~~, and 473H.10 shall be reduced by 54 percent of the tax imposed on the first \$67,000 of market value; provided that the amount of the reduction shall not exceed \$650. 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 real estate or manufactured homes used for the purposes of a homestead by (a) any blind person, if the blind person is the owner thereof or if the 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 the 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) receives 90 percent or more of his total income from (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, including the amount of a disability insurance benefit which is converted to an old age insurance benefit and any subsequent cost of living increases, or (v) aid under the Federal Railroad Retirement Act of 1937, 45 United States Code Annotated, Section 228b(a)5, or (vi) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability. Property shall be classified and assessed as class 3cc only if the commissioner of revenue certifies to the assessor that the owner of the property satisfies the requirements of this subdivision. Class 3cc property shall be valued and assessed as follows: in the case of agricultural land, including a manufactured home, used for a homestead, the first \$30,000 of market value shall be valued and assessed at five percent, the next \$30,000 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 manufactured homes, the first \$30,000 of market value shall be valued and assessed at five percent, the next \$30,000 of market value shall be valued and assessed at 19 percent, and the remaining market value shall be valued and assessed at 30 percent. In the case of agricultural land including a manufactured home used for purposes of a homestead, the commissioner of revenue shall adjust, as provided in section 273.1311, the maximum amount of the market value of the homestead brackets subject to the five percent and 14 percent rates; and for all other real estate and manufactured homes, the commissioner of revenue shall adjust, as provided in section

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273.1311, the maximum amount of the market value of the homestead brackets subject to the five percent and 19 percent rates. 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~~ shall be reduced by 54 percent of the tax imposed on the first \$67,000 of market value; provided that the amount of the reduction shall not exceed \$650.

For purposes of this subdivision, homestead property which qualifies for the classification ratios and credits provided in this subdivision shall include property which is used for purposes of the homestead but is separated from the homestead by a road, street, lot, waterway, or other similar intervening property. The term "used for purposes of the homestead" shall include but not be limited to uses for gardens, garages, or other outbuildings commonly associated with a homestead, but shall not include vacant land held primarily for future development. In order to receive homestead treatment for the noncontiguous property, the owner shall apply for it to the assessor by July 1 of 1983 or the year when the treatment is initially sought. After initial qualification for the homestead treatment, additional applications for subsequent years are not required.

Sec. 3. Minnesota Statutes 1982, 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 net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint, provided that the ~~amount of said~~ reduction shall not exceed the maximum ~~amount~~ amounts specified in clause (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 net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint, provided that the ~~amount of said~~ reduction shall not exceed the maximum ~~amount~~ amounts specified in clause (c).

(c) (1) The maximum reduction ~~for of the net tax up to the taconite breakpoint~~ is \$225.40 on property described in clause (a) shall be \$385 and for \$200.10 on property described in clause (b) \$330, for taxes payable in 1978 1985. These maximum amounts shall increase by \$15 times the quantity one minus the

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homestead credit equivalency percentage per year for taxes payable in 1979 1986 and subsequent years.

(2) The total maximum reduction of the net tax on property described in clause (a) is \$490 for taxes payable in 1985. The total maximum reduction for the net tax on property described in clause (b) is \$435 for taxes payable in 1985. These maximum amounts shall increase by \$15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "net tax" means the tax on the property after deduction of any credit under section 273.13, subdivision 6, 7, or 14a, "taconite breakpoint" means the lowest possible net tax for a homestead qualifying for the maximum reduction pursuant to section 273.13, subdivision 7, rounded to the nearest whole dollar, and "homestead credit equivalency percentage" means a percentage equal to the percentage reduction authorized in section 273.13, subdivision 7.

Sec. 4. Minnesota Statutes 1982, section 273.135, subdivision 5, is amended to read:

Subd. 5. For the purposes of this section, the amount of property tax to be paid shall be determined ~~before~~ after 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. 5. Minnesota Statutes 1982, section 273.1391, 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 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 net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint 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~~ amounts 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

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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 net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint, but not to exceed the ~~maximum~~ maximums specified in clause (c).

(c) (1) ~~The maximum reduction shall be \$375 of the net tax up to the taconite breakpoint is \$200.10 for taxes payable in 1981 1985. These This maximum amounts amount shall increase by \$15 multiplied by the quantity one minus the homestead credit equivalency percentage per year for taxes payable in 1982 1986 and subsequent years.~~

(2) The total maximum reduction of the net tax is \$435 for taxes payable in 1985. This total maximum amount shall increase by \$15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "net tax" means the tax on the property after deduction of any credit under section 273.13, subdivision 6, 7, or 14a, "taconite breakpoint" means the lowest possible net tax for a homestead qualifying for the maximum reduction pursuant to section 273.13, subdivision 7, rounded to the nearest whole dollar, and "homestead credit equivalency percentage" means a percentage equal to the percentage reduction authorized in section 273.13, subdivision 7.

Sec. 6. Minnesota Statutes 1982, section 273.1391, subdivision 4, is amended to read:

Subd. 4. For the purposes of this section, the amount of property tax to be paid shall be determined ~~before~~ after 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. 7. Minnesota Statutes 1983 Supplement, section 275.125, subdivision 11a, is amended to read:

Subd. 11a. **CAPITAL EXPENDITURE LEVY.** (a) Each year a school district may levy an amount not to exceed the amount equal to \$90 per pupil unit, or \$95 per pupil unit in districts where the actual number of pupil units identified in section 124.17, subdivision 1, clauses (1) and (2), has increased from the prior year. No levy under this clause shall exceed seven mills times the adjusted assessed valuation of the taxable property in the district for the preceding year.

(b) The proceeds of the tax may be used to acquire land, to equip and re-equip buildings and permanent attached fixtures, to rent or lease buildings for school purposes, to pay leasing fees for computer systems hardware and related

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proprietary software, and to pay leasing fees for photocopy machines and telecommunications equipment. The proceeds of the tax may also be used for capital improvement and repair of school sites, buildings and permanent attached fixtures, energy assessments, and for the payment of any special assessments levied against the property of the district authorized pursuant to section 435.19 or any other law or charter provision authorizing assessments against publicly owned property; provided that a district may not levy amounts to pay assessments for service charges, such as those described in section 429.101, whether levied pursuant to that section or pursuant to any other law or home rule provision. The proceeds of the tax may also be used for capital expenditures to reduce or eliminate barriers to or increase access to school facilities by handicapped individuals. The proceeds of the tax may also be used to make capital improvements to schoolhouses to be leased pursuant to section 123.36, subdivision 10. The proceeds of the tax may also be used to pay fees for capital outlay expenditures assessed and certified to each participating school district by the educational cooperative service unit board of directors. The proceeds of the tax may also be used to pay principal and interest on loans from the state authorized by section sections 116J.37 and 298.292 to 298.298.

(c) Subject to the commissioner's approval, the tax proceeds may also be used to acquire or construct buildings. The state board shall promulgate rules establishing the criteria to be used by the commissioner in approving and disapproving district applications requesting the use of capital expenditure tax proceeds for the acquisition or construction of buildings. The approval criteria for purposes of building acquisition and construction shall include: the appropriateness of the proposal for the district's long term needs; the availability of adequate existing facilities; and the economic feasibility of bonding because of the proposed building's size or cost.

(d) The board shall establish a fund in which the proceeds of this tax shall be accumulated until expended.

(e) The proceeds of the tax shall not be used for custodial or other maintenance services.

(f) Each year, subject to the seven mill limitation of clause (a) of this subdivision, a school district which operates an approved secondary vocational education program or an approved senior secondary industrial arts program may levy an additional amount equal to \$5 per pupil unit for capital expenditures for equipment for these programs.

(g) For purposes of computing allowable levies under this subdivision and subdivisions 11b and 11c, pupil units shall include those units identified in section 124.17, subdivision 1, clauses (1) and (2), and 98.5 percent of the units identified in Minnesota Statutes 1980, section 124.17, subdivision 1, clauses (4) and (5) for 1980-1981.

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Sec. 8. Minnesota Statutes 1983 Supplement, section 275.125, subdivision 11b, is amended to read:

Subd. 11b. **SPECIAL PURPOSE CAPITAL EXPENDITURE LEVY.** In addition to the levy authorized in subdivision 11a, each year a school district may levy an amount not to exceed the amount equal to \$25 per pupil unit. No levy under this clause shall exceed two mills times the adjusted assessed valuation of the property in the district for the preceding year. The proceeds of the tax shall be placed in the district's capital expenditure fund and may be used only for the following:

(a) for energy audits on district-owned buildings, and for funding those energy conservation and renewable energy measures which the energy audits indicate will reduce the use of nonrenewable sources of energy to the extent that the projected energy cost savings will amortize the cost of the conservation measures within a period of ten years or less;

(b) for capital expenditures for the purpose of reducing or eliminating barriers to or increasing access to school facilities by handicapped persons;

(c) for capital expenditures to bring district facilities into compliance with the uniform fire code adopted pursuant to chapter 299F;

(d) for expenditures for the removal of asbestos from school buildings or property or for asbestos encapsulation;

(e) for expenditures for the cleanup and disposal of polychlorinated biphenyls; and

(f) to pay principal and interest on loans from the state authorized by ~~section~~ sections 116J.37 and 298.292 to 298.298.

Sec. 9. Minnesota Statutes 1983 Supplement, section 275.125, subdivision 12a, is amended to read:

Subd. 12a. **ENERGY CONSERVATION LEVY.** The school district may levy, without the approval of a majority of the voters in the district, an amount equal to the actual costs of the energy conservation investments for the purposes of repaying the principal and interest of the law made pursuant to ~~section~~ sections 116J.37 and 298.292 to 298.298.

Sec. 10. Minnesota Statutes 1982, section 298.01, is amended to read:
298.01 MINING OR PRODUCING ORES.

Subdivision 1. Every person engaged in the business of mining or producing iron ore or other ores in this state shall pay to the state of Minnesota an occupation tax equal to 15.5 percent of the valuation of all ores except taconite, semi-taconite and iron sulphides mined or produced after December 31, 1971 and iron ores mined or produced after December 31, 1984. Said tax shall be in

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addition to all other taxes provided for by law and shall be due and payable from such person on or before June 15 of the year next succeeding the calendar year covered by the report thereon to be filed as hereinafter provided.

Subd. 2. Every person engaged in the business of producing or mining taconite, semi-taconite and iron sulphides in this state shall pay to the state an occupation tax equal to 15 percent of the valuation of all taconite, semi-taconite and iron sulphides mined or produced after December 31, 1970 and of iron ores mined or produced after December 31, 1984. The tax shall be in addition to all other taxes provided for by law and shall be due and payable from such person on or before June 15 of the year next succeeding the calendar year covered by the report thereon to be filed as hereinafter provided.

Sec. 11. Minnesota Statutes 1982, section 298.02, subdivision 1, is amended to read:

Subdivision 1. **CREDIT.** For the purpose of increasing employment and the utilization of low-grade, underground, and high labor cost ores any taxpayer on whom a tax is imposed by reason of the provisions of section 298.01, subdivisions 1 and 2, shall be allowed a credit against the occupation tax as computed in ~~said subdivisions~~ that section because of the mining or production of ore from any mine, in an amount calculated as follows:

(a) In the case of underground mines or that tonnage of merchantable ore produced in open pit mines in the year in question which tonnage has resulted from beneficiation at an ore beneficiation plant within the state by jigging, heavy media, spiral separation, cyclone process, roasting, drying by artificial heat, sintering, magnetic separation, flotation, agglomeration or any process requiring fine grinding or any other iron ores mined after December 31, 1984, ten percent of that part of the cost of labor employed by ~~said the~~ mine or in the beneficiation of all ore mined or produced in ~~said the~~ calendar year in excess of 70 cents and not in excess of 90 cents per ton of the merchantable ore produced during the year at ~~said that~~ mine, and 15 percent of that part of the cost of such labor in excess of 90 cents per ton; in the case of any other tonnage produced at said mine or in the case of other mines, ten percent of the amount by which the average cost per ton of labor employed at ~~said the~~ mine, or in the beneficiation of ~~such the~~ ore at or near the mine, exceeds 80 cents, but does not exceed \$1.05, plus 15 percent of the amount by which ~~such the~~ average labor cost per ton exceeds \$1.05, multiplied by the number of tons of ore produced at ~~said the~~ mine, not exceeding 100,000 tons, but this 100,000 tons or less shall be first reduced by any tonnage described in the first part of this subparagraph; provided, however, that in no event shall the credit allowed hereunder be in excess of three-fourths of eleven percent, as applied to underground and taconite or, semi-taconite or other iron ore operations, and six-tenths of eleven percent as applied to all other operations, of the valuation of the ore used in computing the tax under the provisions of section 298.01. ~~The expression term~~ “merchantable ore produced”

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as used herein means ores which as mined or as mined and beneficiated, are ready for shipment as a merchantable product. The provisions of this subparagraph (a) shall be applicable to all ores mined or produced subsequent to December 31, 1956.

(b) The aggregate amount of all credits allowed under this subdivision to all mines shall not exceed six and two-tenths percent of the aggregate amount of occupation taxes imposed under section 298.01, subdivision 1, assessed against all mines in the state for said year prior to the deduction of such credits, provided, that after December 31, 1954, labor credits to underground mines or taconite or semi-taconite operations shall not be subject to such percentage limitation and that, after December 31, 1984, labor credits to other iron ore operations shall not be subject to the percentage limitation and both the occupation taxes of such underground mines or taconite or semi-taconite or other iron ore operations and the labor credits allowed thereto, shall be excluded in calculating such percentage limitations. At the time of his final determination of occupation tax pursuant to section 298.09, subdivision 3, the commissioner shall reduce the credit otherwise allowable to each mine hereunder by such equal percentage as will bring the total within such limitation. If an equal percentage reduction is made in the labor credits of mines pursuant to this subparagraph at the time of certification to the commissioner of finance revenue as set forth in section 298.10, the same percentage will be used where changes are made pursuant to section 298.09, subdivision 4, subsequent to June 1. Also if no reduction is made at the time of certification to by the commissioner of finance revenue on or before June 1, pursuant to this subdivision and section 298.10, no reduction will be made subsequent to June 1, due to changes made pursuant to section 298.09, subdivision 4. This subparagraph shall apply to occupation tax calculations in calendar years subsequent to December 31, 1952.

Sec. 12. Minnesota Statutes 1982, section 298.031, subdivision 2, is amended to read:

Subd. 2. **VALUE OF CERTAIN ORE; HOW ASCERTAINED.** (1) The taxpayer shall be given a credit in each taxable year upon the occupation tax assessed in such year under Minnesota Statutes 1957, Chapter 298, against a given mine after credit for labor credits has been given, in an amount equal to the occupation tax under said chapter 298 upon an amount produced by multiplying the number of tons of ore sold at a discount by the amount of such discount.

(2) The aggregate amount of all credits allowed under this section to all mines shall not exceed one percent of the aggregate amount of all occupation taxes imposed under section 298.01, subdivision 1, assessed against all mines in the state for said year prior to the deduction of the credit allowed by this section.

(3) The amount of the foregoing subtraction shall be ascertained and determined by the commissioner.

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(4) If ore stockpiled from previous years operations is sold at a discount, the discount credit shall be allowed against all ore currently being produced by the same company to the extent that the discount credit is available. Any unused credit may be carried forward and utilized with future years production of ore from the stockpiled property or other properties operated by the same company.

Sec. 13. Minnesota Statutes 1982, section 298.225, is amended to read:

298.225 APPROPRIATION.

If a taconite producer ceases beneficiation operations, either temporarily or permanently, and if For distribution of taconite production tax in 1985 and thereafter with respect to production in 1984 and thereafter, the recipients of the taconite production tax as provided in section 298.28, subdivision 1, clauses (1) to (4) and (5)(b) to, ~~(7), and (8)(a), would shall~~ receive decreased distributions as a result thereof, ~~then the distribution to these recipients in each of the two years immediately following the year in which operations ceased shall be equal to the amount they received in the last full year before operations ceased~~ distributions equal to the amount distributed to them pursuant to sections 298.225 and 298.28, subdivision 1, with respect to 1983 production if the production for the year prior to the distribution year is no less than 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the amount of the distributions shall be reduced by two percent for each 1,000,000 tons, or part of 1,000,000 tons by which the production is less than 42,000,000 tons. There is hereby appropriated to the commissioner of revenue from the taconite environmental protection fund and the corpus of the northeast Minnesota economic protection trust fund in equal proportions the amount needed to make the above payments.

If a taconite producer ceases beneficiation operations permanently and is required by a special law to make bond payments for a school district, the northeast Minnesota economic protection trust fund shall assume the payments of the taconite producer if the producer ceases to make the needed payments. There is hereby appropriated from the corpus of the northeast Minnesota economic protection trust fund to the commissioner of revenue the amounts needed to make these school bond payments.

Sec. 14. Minnesota Statutes 1982, section 298.24, subdivision 1, is amended to read:

Subdivision 1. (a) There is hereby imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, a tax of \$1.25 cents per gross ton of merchantable iron ore concentrate produced therefrom. The tax on concentrates produced in 1978 and subsequent years prior to 1985 shall be equal to \$1.25 multiplied by the steel mill products index during the production year, divided by the steel mill products index in 1977. The index

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stated in code number 1013, or any subsequent equivalent, as published by the United States Department of Labor, Bureau of Labor Statistics Wholesale Prices and Price Indexes for the month of January of the year in which the concentrate is produced shall be the index used in calculating the tax imposed herein. In no event shall the tax be less than \$1.25 per gross ton of merchantable iron ore concentrate. The tax on concentrates produced in 1985 and 1986 shall be at the rate determined for 1984 production. For concentrates produced in 1987 and subsequent years, the tax shall be equal to the preceding year's tax plus an amount equal to the preceding year's tax multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit price deflator" means the implicit price deflator prepared by the bureau of economic analysis of the United States department of commerce.

(b) On concentrates produced in 1984, an additional tax is hereby imposed equal to 1.6 eight-tenths of one percent of the total tax imposed by clause (a) per gross ton for each one percent that the iron content of such product exceeds 62 percent, when dried at 212 degrees Fahrenheit.

(c) The tax imposed by this subdivision on concentrates produced in 1984 shall be computed on the production for the current year ~~or~~. The tax on concentrates produced in 1985 shall be computed on the average of the production for the current year and the previous year. The tax on concentrates produced in 1986 and thereafter shall be the average of the production for the current year and the previous two years, whichever is higher. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable.

(d) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of \$1.25 per gross ton of merchantable iron ore concentrate produced shall be imposed.

Sec. 15. Minnesota Statutes 1982, section 298.24, is amended by adding a subdivision to read:

Subd. 4. A credit shall be allowed against the tax imposed by subdivision 1, in the amount of \$250,000 per year to any taconite producer that builds a water filtration and treatment plant in 1984 at a cost in excess of \$1,000,000 in order to alleviate the contamination of water resulting from the disposal of taconite tailings on land. This credit shall be available against taxes paid in 1985, 1986, and 1987. The amount sufficient to pay these credits is appropriated from the taconite environmental protection fund created in section 298.223 to the commissioner of revenue.

Sec. 16. Minnesota Statutes 1983 Supplement, section 298.28, subdivision 1, is amended to read:

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Subdivision 1. **DISTRIBUTION FROM GENERAL FUND.** 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 plus the increase provided in paragraph (c) to qualifying 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 (d), 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 in direct proportion to school district tax levies as follows: each district shall receive that portion of the total distribution which its certified levy for the prior year, computed pursuant to section 275.125, comprises of the sum of certified levies for the prior year for all qualifying districts, computed pursuant to section 275.125. For purposes of distributions pursuant to this part, certified 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 2d.

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(c) On July 15, 1982 and on July 15 in subsequent years in years prior to 1988, an amount equal to the increase derived by increasing the amount determined by clause (3)(b) in the same proportion as the increase in the steel mill products index over the base year of 1977 as provided in section 298.24, subdivision 1, clause (a), shall be distributed to any school district described in clause (3)(b) where a levy increase pursuant to section 275.125, subdivision 2d, is authorized by referendum, according to the following formula. On July 15, 1988 and subsequent years, the increase over the amount established for the prior year shall be determined according to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, paragraph (a). Each district shall receive the product of:

(i) \$150 times the pupil units identified in section 124.17, subdivision 1, clauses (1) and (2), enrolled in the previous school year, less the product of two mills times the district's taxable valuation in the second previous year; times

(ii) the lesser of:

(A) one, or

(B) the ratio of the amount certified pursuant to section 275.125, subdivision 2d, in the previous year, to the product of two mills times the district's taxable valuation in the second previous year.

If the total amount provided by clause (3)(c) is insufficient to make the payments herein required then the entitlement of \$150 per pupil unit shall be reduced uniformly so as not to exceed the funds available. Any amounts received by a qualifying school district in any fiscal year pursuant to clause (3)(c) shall not be applied to reduce foundation aids which the district is entitled to receive pursuant to sections 124.2121 to 124.2128 or the permissible levies of the district. Any amount remaining after the payments provided in this paragraph shall be paid to the commissioner of finance who shall deposit the same in the taconite environmental protection fund and the northeast Minnesota economic protection trust fund as provided in section 298.28, subdivision 1, clause 10.

(d) 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

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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~~ 17.75 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. The amount determined in this clause shall be increased in 1981 and subsequent years prior to 1988 in the same proportion as the increase in the steel mill products index as provided in section 298.24, subdivision 1 and shall be increased in 1988 and subsequent years according to the increase in the implicit price deflator 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) (a) .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.

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(b) 1.5 cents per taxable ton shall be paid to the northeast Minnesota economic protection trust fund.

(9) the amounts determined under clauses (4)(a), (4)(c), ~~and (5), and (8)(b)~~ shall be increased in 1979 and subsequent years prior to 1988 in the same proportion as the increase in the steel mill products index as provided in section 298.24, subdivision 1. Those amounts shall be increased in 1988 and subsequent years in the same proportion as the increase in the implicit price deflator 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) 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 trust fund created in section 298.292 as follows: ~~In 1981 and each year thereafter,~~ Two-thirds to the taconite environmental protection fund and one-third to the northeast Minnesota economic protection trust 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; provided, however, that the amount distributed in 1981 to the unorganized territory number 2 of Lake County and the town of Beaver Bay based on the between-terminal trackage of Erie Mining Company will be distributed in 1982 and subsequent years to the unorganized territory number 2 of Lake County and the towns of Beaver Bay and Stony River based on the miles of track of Erie Mining Company in each taxing district.

(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.

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 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

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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 trust fund, from any fund or account in the state treasury to which the money was credited, an amount sufficient to make the payment or transfer. The payment of the amount

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appropriated to such taxing districts shall be made by the commissioner of revenue on or before May 15 annually.

Sec. 17. Minnesota Statutes 1982, section 298.40, is amended by adding a subdivision to read:

Subd. 4. There is appropriated, effective July 1, 1985, to the commissioner of revenue from the general fund an amount equal to any credits due as a result of a recomputation of occupation taxes for production year 1977 and previous years based on the limitations prescribed in section 298.40, subdivision 1, and established by the commissioner as an account payable on or before March 25, 1984. The commissioner shall refund to the taxpayers the amount of overpayment plus six percent interest per annum from the date of the overpayment.

Sec. 18. Minnesota Statutes 1982, section 299.012, subdivision 1, is amended to read:

Subdivision 1. For the purpose of increasing the utilization of low grade, underground, and high labor cost ores and taconites, the royalty tax levied by virtue of section 299.01, subdivisions 1 and 2, on royalty received because of the production of ores in any calendar year from land forming part of any mine which was in production during said year, shall be reduced by a credit in an amount which will make the net effective tax rate thereon equal to the net effective rate of the occupation tax imposed pursuant to section 298.01, because of the production of ores during such calendar year from the mine of which such land forms a part, after the application of the credits against such occupation tax allowed under section 298.02; provided, if such mine produced ore in such calendar year, but the ore produced had no valuation for occupation tax purposes because of the allowable deductions equaling or exceeding the value of the ore produced, the credit allowed hereunder shall be three-fourths of eleven percent, as applied to underground, taconite, and semi-taconite and other iron ore operations, and six-tenths of eleven percent as applied to all other operations, of the royalty received. Any person making payments of royalty taxes in advance of the final determination of such taxes, may assume for the purposes of section 299.08, that the net rate of the tax for the calendar year in question shall be the last full year's net effective occupation tax rate known at the time of the first payment of royalty tax during the current calendar year.

Sec. 19. Laws 1982, Second Special Session, chapter 2, section 12, as amended by Laws 1983, chapter 5, section 1, is amended to read:

Sec. 12. DISTRESSED AREA EMERGENCY JOBS AND RE-TRAINING PROGRAM.

Subdivision 1. **APPROPRIATION.** Notwithstanding the provisions of Minnesota Statutes, sections 298.293 or 298.294, or any other law, there is appropriated to the commissioner of iron range resources and rehabilitation from

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the net interest, dividends, and other earnings of the northeast Minnesota economic protection trust fund the sum of \$2,500,000. This money shall be expended by the commissioner upon recommendation of the iron range resources and rehabilitation board for the creation of emergency jobs through public works projects submitted to the commissioner by cities, towns, and school districts that are tax relief areas as defined in Minnesota Statutes, section 273.134, by counties in which a tax relief area is located, or by state or federal agencies and for payment of training allowances to individuals who meet the qualifications established pursuant to subdivision 2 while they are participating in an employment retraining program. The money shall be expended only for projects or with respect to employment retraining programs located within a tax relief area. The projects shall be beneficial to the city, town, school district, county, or the state and may include permanent improvements or maintenance of public property, residential weatherization programs, landscaping of public grounds or parks, planting or trimming trees, improving open space areas, playgrounds, and recreational facilities owned or operated by the sponsoring unit of government, mineland reclamation and reforestation. The sponsoring unit of government shall provide the administration, supervision, and supplies and materials for its project. All money appropriated for the projects under this section and section 14 shall be expended for wages and benefits and the cost of workers' compensation insurance for workers who qualify for employment pursuant to subdivision 2 and who are employed or who are being paid while participating in an employment retraining program pursuant to this act except that an amount not to exceed 3.5 percent of the amount expended under this section and section 14 shall be available to reimburse the department of economic security and iron range resources and rehabilitation board for its actual cost of administering this program. The appropriation under this section shall not lapse but shall remain available until entirely disbursed the day following final enactment of this act. Any funds which are unexpended on the day following final enactment of this act are transferred and deposited in the special revenue fund established at section 298.28, subdivision 1, clause (7), for the purposes of section 298.22.

Subd. 2. **QUALIFICATIONS FOR EMPLOYMENT.** The appropriations made under this section and section 14 shall be used only to employ needy unemployed persons who meet the qualifications which shall be established by the commissioner of iron range resources and rehabilitation and the commissioner of economic security. The criteria for employment may be established without compliance with any law or statutory provision relating to the promulgation of rules by departments, agencies or instrumentalities of the state.

Sec. 20. Laws 1982, Second Special Session, chapter 2, section 14, as amended by Laws 1983, chapters 5, section 2, and 46, section 7, is amended to read:

Sec. 14. SUPPLEMENTAL APPROPRIATION.

Notwithstanding the provisions of Minnesota Statutes, sections 298.293 or 298.294, or any other law there is appropriated to the iron range resources and

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rehabilitation board from the net interest, dividends, and other earnings of the northeast Minnesota economic protection trust fund the sum of \$5,000,000 for the purpose of continuing the emergency public works job and retraining program established in section 12. Expenditure of this money, or any portion thereof, is contingent upon approval by a majority of the members of the iron range resources and rehabilitation board. The determination of the board that money may be expended from this appropriation shall be approved by the governor prior to the expenditure of any money under this section, and the legislative advisory commission shall make a recommendation on the expenditure. The appropriation under this section shall not lapse but shall remain available until entirely disbursed the day following final enactment of this act. Any funds which are unexpended on the day following final enactment of this act are transferred and deposited in the special revenue fund established at section 298.28, subdivision 1, clause (7), for the purposes of section 298.22.

Sec. 21. REFUNDS FROM PRODUCTION TAX CASE.

Any refunds due to taconite producers under the decision of the Minnesota Supreme Court in Erie Mining Co. v. Commissioner of Revenue, filed January 6, 1984, shall be credited against the production tax liability of each company in five equal annual installments. The refunds shall be credited against the distributions to the funds and accounts that received excessive distributions pursuant to Minnesota Statutes, section 298.28, subdivision 1, as a result of the improper computation of the tax that was rectified in that decision.

Sec. 22. EFFECTIVE DATE.

Subdivision 1. Sections 1 to 6 are effective for taxes levied in 1984, payable in 1985, and thereafter. Sections 7 to 9 and 12 are effective the day following final enactment. Sections 10, 11, and 18 are effective for ores produced after December 31, 1984. Except as otherwise provided, section 14 is effective for concentrates produced in 1984 and thereafter. Section 16 is effective for distributions in 1985 and thereafter. Sections 19 and 20 are effective the day after final enactment.

Subd. 2. Section 14 shall not become effective unless the commissioner of revenue and all taconite producers with pending taconite production tax litigation execute an agreement to suspend the prosecution of currently pending taconite production tax litigation under terms and conditions satisfactory to the commissioner and the taconite producers before the governor approves this act.

**ARTICLE 8
TAX AMNESTY**

Section 1. TAX AMNESTY.

The commissioner of revenue shall establish a tax amnesty program. The amnesty program applies to taxes payable to the commissioner other than taxes

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collected by the commissioner on behalf of the cities of Minneapolis and Rochester and the metropolitan sports facilities commission and is only available to a taxpayer who either has an unpaid liability on the department of revenue's accounts receivable system as of February 1, 1984, or who has failed to file a return which, if filed on February 1, 1984, would be considered a delinquent return subject to penalty by law. For a taxpayer who has an existing liability as of February 1, 1984, the commissioner shall accept as full payment of the account a certified check, cashier's check, or money order in the amount of 80 percent of the balance due on February 1, 1984, plus any interest accruing on that account since February 1, 1984, plus any additional liabilities including tax, penalty, and interest established by the commissioner after February 1, 1984. All payments credited to a taxpayer's account after February 1, 1984, but prior to the taxpayer's application for amnesty, shall reduce the February 1 balance prior to computation of the 80 percent requirement. In no case may the reduction exceed \$2,000. Tax amnesty is not available to any taxpayer who has an account which includes a civil fraud penalty imposed by the commissioner. The amount of a penalty imposed pursuant to section 290.92, subdivision 15, clause (9), shall be deducted from the balance due before application of the 20 percent reduction. Payment must be received by the commissioner on or after August 1, 1984, but before November 1, 1984. For purposes of this section, "received" means actual receipt by the commissioner either at the St. Paul office or at any field office of the department of revenue on or before the final date allowed for payment under this program.

In the case of a taxpayer who has failed to file returns which if filed on February 1, 1984, would be considered delinquent returns, the commissioner shall accept the delinquent returns along with payment of all tax and interest if payment is made by certified check, cashier's check, or money order and received by the commissioner on or after August 1, 1984, but before November 1, 1984. For delinquent returns filed pursuant to this program, the civil and criminal penalties imposed by law are waived unless the commissioner later finds that the tax as shown on any return was understated by 25 percent or more. In that case the civil and criminal penalties are reinstated, and the commissioner shall collect the civil penalties and may pursue the criminal penalties.

There will not be another tax amnesty before October 1, 1994.

Sec. 2. [270.72] TAX CLEARANCE; ISSUANCE OF LICENSES.

Subdivision 1. TAX CLEARANCE REQUIRED. The state or a political subdivision of the state may not issue or renew a license for the conduct of a profession, trade, or business, if the commissioner notifies the licensing authority that the applicant owes the state delinquent taxes, penalties, or interest. The commissioner may not notify the licensing authority unless the applicant taxpayer

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owes \$1,000 or more in delinquent taxes. A licensing authority that has received a notice from the commissioner may issue or renew the applicant's license only if (a) the commissioner issues a tax clearance certificate and (b) the commissioner or the applicant forwards a copy of the clearance to the authority. The commissioner may issue a clearance certificate only if the applicant does not owe the state any uncontested delinquent taxes, penalties, or interest.

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

(a) "Taxes" are limited to withholding tax as provided in section 290.92, sales and use tax as provided in chapter 297A, and motor vehicle excise tax as provided in chapter 297B. Penalties and interest are limited to penalties and interest due on taxes included in this definition.

(b) "Delinquent taxes" do not include a tax liability if (i) an administrative or court action which contests the amount or validity of the liability has been filed or served, (ii) the appeal period to contest the tax liability has not expired, or (iii) the applicant has entered into a payment agreement and is current with the payments.

(c) "Applicant" means an individual if the license is issued to or in the name of an individual or the corporation or partnership if the license is issued to or in the name of a corporation or partnership.

Subd. 3. NOTICE AND HEARING. If the commissioner notifies a licensing authority pursuant to subdivision 1, he must send a copy of the notice to the applicant. In the case of the renewal of a license if the applicant requests, in writing, within 30 days of the receipt of the notice a hearing, a contested case hearing must be held. The hearing must be held within 45 days of the date the commissioner refers the case to the office of administrative hearings. The hearing must be held under the procedures provided by section 270A.09 and the administrative rules promulgated under chapter 270A.

Subd. 4. LICENSING AUTHORITY; DUTIES. All licensing authorities must require the applicant to provide his social security number and Minnesota business identification number on all license applications. Upon request of the commissioner, the licensing authority must provide the commissioner with a list of all applicants, including the name, address, business name and address, social security number, and business identification number of each applicant. The commissioner may request from a licensing authority a list of the applicants no more than once each calendar year.

Subd. 5. REPEALER. This section is repealed effective December 1, 1986.

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ARTICLE 9 RAILROADS

Section 1. Minnesota Statutes 1982, section 270.80, subdivision 4, is amended to read:

Subd. 4. "Nonoperating property" means and includes all property other than property defined in subdivision 3. Nonoperating property shall include real property which is leased or rented or available for lease or rent to any person which is not a railroad company. Vacant land shall be presumed to be available for lease or rent if it has not been used as operating property for a period of one year preceding the valuation date. Nonoperating property also includes land which is not necessary and integral to the performance of railroad transportation services and which is not used on a regular and continual basis in the performance of these services. Nonoperating property also includes that portion of a general corporation office building and its proportionate share of land which is not used for railway operation or purpose.

Sec. 2. Minnesota Statutes 1982, section 270.84, subdivision 1, is amended to read:

Subdivision 1. The commissioner shall annually between April 30 and July 31 make a determination of the fair market value of the operating property of every railroad company doing business in this state as of January 2 of the year in which the valuation is made. ~~In determining the fair market value of the portion of operating property within this state, the commissioner shall value the operating property as a unit, taking into consideration the value of the operating property of the entire system, and shall allocate to this state that part thereof which is a fair and reasonable proportion of said entire system valuation. If the commissioner uses original cost as a factor in determining the unit value of operating property, no depreciation or obsolescence allowance shall be permitted. However, if the commissioner uses replacement cost as a factor in determining the unit value of operating property, then a reasonable depreciation and obsolescence allowance may be used~~ In making this determination, the commissioner shall employ generally accepted appraisal principles and practices which may include the unit method of determining value. The commissioner may promulgate temporary rules adopting valuation procedures under sections 14.29 to 14.36.

The commissioner shall give a report to the legislature in February ~~1980~~ 1985 and in February ~~1981~~ 1986 on the formula which he has used to determine the unit value of railroad operating property pursuant to ~~Laws 1979, Chapter 303~~ this article. This report shall also contain the valuation for payable ~~1980~~ 1985 and ~~1981~~ 1986 by company and the taxes payable in ~~1980~~ 1985 and ~~1981~~ 1986 by company based upon the valuation of operating property. The legislature may review the formula, the valuation, and the resulting taxes and may make changes in the formula that it deems necessary.

Sec. 3. Minnesota Statutes 1982, section 270.86, is amended to read:

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270.86 APPORTIONMENT AND EQUALIZATION OF VALUATION.

Subdivision 1. APPORTIONMENT OF VALUE. Upon determination by the commissioner of the fair market value of the operating property of each railroad company, he shall apportion such value to the respective counties and to the taxing districts therein in conformity with fair and reasonable rules and standards to be established by the commissioner pursuant to notice and hearing, except as provided in section 270.81. In establishing such rules and standards the commissioner may consider (a) the physical situs of all station houses, depots, docks, wharves, and other buildings and structures with an original cost in excess of \$10,000; (b) the proportion that the length and type of all the tracks used by the railroad in such county and taxing district bears to the length and type of all the track used in the state; and (c) other facts as will result in a fair and equitable apportionment of value.

Subd. 2. EQUALIZED VALUATION. After making the apportionment provided in subdivision 1, the commissioner shall determine the equalized valuation of the operating property in each county by applying to the apportioned value an estimated current year median sales ratio for all commercial and industrial property in that county. If the commissioner decides there are insufficient sales to determine a median commercial-industrial sales ratio, an estimated current year countywide median sales ratio for all property shall be applied to the apportioned value. No equalization shall be made to the market value of the operating property if the median sales ratio determined pursuant to this subdivision is within five percent of the assessment ratio of the railroad operating property.

Sec. 4. Minnesota Statutes 1982, section 270.87, is amended to read:

270.87 CERTIFICATION TO COUNTY ASSESSORS.

When the commissioner has made his annual determination of the equalized fair market value of the operating property of each company in each of the respective counties, and in the taxing districts therein, he shall certify the equalized fair market value to the county assessor, which shall constitute the equalized fair market value of the operating property of the railroad company in such county and the taxing districts therein upon which taxes shall be levied and collected in the same manner as on the commercial and industrial property of such county and the taxing districts therein.

Sec. 5. APPROPRIATION.

There is appropriated from the general fund to the commissioner of revenue the amounts necessary to make certain refunds of property taxes to railroads for assessment years 1981 and 1982 as a result of a change in the assessed valuation of railroad property. For purposes of this section, the term

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“property taxes” includes any interest which is required to be paid to the railroads.

The county auditor shall certify to the commissioner of revenue the dollar amount of the refunds paid to the railroads by the county and each city, town, school district, and special taxing district or portion thereof which is located within the county. The certification must be made on the forms and completed by the date prescribed by the commissioner. The commissioner of revenue shall review the certification and make changes in the certification that he determines are necessary. The amounts of the abatements for a taxing district which is located in more than one county shall be aggregated. The commissioner shall determine the amount to be paid to each county, city, town, and special taxing district which shall be equal to the amount of the abatement in excess of 20 cents per capita for each county, city, town, and special taxing district. The commissioner shall determine the amount to be paid to each school district which shall be equal to the amount of the abatement in excess of one dollar per pupil unit for the school district. The 20 cents per capita and the one dollar per pupil unit shall relate to the combined abatement amount for all railroads for both 1981 and 1982 for each county, city, town, school district, and special taxing district. The commissioner shall pay each taxing district as soon as practicable after certification, but not before January 1, 1985.

This appropriation is available the day after final enactment until expended.

A county, city, town, school district, and special taxing district may include an additional amount in its property tax levy for taxes payable in 1985 equal to the difference between the amount of tax and interest refunded to a railroad company whose valuation was ordered reduced by the tax court and the amount reimbursed to the taxing district by the state pursuant to this section. Amounts levied for this purpose shall be considered outside of any levy limitations applicable to the taxing district. In the case of a school district, only the amount of abatement not reimbursed under this section may be considered in the computation of abatement aid under section 124.214, subdivision 2.

Sec. 6. EFFECTIVE DATE.

Section 5 is effective the day after final enactment. The remaining sections in this article are effective for the 1984 assessment and subsequent years, for taxes payable in 1985 and subsequent years.

ARTICLE 10 AGRIPROCESSING

Section 1. [41A.01] PURPOSE.

Sections 1 to 6 provide a framework for an agricultural resource loan guaranty program, the purposes of which are to further the development of the

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state's agricultural resources and improve the market for its agricultural products. Public debt is authorized by the constitution to be incurred for developing agricultural resources by extending credit on real estate security. The program contemplates the use of this power not to finance projects of the kind described herein, but to provide financial guaranties for a portion of the cost of viable projects to the extent necessary to enable qualified developers and operators to secure private financing which would not otherwise be available. All credit advanced pursuant to loan guaranty commitments is to be secured by subrogation of the state to mortgage security and other security interests granted to the private lender, in proportion to the amount advanced by the state. A loan guaranty board is established to investigate the feasibility of each project, its conformity to the above policies and to environmental standards, the qualifications of the owners, operators, and lenders, and the nature and extent of the security, prior to commitment, and to secure maximum financial participation by private persons, not supported by the guaranty, to assure that in these respects each project satisfies and will continue to satisfy criteria which are adequate in the judgment of the board.

Sec. 2. [41A.02] DEFINITIONS; ACTIONS BY THE STATE.

Subdivision 1. SCOPE. The definition of each term given in this section applies whenever the term is used in sections 1 to 7.

Subd. 2. AGRICULTURAL RESOURCE. "Agricultural resource" means any organic matter which is available on a renewable basis from agricultural processes, including agricultural crop, animal, and wood production, waste, and residues.

Subd. 3. AGRICULTURAL RESOURCE LOAN GUARANTY BOARD; BOARD. "Agricultural resource loan guaranty board" or "board" means the commissioner of finance as chairman, the commissioner of agriculture, the commissioner of commerce, the commissioner of energy and economic development, and the director of the pollution control agency.

Subd. 4. AGRICULTURAL RESOURCE LOAN GUARANTY FUND; GUARANTY FUND. "Agricultural resource loan guaranty fund" or "guaranty fund" means the fund created by section 5.

Subd. 5. AGRICULTURAL RESOURCE LOAN GUARANTY PROGRAM; PROGRAM. "Agricultural resource loan guaranty program" or "program" includes all projects and loan guaranties approved pursuant to sections 3 and 4.

Subd. 6. AGRICULTURAL RESOURCE PROJECT; PROJECT. "Agricultural resource project" or "project" means any facility, or portion of a facility, located in the state which is operated or to be operated primarily for the

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production from agricultural resources of marketable products. A project includes a facility or portion of a facility for mixing or producing substances to be mixed with other substances for use as a fuel or as a substitute for petroleum or petrochemical feedstocks.

Subd. 7. APPLICANT. "Applicant" means any rural development finance authority organized, or any county exercising the powers of such an authority, pursuant to chapter 362A, which applies to the state for approval of a guaranty of a loan to a borrower for a project.

Subd. 8. BORROWER. "Borrower" means any applicant or any private individual, company, cooperative, partnership, corporation, association, consortium, or other entity organized for a common business purpose, which is obligated or to be obligated to pay a guaranteed loan.

Subd. 9. CONSTRUCTION. "Construction" means construction of a new agricultural resource project, or conversion of a facility to such a project, or expansion or improvement of a project to increase its capacity or efficiency. "Construction" includes acquisition of land, easements, buildings, structures, improvements, and equipment and machinery for use in or at the site of a project or on easements adjacent to the project site.

Subd. 10. COST. "Cost" of a project means the sum of all obligations paid or to be paid or incurred by the borrower which are reasonably required for the construction and completion of the project, including but not limited to (i) surveys, estimates, plans, specifications, supervision of construction, and other engineering and architectural service; (ii) payments under construction contracts and for payment and performance bonds; (iii) purchase and installation of equipment and machinery; (iv) recording, filing, permit, legal, financial, underwriting, placement, commitment, publication, advertising, and other charges, fees, and expenses incurred for establishing title, mortgage liens, and security interests with respect to the project, for securing permits for construction and approval of the loan guaranty, for establishing the terms of the loan and underlying security agreements, and for offering, selling, or placing with investors and printing and delivering the obligations evidencing the loan; and (v) interest, discount, fees, and expenses accruing with respect to the loan, and taxes and other government charges payable with respect to the project, during construction.

Subd. 11. LENDER. "Lender" means any holder or holders of bonds, notes, or other obligations evidencing a guaranteed loan, any trustee representing those holders, and any investment or commercial banking institution, savings and loan institution, insurance company, investment company, or other financial institution or institutional investor making, purchasing, or participating in a loan or any part of a loan.

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Subd. 12. LOAN. "Loan" means any obligation to repay money borrowed to finance the construction of a project or to refund or refinance such an obligation.

Subd. 13. LOAN AGREEMENT. "Loan agreement" means a written agreement or agreements setting forth the terms and conditions of the obligation of the borrower to the lender and the pledges and covenants made and mortgage lien and other security interests granted for the security of the obligations, including a mortgage, note, indenture, or other agreement however designated.

Subd. 14. LOAN GUARANTY. "Loan guaranty" means a written agreement executed on behalf of the state that guarantees, in accordance with the terms and conditions contained in the agreement or in a loan agreement, the payment of sums of money owing by a borrower to a lender.

Subd. 15. STATE. "State" actions contemplated in sections 1 to 6 may be taken on behalf of the state by resolutions of the agricultural resource loan guaranty board, subject to approval by the governor if required by the governor, or by a member of the board or another state officer in the department headed by the member, pursuant to authority delegated by resolution of the board. Resolutions of the board are effective when approved by the vote of a majority of its members.

Sec. 3. [41A.03] LOAN GUARANTIES.

Subdivision 1. AUTHORITY FOR AND LIMITATION OF GUARANTY. Subject to the provisions of sections 1 to 6 and subject to section 16A.80 and upon determination that a loan will serve the public purposes and satisfy the conditions set forth in sections 1 to 6, the state may guarantee and commit to guarantee against loss an amount not exceeding 90 percent, with accrued interest, of a loan for the construction of an agricultural resource project (or the refunding or refinancing of a loan). The loan must be secured by a first mortgage lien on and security interest in all real and personal property comprising the project and other collateral as provided in the loan agreement.

Subd. 2. LIMITATION OF LOAN AMOUNT. The total principal amount of any guaranteed loan may not exceed 80 percent of the total cost of the related project as estimated by the state at the time the commitment to guarantee is made or, in the case of a refunding or refinancing loan, 80 percent of the aggregate amount of principal and interest refunded or refinanced. If the actual cost exceeds the estimate the state may, upon request of the borrower and the lender, consent to an increase of the loan by a principal amount not greater than 80 percent of the excess cost, and may increase the guaranteed amount by not more than 90 percent of the increase in the principal amount, and accrued interest on that amount.

Subd. 3. REQUIRED PROVISIONS. A loan guaranty or loan agreement pertaining to any loan guaranteed by the state must provide that:

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(a) Payments of principal and interest made by the borrower under the loan shall be applied by the lender to reduce the guaranteed and nonguaranteed portion of the loan on a proportionate basis, and the nonguaranteed portion shall not in any event receive preferential treatment over the guaranteed portion.

(b) A period of grace shall be allowed of not less than 60 days from a date a principal or interest payment is due, prior to the making of demand for payment pursuant to the loan guaranty, to permit adequate time for a decision on behalf of the state regarding principal and interest assistance in accordance with subdivision 4. Payment as required by the loan guaranty shall be made within 60 days after receipt by the state of written demand complying with the terms and conditions of the guaranty.

(c) The lender may not accelerate repayment of the loan or exercise other remedies available to the lender if the borrower defaults, unless (i) the borrower fails to pay a required payment of principal or interest, or (ii) the state consents in writing, or (iii) as otherwise permitted in the loan guaranty. In the event of a default, the lender may not make demand for payment pursuant to the guaranty unless the state agrees in writing that such default has materially affected the rights or security of the parties, and finds that the lender should be entitled to receive payment pursuant to the loan guaranty.

(d) If a payment of principal or interest is made by the state upon default of the borrower, the state shall be subrogated to the rights of the lender with respect to the payment.

(e) The borrower shall have promptly prepared and delivered to the state annual audited financial statements of the project prepared according to generally accepted accounting principles.

(f) Duly authorized representatives of the state shall have access to the project site at reasonable times during construction and operation of the project.

(g) The borrower shall maintain adequate records and documents concerning the construction and operation of the project in order that representatives of the state may determine its technical and financial conditions and its compliance with environmental requirements. The records shall include the amounts of all sales and use taxes paid on personal property and services purchased for the construction and operation of the project, with tax receipts furnished by the sellers or other supporting documentation determined by the board to be satisfactory. The amounts of those taxes shall be reported to the board in the manner and at the times required by the board.

(h) The borrower shall protect and preserve at all times the project assets and other collateral securing the loan and shall assist in liquidation of collateral to minimize loss in the event of default.

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(i) Orderly liquidation of assets of the project shall be provided for in the event of default, with an option on the part of the state to acquire from the lender the lender's interest in the assets pursuant to the nonguaranteed portion of the loan.

(j) The state shall be paid at or prior to the closing of the guaranteed loan a fee or fees for the loan guaranty or the commitment to guarantee the loan. The aggregate fee may not exceed one percent of the total principal amount of the guaranteed portion of the loan.

(k) The lender shall perfect and maintain the mortgage lien on the real estate and the security interest in personal property and collateral granted as security for the loan, and shall cause all other loan servicing functions to be performed which are normally required or performed by a reasonable and prudent lender with respect to a loan without a guaranty.

(l) The state shall be notified in writing without delay of (i) the date and amount of and basis for each disbursement of loan proceeds; (ii) any nonpayment of principal or interest due (within ten days after the due date and with evidence of notification to the borrower); (iii) any failure to honor a commitment by any person of an intended source of capital for the project; and (iv) any significant adverse changes from original cash flow projections as evidenced by reports from the borrower, or any other known evidence that the borrower might be unable to meet a future scheduled payment of principal or interest.

(m) The loan agreement shall require the borrower to establish a reserve, from the proceeds of the loan or otherwise, to be maintained with the lender or with a trustee for the holders of the borrower's obligations in cash or securities of a specified market value not less than the annual amount which would be required to amortize the entire amount of the loan over the term (or at the rate of yield resulting from the interest rates) provided in the loan agreement.

Subd. 4. PRINCIPAL AND INTEREST ASSISTANCE. The state may at any time enter into a written contract with the borrower to pay the lender, on behalf of the borrower, an amount not greater than the amount of principal and interest to become due on one or more subsequent dates, without acceleration, if the state determines that (i) the borrower is not in default in payment of principal or interest due more than 60 days prior to the date of the contract; (ii) the borrower is or may become unable to meet in full principal or interest payments, or both, which are due or to become due within a specified period; (iii) it is in the public interest to permit the borrower to continue to pursue the purposes of the project; (iv) the probable net financial loss to the state will be less than that which would result in the event of a default; (v) the borrower is obligated by the contract to reimburse the state for all principal or interest advanced, with interest on those amounts, upon terms and conditions satisfactory to the state; and (vi) funds are available for allocation to the account established for the project in the guaranty fund, and are continuously allocated to

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the account in accordance with the provisions of section 4, subdivision 3, in an amount equal to the amount of interest on the advances until actually reimbursed to the state by the borrower. All sums so advanced and interest on those amounts shall be secured by the mortgage lien and security interest granted by the loan agreement, but none of the advances shall thereafter be repaid to the state until and unless all principal and interest currently due on the loan has been fully paid. In the event of subsequent default by the borrower, acceleration by the lender, and payment by the state of the full amount due under the loan guaranty, the state shall be subrogated to the rights of the lender with respect to the principal paid by it under the contract. Upon payment of the loan in full, with accrued interest, the remaining amount of the advances and interest on the advances may be paid to the state.

Sec. 4. [41A.04] APPLICATION AND APPROVAL.

Subdivision 1. REQUIREMENTS. (a) Any rural development finance authority, or county exercising the powers of such an authority, may file a written application with the state commissioner of finance, to be considered by the agricultural resource loan guaranty board, for a guaranty by the state of a portion of a loan for an agricultural resource project. In general, the application must provide information similar to that required by an investment banking or other financial institution considering such a project for debt financing. Specifically, each application must include in brief but precise form the following information, as supplied by the applicant, the borrower, or the lender:

(1) a description of the scope, nature, extent, and location of the proposed project, including the identity of the borrower and a preliminary or conceptual design of the project;

(2) a description of the technology to be used in the project and the prior construction and operating experience of the borrower with such projects;

(3) a detailed estimate of the items comprising the total cost of the project, including escalation and contingencies, with explanation of the assumptions underlying the estimate;

(4) a general description of the financial plan for the project, including the mortgage and security interests to be granted for the security of the guaranteed loan, and all sources of equity, grants, or contributions or of borrowing the repayment of which is not to be secured by the mortgage and security interests, or, if so secured, is expressly subordinated to the guaranteed loan;

(5) an environmental report analyzing potential environmental effects of the project, any necessary or proposed mitigation measures, and other relevant data available to the applicant to enable the board to make an environmental assessment;

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(6) a list of applications to be filed and estimated dates of approvals of permits required by federal, state, and local government agencies as conditions for construction and commencement of operation of the project;

(7) an estimated construction schedule;

(8) an analysis of the estimated cost of production of and market for the product, including economic factors justifying the analysis and proposed and actual marketing contracts, letters of intent, and contracts for the supply of feedstock;

(9) a description of the management experience of the borrower in organizing and undertaking similar projects;

(10) pro forma cash flow statements for the first five years of project operation including income statements and balance sheets;

(11) a description of the borrower's organization and, where applicable, a copy of its articles of incorporation or partnership agreement and bylaws;

(12) the estimated amount of the loan and percentage of guaranty requested, the proposed repayment schedule, and other terms and conditions and security provisions of the loan;

(13) an estimate of the amounts and times of receipt of guaranty fees, sales and use taxes, property tax increments, and any other governmental charges which may be available for the support of the state guaranty fund as a result of the construction of the project, with an analysis of the assumptions on which the estimate is based;

(14) a copy of any lending commitment issued by a lender to the borrower;

(15) a statement from the lender, if identified, as to its general experience in financing and servicing debt incurred for projects of the size and general type of the project, and its proposed servicing and monitoring plan; and

(16) additional information required by the board.

(b) The applicant shall pay upon filing of the application a fee equal to .25 percent of the amount of the loan guaranty requested. The fee shall be paid to the commissioner of finance and deposited in the general fund. If the board determines not to issue a commitment for the project, the fee shall be refunded to the applicant, less the board's cost of processing, reviewing, and evaluating the application. If the board issues a commitment for the project and the application fee exceeds the board's cost of processing, reviewing, and evaluating the application, the balance shall be transferred from the general fund to the project account in the guaranty fund and credited against the amount of the commitment fee required in section 3, subdivision 3, clause (j). The county or rural development

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finance authority may require the proposed borrower under the project to pay the application fee.

Subd. 2. ENVIRONMENTAL ASSESSMENT. Notwithstanding any other law or rule, no environmental impact statement must be completed prior to the approval of an application and the issuance of a conditional commitment for the guaranty of a loan for an agricultural resource project, or the taking of any other action permitted by sections 1 to 7, including the issuance of bonds, which is considered necessary or desirable by the board to prepare for a final commitment and to make it effective. Environmental review, to the extent required by law, shall be made in conjunction with the issuance by state agencies of environmental permits for the project. Permits may be applied for prior to the issuance of a conditional commitment. Action shall be taken as expeditiously as possible on environmental review and all permits required. Environmental review shall be completed within 180 days after the initial filing of an application to the pollution control agency for the first permit. Final action shall be taken on permits within 90 days after completion of environmental review or, as to any permit requiring a public hearing, within 90 days after the receipt of the hearing examiner's report.

Subd. 3. COMMITMENT, The board shall determine as to each project for which an application is submitted whether it appears in the board's judgment to conform to the purposes and policies stated in section 1 to an extent measured by criteria which in the board's judgment are satisfactory. In evaluating applications the board shall consider the extent to which the public subsidies sought by the applicant under the program would provide the project with an unfair advantage in competing with other products produced or processed in Minnesota. It may but need not adopt rules setting forth criteria for evaluating applications for loan guaranties. Upon determination by the board that a project conforms to the purposes and policies in section 1, it may by resolution make on behalf of the state a conditional commitment to guarantee a portion of the proposed loan as it shall determine, not exceeding the limitations set forth in section 3. No action is allowable under section 116B.03, subdivision 1, with respect to acts of any person authorized or required in order to execute the resolution. The commitment is not binding upon the state until and unless the following conditions are satisfied.

(1) the board has created a project account for the project in the guaranty fund and has allocated to the account, from funds previously appropriated by the legislature or from the proceeds of bonds issued or to be issued for purposes of the guaranty fund pursuant to authorization previously enacted by the legislature, and not previously allocated to any other project account, in an aggregate amount sufficient, with any other amount then on hand in the project account, to pay the entire guaranteed principal amount of the proposed loan, plus interest on that amount for one year. The bonds authorized by the legislature need not be issued

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until and unless the proceeds allocated to a project account must be deposited in the account to comply with clause (2) or (3).

(2) the board has deposited in the project account bond proceeds or other funds in an amount not less than the annual amount which would be required to amortize the guaranteed portion of the principal of the loan over the term and at the interest rate (or at the rate of yield resulting from the interest rates) provided in the loan agreement.

(3) the board has executed on behalf of the state a final loan guaranty instrument in conformity with section 3, which binds the state to offer state bonds for sale at the times and in the amounts required, with amounts on hand in the project account, to pay all amounts to become due and payable under the loan guaranty, within the authorization and allocation referred to in clause (1), and when sold, to issue the bonds and apply the proceeds to make these payments.

Subd. 4. RULE MAKING AUTHORITY. In order to effectuate the purposes of sections 1 to 7, the board shall adopt rules which are subject to the provisions of chapter 14. The board may adopt temporary rules which may be effective until December 31, 1985.

Sec. 5. [41A.05] MINNESOTA AGRICULTURAL RESOURCE LOAN GUARANTY FUND AND BONDS.

Subdivision 1. ESTABLISHMENT OF FUND. For the purpose of developing the state's agricultural resources by extending credit on real estate security, the agricultural resource loan guaranty fund is established as a special and dedicated fund to be held and invested separately from all other funds of the state. All proceeds of state bonds authorized and issued for the purposes of the fund, and all guaranty fees, retail sales taxes, property tax increments, and other money from any source which may be credited to the fund pursuant to law or pursuant to the terms of grants, contributions, or contracts are appropriated and shall remain available for the purposes of the fund until those purposes have been fully accomplished. The fund may be used only for paying amounts due under loan guaranties and principal and interest assistance contracts entered into by the state, pursuant to the agricultural resource loan guaranty program.

Subd. 2. ISSUANCE OF BONDS. To provide money appropriated to the agricultural resource loan guaranty fund for the purposes of the program, when authorized by law and requested by the board, the commissioner of finance shall issue and sell bonds of the state. The state irrevocably pledges the full faith, credit, and taxing powers of the state to the prompt and full payment of these bonds. The proceeds of the bonds when issued, except accrued interest and any premium received upon sale, shall be credited to the guaranty fund. All the bonds shall be sold and issued and shall be secured in the manner, upon the terms, and with the effect prescribed for state building bonds in chapter 16A, and

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with the security provisions set forth in chapter 16A and in article XI, sections 4 to 7 of the constitution.

Subd. 3. COVENANT. In fulfillment of the state's covenant with the beneficiary of each loan guaranty executed by the board on behalf of the state pursuant to the agricultural resource loan guaranty program, in accordance with section 4, subdivision 3, the state will not limit or alter the rights vested in the board to comply with the terms of the loan guaranties. The state agrees not to rescind or cancel any authorization of an amount of bonds, or the appropriation of the proceeds of bonds for the purposes of the program, which, with the sum of the amounts then held in each project account in the guaranty fund, would be required, in the event of an immediate default on each guaranteed loan, to pay the balance of the guaranteed portion of the principal of all guaranteed loans with interest accrued and to accrue thereon for one year.

Subd. 4. INCOME TAX EXEMPTION. In the issuance of state bonds and the making of loan guaranties for the purposes of the program, the commissioner of finance and the board may and shall make all provisions and do or cause to be done all acts and things, consistent with sections 1 to 6, which are or may be effective under federal laws and regulations to comply with conditions for the exemption of interest on such bonds from federal income taxation. However, if for any reason, whether existing at the date of issue of any bonds or the date of execution of any loan guaranty or thereafter, the interest on any such bonds shall be or become subject to federal income taxes, this shall not impair or affect the validity of the bonds or of any loan guaranty or the provisions made for the security thereof, and shall not impair or affect the covenant made by the state in subdivision 3. Nothing herein affects the federal or state income tax treatment of interest on obligations of a borrower other than the state, whether or not guaranteed by the state.

Sec. 6. [41A.06] PROJECT TAXES AND OTHER CHARGES.

Subdivision 1. APPROPRIATION. The payments, taxes, and governmental charges described in this section which are received as a consequence of the undertaking, completion, and operation of each agricultural resource loan project for which a loan guaranty is made by the state are appropriated to the loan guaranty fund. This appropriation shall not lapse at the close of any fiscal year under the provisions of section 16A.28, and the receipts from the appropriation shall remain available as provided in section 5, subdivision 1. The state is not obligated, however, to continue the appropriation with respect to charges not yet collected, except to the extent determined to be necessary for compliance with the covenant contained in section 5, subdivision 3.

Subd. 2. ALLOCATION TO PROJECT ACCOUNTS. Receipts of charges related to a particular project shall be deposited and recorded in its project account in the guaranty fund; but the board may reallocate receipts in any project account which cause the amount held in the account to exceed the

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minimum balance established initially pursuant to section 4, subdivision 3, clause (2). The reallocation may be made to another project account for the purpose of maintaining the minimum balance in the account.

Subd. 3. PAYMENTS BY BORROWERS. Guaranty and commitment fees paid by borrowers pursuant to the loan guaranty provision required by section 3, subdivision 3, clause (j), and repayments by borrowers of amounts advanced by the state under contracts referred to in section 3, subdivision 4, shall be deposited in the project account for the borrower's project and shall not be disbursed or transferred for any purpose other than the fulfillment of the state's obligations under the loan guaranty for that project. Funds may be transferred out of the account if the minimum required balance in the project account is maintained and exceeds the aggregate amount of fees and payments previously received from the borrower plus interest received from the investment thereof.

Subd. 4. SALES AND USE TAXES. All collections of the excise taxes imposed by chapter 297A upon retail sales, and upon the privilege of use, storage, or consumption in Minnesota, of personal property and services purchased for the construction or operation of any project for which a loan guaranty has been made or conditionally committed, less any refunds required by law and a proportionate share of the cost of administration and enforcement of the assessment and collection of the taxes, are appropriated and shall be deposited from the general fund into the project account in the guaranty fund at least once each year from and after the date of the conditional commitment. The commissioner of finance shall secure from each borrower the amount of taxes so imposed and from the commissioner of revenue the amount of refunds or costs to be deducted from them.

Subd. 5. PROPERTY TAX INCREMENTS. The applicant for a loan guaranty for any project, and the county in which the project is situated, shall do all acts and things necessary for the computation and segregation of property tax increments resulting from the construction of the project in accordance with the provisions of section 362A.05, and for the remittance to the commissioner of finance, for deposit in the loan guaranty fund, of all tax increments received from and after the date of the conditional commitment for the loan guaranty. The board may agree to accept a pledge of only a portion of the tax increment. If the project account contains the minimum balance required by section 4, subdivision 3, the board may annually return the excess tax increment to be distributed as provided by section 273.75, subdivision 2, clause (d), until the increment has been discharged under the agreement or section 11.

Sec. 7. [41A.07] ADVISORY COMMISSION.

The board may appoint an advisory commission, consisting of at least five members. The members of the commission shall include individuals with expertise in agricultural processing, commercial lending and financing of similar or related projects, agricultural economics, and engineering, chemistry, and other

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natural sciences related to the projects. The commission shall advise the board on establishing a workable program pursuant to sections 1 to 6 and may provide assistance in evaluating applications for loan guaranties. The terms and compensation of commission members shall be governed by section 15.059, except that subdivision 5 shall not apply.

Sec. 8. Minnesota Statutes 1982, section 297A.44, subdivision 1, is amended to read:

Subdivision 1. All revenues, including interest and penalties, derived from the excise and use taxes imposed by sections 297A.01 to 297A.44 shall be deposited by the commissioner in the state treasury and credited to the general fund. All excise and use taxes derived from sales and use of property and services purchased for the construction and operation of an agricultural resource project, from and after the date on which a conditional commitment for a loan guaranty for the project is made pursuant to section 4, subdivision 3, shall be deposited in the agricultural resource loan guaranty fund. The commissioner of finance shall certify to the commissioner the date on which the project received the conditional commitment. The amount deposited in the loan guaranty fund shall be reduced by any refunds and by the costs incurred by the department of revenue to administer and enforce the assessment and collection of the taxes.

Sec. 9. Minnesota Statutes 1982, section 362A.01, subdivision 1, is amended to read:

Subdivision 1. Any county or combination of counties by resolution of the county board or boards may establish a rural development financing authority as a public nonprofit corporation with the same powers and duties as those conferred and imposed on a private nonprofit corporation by chapter 317, and all present and future laws amending or supplementing that chapter, except as otherwise or additionally provided herein. No such authority shall transact any business or exercise any powers until a certified copy of the resolutions of each participating county board has been submitted to the secretary of state and a certificate of incorporation issued pursuant to section 317.10. Alternatively, a county may determine by resolution of the county board (without such filing) to exercise the powers granted in this chapter to a rural development finance authority.

Sec. 10. [362A.041] APPLICATIONS FOR LOAN GUARANTIES.

The authority, or a county exercising the powers of an authority pursuant to section 362A.01, may undertake or participate in undertaking a project deemed to further the policies and purposes of the agricultural resource loan guaranty program established and described in sections 1 to 6, by applying to the agricultural resource loan guaranty board for a guaranty by the state of a portion of a loan for the project to be secured by the applicant, or by another eligible borrower. For this purpose it may do all acts and things required of an applicant

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or of a borrower under the provisions of sections 1 to 6, including but not limited to the computation, segregation, and application of tax increments by deposit in the loan guaranty fund under the terms of the loan guaranty.

Sec. 11. Minnesota Statutes 1982, section 362A.05, is amended to read:

362A.05 AGREEMENTS FOR RESERVATION OF TAX INCREMENTS.

The authority may enter into an agreement with any county in which a project is to be situated, or a county exercising the powers of an authority may adopt a resolution, under which the increment of taxable value of property to be created by the constituting an agricultural resource project for which a conditional commitment for a loan guaranty has been made by the state as provided in section 4, subdivision 3, over and above the taxable value of the project site as last finally determined before the project was undertaken, may be excluded from the taxable value of property on which the mill rate of taxes is computed in every subsequent year, for so long as may be agreed provided in the loan guaranty, but the aggregate mill rate of taxes levied by the county and all other taxing districts on other properties in each such year shall be spread also on the incremental taxable value of the project, and the tax resulting therefrom, when collected, shall be remitted to the authority, and may be pledged, together with charges or special assessments, to pay or guarantee the payment of its bonds, or may be used by the authority for the purposes stated in section 362A.01, subdivision 2 or to the county, as the case may be, for deposit and use in the loan guaranty fund of the state as provided in sections 1 to 6. The tax increment for an agricultural resource project shall be discharged when either of the following occurs: (a) the loan obligation has been satisfied; or (b) the amount in the project account equals the amount of the guaranteed portion of the outstanding principal and interest on the guaranteed loan. Every county shall have the power by resolution of the county board to do all acts and things necessary for the computation, segregation, and application of tax increments under agreements made with the authority the loan guaranty in accordance with this section. This section shall not apply with respect to any project established subsequent to August 1, 1979.

Sec. 12. AUTHORIZATION OF BONDS.

To provide money in the state agricultural resource loan guaranty fund, for the purpose of the program for which this fund is appropriated and dedicated under the provisions of sections 1 to 6, the commissioner of finance may issue bonds of the state in the aggregate amount of \$12,000,000. Before the issuance of any series of the bonds the loan guaranty board shall determine by resolution that the amount to be issued will be needed to make payments due under one or more guaranties executed with respect to outstanding loans in the program, or is needed to maintain within the guaranty fund a balance sufficient in the judgment of the board to assure compliance by the state with its covenant contained in section 5, subdivision 3. The bonds shall be sold and issued in the manner, upon

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the terms, and with the effect prescribed by sections 1 to 6 and by the constitution, article XI, sections 4 to 7.

Sec. 13. **EFFECTIVE DATE.**

This article is effective the day following final enactment.

**ARTICLE 11
SALES RATIOS**

Section 1. Minnesota Statutes 1982, section 124.2131, subdivision 1, is amended to read:

Subdivision 1. **ADJUSTED ASSESSED VALUE.** (a) **COMPUTATION.** The equalization aid review committee, consisting of the commissioner of education, the commissioner of administration, the commissioner of agriculture, and the commissioner of revenue, is hereby continued and permanently established. The duty of this committee shall be to review the assessed valuation of the districts of the state. ~~When such reviews disclose reasonable evidence that the assessed valuation of any district furnished by any county auditor is not based upon the market value of taxable property in such district, then said committee shall call upon the department of revenue to ascertain the market value of such property, and adjust such values as required by law to determine the adjusted assessed valuation~~ The department of revenue shall annually conduct an assessment/sales ratio study of the taxable property in each school district in accordance with the procedures referenced in paragraphs (b) and (c). Based upon the results of this assessment/sales ratio study, the department of revenue shall determine an aggregate equalized assessed value for the various strata of taxable property in each school district, which value shall be designated as the adjusted assessed value. The department of revenue shall take such steps as are necessary in the performance of that duty and may incur such expense as is necessary therefor. The commissioner of revenue is authorized to reimburse any county or governmental official for services performed at his request in ascertaining such adjusted valuation. On or before March 15, annually, the department of revenue shall submit its report on the assessed values established by the previous year's assessment to said committee for approval or rejection and, if approved, such report shall be filed not later than the following July 1 with the commissioner of education and each county auditor for those school districts for which he has the responsibility for determination of mill rates. A copy of the adjusted assessed value so filed shall be forthwith mailed to the clerk of each district involved and to the county assessor or supervisor of assessments of the county or counties in which such district is located.

(b) **METHODOLOGY.** In making its annual assessment/sales ratio studies, the department of revenue shall use a methodology consistent with the

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most recent Standard on Assessment Ratio Studies published by the assessment standards committee of the International Association of Assessing Officers. The commissioner of revenue shall supplement this general methodology with specific procedures necessary for proper execution of the study in accordance with other Minnesota laws impacting the assessment/sales ratio study. The commissioner shall document these specific procedures in writing and shall publish the procedures in the State Register, but these procedures will not be considered "rules" pursuant to the Minnesota Administrative Procedure Act. By January 15, 1985, the commissioner shall report to the chairmen of the house tax committee and the senate committee on taxes and tax laws the results of a study which the commissioner shall prepare comparing the 1983 sales ratio study based upon the original 1983 assessment/sales ratio study methodology with the new methodology as provided in clause (b). The 1984 adjusted assessed values which are certified to the commissioner of education shall be computed using the 1983 assessment/sales ratio study methodology unless the 1985 legislature directs otherwise.

(c) **AGRICULTURAL LANDS.** For purposes of determining the adjusted assessed value of agricultural lands for the calculation of 1977 adjusted assessed values and thereafter, the market value of agricultural lands shall be the arithmetic average of (1) the price for which the property would sell in an arms length transaction, and (2) the income which could be derived from its free market gross rental rate capitalized at a rate of nine percent.

Sec. 2. Minnesota Statutes 1982, section 271.01, subdivision 5, is amended to read:

Subd. 5. **JURISDICTION.** The tax court shall have statewide jurisdiction. Except for an appeal to the supreme court or any other appeal allowed under this subdivision, the tax court shall be the sole, exclusive, and final authority for the hearing and determination of all questions of law and fact arising under the tax laws of the state, as defined in this subdivision, in those cases that have been appealed to the tax court and in any case that has been transferred by the district court to the tax court. The tax court shall have no jurisdiction in any case that does not arise under the tax laws of the state or in any criminal case or in any case determining or granting title to real property or in any case that is under the jurisdiction of the probate court. The small claims division of the tax court shall have no jurisdiction in any case dealing with property valuation or assessment for property tax purposes until the taxpayer has appealed the valuation or assessment to the town or city board of equalization and to the county board of equalization, except for those taxpayers whose original assessments are determined by the commissioner of revenue. A property owner, other than a public utility, mining company, or railroad company for which the original assessments are determined by the commissioner of revenue, may not appear before the tax court unless a timely appearance in person, by counsel, or by written communication has been made before the county board of equalization

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as provided in section 274.13, to appeal the assessment of the property, or that he can establish that he did not receive notice of his market value at least ten days before the county board of review meeting. The tax court shall have no jurisdiction in any case involving an order of the state board of equalization unless a taxpayer contests the valuation of his property. Only the taxes, aids and related matters contained in chapters 60A, 124, 270, 272, 273, 274, 275, 276, 277, 278, 279, 285, 287, 288, 290, 290A, 291, 292, 293, 294, 295, 296, 297, 297A, 297B, 298, 299, 340, 473, 473F, and 477A shall be considered tax laws of this state subject to the jurisdiction of the tax court. This subdivision shall not be construed to prevent an appeal, as provided by law, to an administrative agency, board of equalization, or to the commissioner of revenue. Wherever used in chapter 271, the term commissioner shall mean the commissioner of revenue, unless otherwise specified.

Sec. 3. Minnesota Statutes 1982, section 271.06, subdivision 6, is amended to read:

Subd. 6. HEARINGS; DETERMINATION OF ISSUES; DEFAULT. The tax court shall hear, consider, and determine without a jury every appeal de novo. A tax court judge may empanel an advisory jury upon his motion. The tax court shall hold a public hearing in every case. All such parties shall have an opportunity to offer evidence and arguments at the hearing; provided, that the order of the commissioner or the appropriate unit of government in every case shall be prima facie valid. When an appeal to the tax court has been taken from an order or determination of the commissioner or from the appropriate unit of government, the proceeding shall be an original proceeding in the nature of a suit to set aside or modify the order or determination. In case no appellant shall appear the tax court shall enter its order affirming the order of the commissioner of revenue or the appropriate unit of government from which the appeal was taken. If the department of revenue's sales ratio study is introduced in tax court as evidence, the sales ratio data from the study shall be admissible as evidence only as provided in section 278.05, subdivision 4.

Sec. 4. Minnesota Statutes 1983 Supplement, section 278.01, subdivision 1, is amended to read:

Subdivision 1. DETERMINATION OF VALIDITY. Any person having any estate, right, title, or interest in or lien upon any parcel of land, who claims that such property has been partially, unfairly, or unequally assessed in comparison with other property in the city or county, or that the parcel has been assessed at a valuation greater than its real or actual value, or that the tax levied against the same is illegal, in whole or in part, or has been paid, or that the property is exempt from the tax so levied, may have the validity of his claim, defense, or objection determined by the district court of the county in which the tax is levied or by the tax court by serving two copies of a petition for such determination upon the county auditor and one copy each on the county

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treasurer and the county attorney and filing the same, with proof of service, in the office of the clerk of the district court before the 16th day of May of the year in which the tax becomes payable. A property owner, other than a public utility, mining company, or the railroad company for which the original assessments are determined by the commissioner of revenue, may not appear before the district court or tax court unless a timely appearance in person, by counsel, or by written communication has been made before the county board of equalization as provided in section 274.13, to appeal the assessment of the property, or that he can establish that he did not receive notice of his market value at least ten days before the county board of review meeting. The county auditor shall immediately forward one copy of the petition to the appropriate governmental authority in a home rule charter or statutory city or town in which the property is located if that city or town employs its own certified assessor. A copy of the petition shall also be sent to the school board of the school district in which the property is located. A petition for determination under this section may be transferred by the district court to the tax court. An appeal may also be taken to the tax court under chapter 271 at any time following receipt of the valuation notice required by section 273.121 but prior to May 16 of the year in which the taxes are payable.

Sec. 5. Minnesota Statutes 1983 Supplement, section 278.05, subdivision 4, is amended to read:

Subd. 4. **SALES RATIO STUDIES AS EVIDENCE.** The sales ratio studies published by the department of revenue, or any part of the studies, or any copy of the studies or records accumulated to prepare the studies which is prepared by the commissioner of revenue for the equalization aid review committee for use in determining school aids shall be admissible in evidence as a public record without the laying of a foundation if the sales prices used in the study are adjusted for the terms of the sale to reflect market value and are adjusted to reflect the difference in the date of sale compared to the assessment date. Additional evidence relevant to the sales ratio study is also admissible. No sales ratio study received into evidence shall be conclusive or binding on the court and evidence of its reliability or unreliability may be introduced by any party including, but not limited to, evidence of inadequate adjustment of sale prices for terms of financing, inadequate adjustment of sales prices to reflect the difference in the date of sale compared to the assessment date, and inadequate sample size.

No reduction in value on the grounds of discrimination shall be granted on the basis of a sales ratio study published by the department of revenue unless

(a) the sales prices are adjusted for the terms of the sale to reflect market value,

(b) the sales prices are adjusted to reflect the difference in the date of sale compared to the assessment date,

(c) there is an adequate sample size, and

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(d) the median ratio of the class of property of the subject property in the same county, city, or town of the subject property is lower than the assessment ratio of the subject property by at least ten percent.

If the above criteria are met and a reduction in value on the grounds of discrimination is granted based upon the sales ratio study, the reduction shall reflect only the difference between the assessment/sales ratio of the subject property and 110 percent of the median ratio of the class of property of the subject property.

Sec. 6. **EFFECTIVE DATE.**

Sections 2 and 4 are effective for the 1985 assessment and thereafter, payable 1986 and thereafter. Sections 1, 3, and 5 are effective the day following final enactment.

ARTICLE 12

CHARITABLE GAMBLING

Section 1. Minnesota Statutes 1983 Supplement, section 340.14, subdivision 2, is amended to read:

Subd. 2. **RESTRICTIONS.** Every licensee shall be responsible for the conduct of his place of business and for conditions of sobriety and order therein. No licensee shall keep, possess, or operate, or permit the keeping, possession, or operation of, on the licensed premises, or in any room adjoining the licensed premises, any slot machine, dice, or any gambling device or apparatus, nor permit any gambling therein, nor permit the licensed premises or any room in the same, or in any adjoining building, directly or indirectly under its control to be used as a resort for prostitutes or other disorderly persons, except that gambling devices may be kept or operated and raffles conducted on licensed premises and adjoining rooms when such activities are licensed by the local unit of government pursuant to ~~section 349.26~~ charitable gambling control board under sections 349.11 to 349.213. No person under 18 years of age shall be employed in any rooms constituting the place in which intoxicating liquors are sold at retail "on-sale," except that persons under 18 years of age may be employed as musicians or to perform the duties of a busboy or dishwashing services in places defined as a restaurant or hotel or motel serving food in rooms in which intoxicating liquors are sold at retail "on-sale." Persons under 18 years of age may be employed as waiters or waitresses in places defined as a restaurant, hotel or motel to serve food in rooms in which only wine is sold on-sale, provided they shall not be permitted to serve or sell wine.

Sec. 2. Minnesota Statutes 1982, section 349.11, is amended to read:

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349.11 PURPOSE.

The purpose of sections 349.11 to ~~349.23~~ 349.22 is to closely regulate and control the conduct of the game of bingo and to prohibit commercialization of bingo legal forms of gambling to prevent their commercialization, to insure integrity of operations, and to provide for the use of net profits only for lawful purposes.

Sec. 3. Minnesota Statutes 1982, section 349.12, is amended to read:

349.12 DEFINITIONS.

Subdivision 1. As used in sections 349.11 to ~~349.23~~ 349.22 the following terms have the meanings given them.

Subd. 2. "Lawful gambling" is the operation, conduct or sale of bingo, raffles, paddlewheels, tipboards, and pull-tabs.

Subd. 3. "Active member" means a member who has paid all his dues to the organization and has been a member of the organization for at least six months.

Subd. ~~3~~ 4. "Bingo" means a game where each player has a card or board for which a consideration has been paid containing five horizontal rows of spaces, with each row except the central one containing five figures. The central row has four figures with the word "free" marked in the center space thereof. Bingo also includes games which are as described in this subdivision except for the use of cards where the figures are not preprinted but are filled in by the players. A player wins a game of bingo by completing any a preannounced combination of spaces or, in the absence of a preannouncement of a combination of spaces, any combination of five spaces in a row, either vertical, horizontal or diagonal.

Subd. 4 5. "Bingo occasion" means a single gathering or session at which a series of one or more successive bingo games is played.

Subd. 5 6. "Checker" means a person who records the number of bingo cards purchased and played during each game and records the prizes awarded to the recorded cards, but does not collect the payment for the cards.

Subd. 7. "Paddlewheel" means a wheel marked off into sections containing one or more numbers, and which, after being turned or spun, uses a pointer or marker to indicate winning chances.

Subd. 8. "Tipboard" means a board, placard or other device marked off in a grid or columns, in which each section contains a hidden number or numbers, or other symbol, which determines the winning chances.

Subd. 9. "Raffle" means a game in which a participant buys a ticket for a chance at a prize with the winner determined by a random drawing to take place at a location and date printed upon the ticket.

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Subd. 10. "Pull-tab" means a single folded or banded ticket or a card with a face covered to conceal one or more numbers or symbols, where one or more of each set of tickets or cards has been designated in advance as a winner. "Pull-tab" also includes a ticket sold in a gambling device known as a ticket jar.

Subd. 6 11. "Lawful purpose" means one or more of the following: (a) benefiting persons by enhancing their opportunity for religious or educational advancement, by relieving or protecting them from disease, suffering or distress, by contributing to their physical well-being, by assisting them in establishing themselves in life as worthy and useful citizens, or by increasing their comprehension of and devotion to the principles upon which this nation was founded; (b) initiating, performing, or fostering worthy public works or enabling or furthering the erection or maintenance of public structures; (c) lessening the burdens borne by government or voluntarily supporting, augmenting or supplementing services which government would normally render to the people; or (d) the improving, expanding, maintaining or repairing real property owned or leased by an organization.

"Lawful purpose" does not include the erection or acquisition of any real property, unless the local unit of government board specifically authorizes the expenditures after finding that the property will be used exclusively for one or more of the purposes specified in this clause.

Subd. 7. "Local unit of government" means the city or town in which bingo is proposed to be played or is played or, if there is no city or town, the county in which bingo is proposed to be played or is played.

Subd. 8 12. "Organization" means any fraternal, religious, veterans, or other nonprofit organization.

Subd. 9 13. "Profit" means the gross receipts collected from ~~one or more~~ bingo occasions lawful gambling, less reasonable sums necessarily and actually expended for bingo gambling supplies and equipment, prizes, rent, and utilities used during the bingo gambling occasions, bingo license fees compensation paid to members for conducting gambling, taxes related to bingo, and other expenses permitted by Laws 1976, Chapter 261 imposed by this chapter, and maintenance of devices used in lawful gambling.

Subd. 10. "Bingo manager" means a member who has paid all his dues to the organization and has been a member of the organization for at least two years and has been designated by an organization to supervise bingo occasions conducted by it.

Subd. 14. "Gambling manager" means a person who has paid all dues to an organization and has been a member of the organization for at least two years and has been designated by the organization to supervise lawful gambling conducted by it.

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Subd. 15. "Gambling equipment" means: bingo cards and devices for selecting bingo numbers, pull-tabs, ticket jars, paddlewheels, and tipboards.

Subd. 16. "Board" is the charitable gambling control board.

Subd. 17. "Distributor" is a person who sells gambling equipment he manufactures or purchases for resale.

Sec. 4. Minnesota Statutes 1982, section 349.13, is amended to read:

349.13 NOT GAMBLING IF ORGANIZATION CONDUCTS BINGO.

~~Bingo shall~~ Lawful gambling is not be construed as a lottery or as gambling within the meaning of sections 609.75 to 609.76 if it is conducted by an organization in compliance with Laws 1976, Chapter 261 under this chapter.

Sec. 5. Minnesota Statutes 1982, section 349.14, is amended to read:

349.14 ORGANIZATION MAY CONDUCT BINGO; LICENSE.

An organization may conduct ~~bingo occasions~~ lawful gambling if it has been in existence for at least three years, has at least 15 active members, has a license to conduct ~~bingo~~ lawful gambling from the ~~local unit of government board~~ and complies with ~~sections 349.15 to 349.21~~ this chapter.

Sec. 6. Minnesota Statutes 1982, section 349.15, is amended to read:

349.15 USE OF PROFITS.

Profits from a ~~bingo occasion~~ shall lawful gambling may be expended only for lawful purposes as authorized at a regular meeting of the conducting organization.

Sec. 7. **[349.151] CHARITABLE GAMBLING CONTROL BOARD.**

Subdivision 1. BOARD CREATED. The charitable gambling control board is created with the powers and duties established by subdivision 4.

Subd. 2. MEMBERSHIP. The board consists of 13 members appointed as follows:

(1) eleven persons appointed by the governor, at least four of whom must reside outside of the seven-county metropolitan area;

(2) the commissioner of public safety or his designee; and

(3) the attorney general or his designee.

A member serving on the board by appointment must have been a resident of Minnesota for at least five years. Of the appointees of the governor not more than six may belong to the same political party. A member appointed to the board may be removed at any time by the appointing authority. Vacancies on the board are filled in the same manner as the original appointment. Of the

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members appointed by the governor, three are for terms expiring June 30, 1985, four are for terms expiring June 30, 1986, and four are for terms expiring June 30, 1987. After the expiration of the initial terms, appointments are for three years. The governor shall appoint the chairperson from among his appointees.

Subd. 3. COMPENSATION. The compensation of board members is \$35 per day spent on commission activities, when authorized by the board, plus expenses in the same manner and amount as provided in the commissioner's plan adopted according to section 43A.18, subdivision 2.

Subd. 4. POWERS AND DUTIES. The board has the following powers and duties:

(1) to issue, revoke, and suspend licenses to organizations and suppliers under sections 349.16 and 349.161;

(2) to collect and deposit license fees and taxes due under this chapter;

(3) to receive reports required by this chapter and inspect the records, books, and other documents of organizations and suppliers to insure compliance with all applicable laws and rules;

(4) to make rules, including temporary rules, required by this chapter;

(5) to register gambling equipment and issue registration stamps under section 349.162;

(6) to provide by rule for the mandatory posting by organizations conducting lawful gambling of rules of play and the odds and/or house percentage on each form of lawful gambling; and

(7) to report annually to the governor and legislature on its activities and on recommended changes in the laws governing charitable gambling.

Subd. 5. EMPLOYEES. The board shall employ an executive secretary in the unclassified service and such other employees in the classified service as are required to enable it to carry out its functions. One or more of the employees must be bingo inspectors.

Subd. 6. ATTORNEY GENERAL. The attorney general is the attorney for the board.

Sec. 8. Minnesota Statutes 1982, section 349.16, is amended to read:

349.16 LOCAL REGULATION ORGANIZATION LICENSES.

Subdivision 1. ISSUANCE OF GAMBLING LICENSES. Nothing in sections 349.11 to 349.23 shall be construed to prohibit a local unit of government from adopting ordinances, rules and regulations concerning the conduct of bingo which are more restrictive than state regulations, including an ordinance to ban the conduct of bingo. Prior to promulgating bingo regulations or issuing a

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bingo license, the local unit of government shall consult with the local building inspector, if any, and the fire and police authorities. A local unit of government which permits bingo but has not adopted regulations shall be deemed to have adopted the provisions of Laws 1976, Chapter 261 as its regulations. A local unit of government may amend its regulations.

Subd. 2. A local unit of government that permits bingo shall establish a system for licensing organizations to conduct bingo occasions, and shall act on a bingo license application within 180 days from the date of application, but shall not issue a license until at least 30 days after the date of application. A license shall be valid for one year, and may be suspended or revoked by the issuing authority for violation of Laws 1976, Chapter 261 or of any local ordinance relating to bingo.

Subd. 3. Each year the local unit of government shall allocate an amount of money at least equal to the lesser of \$25,000 or 25 percent of the amount it collected and retained from bingo fees, bingo licenses, and bingo taxes in the preceding year for the supervision, regulation and inspection of the conduct of bingo. Licenses authorizing organizations to conduct lawful gambling may be issued by the board to organizations meeting the qualifications of section 349.14, if the board determines that the license is consistent with the purpose of sections 349.11 to 349.22. Licenses issued under this section are valid for one year and may be suspended by the board for a violation of law or board rule or revoked for what the board determines to be a pattern of willful violations of law or board rule. A revocation or suspension is a contested case under sections 14.57 to 14.69 of the Administrative Procedure Act.

Subd. 2. **APPLICATION.** All applications for a license under this section must be on a form prescribed by the board. The board may require the applying organization to submit a copy of its articles of incorporation and other documents it deems necessary.

Subd. 3. **FEES.** The board shall by rule establish a schedule of fees for licenses under this section. The schedule must establish three classes of license, authorizing all forms of lawful gambling, all forms except bingo and bingo only.

Sec. 9. [349.161] DISTRIBUTOR LICENSES.

Subdivision 1. **PROHIBITED ACTS; LICENSES REQUIRED.** No person may:

(1) sell, offer for sale, or furnish gambling equipment for use within the state for gambling purposes, other than for bingo exempt from licensing under section 340.19, except to an organization licensed for lawful gambling; or

(2) sell, offer for sale, or furnish gambling equipment to an organization licensed for lawful gambling without having obtained a distributor license under this section.

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No licensed organization may purchase gambling equipment from any person not licensed as a distributor under this section.

Subd. 2. LICENSE APPLICATION. The board may issue licenses for the sale of gambling equipment to persons who meet the qualifications of this section if the board determines that a license is consistent with the purpose of sections 349.11 to 349.22. Applications must be on a form the board prescribes.

Subd. 3. QUALIFICATIONS. A license may not be issued under this section to a person, or to a corporation, firm, or partnership which has as an officer, director, or other person in a supervisory or management position a person, who:

(1) has been convicted of a felony in a state or federal court within the past five years or who has a felony charge pending;

(2) has ever been convicted in a state or federal court of a gambling-related offense; or

(3) is or has ever been engaged in an illegal business.

Subd. 4. FEES. The annual fee for a suppliers license is \$1,500.

Subd. 5. PROHIBITION. No distributor may also be a wholesale distributor of liquor or alcoholic beverages.

Subd. 6. REVOCATION AND SUSPENSION. A license under this section may be suspended by the board for a violation of law or board rule or for failure to meet the qualifications in subdivision 3 at any time or revoked for what the board determines to be a pattern of willful violations of law or board rule. A revocation or suspension is a contested case under sections 14.57 to 14.69 of the Administrative Procedure Act.

Subd. 7. CRIMINAL HISTORY. The board may request the assistance of the bureau of criminal apprehension in investigating the background of an applicant for a supplier's license and may reimburse the bureau for the costs thereof. The board has access to all criminal history data compiled by the bureau on licensees and applicants.

Sec. 10. [349.162] EQUIPMENT REGISTERED.

Subdivision 1. STAMP REQUIRED. A distributor may not sell to an organization and an organization may not purchase from a distributor gambling equipment unless the equipment has been registered with the board and has a registration stamp affixed. The board may charge a fee of up to 25 cents for each stamp. Each stamp must bear a registration number assigned by the board.

Subd. 2. RECORDS REQUIRED. A distributor must maintain a record of all gambling equipment which it sells to organizations. The record must include:

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(1) the identity of the person or firm from whom the equipment was purchased;

(2) the registration number of the equipment;

(3) the name and address of the organization to which the sale was made;
and

(4) the date of the sale.

The record for each sale must be retained for at least three years after the sale is completed. For purposes of this section, a sale is completed when the gambling equipment is physically delivered to the purchaser.

Each distributor must report monthly to the board, on a form the board prescribes, its sales of each type of gambling equipment. Employees of the board may inspect the books, records, and other documents of a distributor at any reasonable time without notice and without a search warrant.

Subd. 3. SALES FROM FACILITIES. All gambling equipment purchased by a licensed distributor for resale in Minnesota must prior to its resale be unloaded into a facility located in Minnesota which the distributor owns or leases.

Sec. 11. Minnesota Statutes 1982, section 349.17, is amended to read:

349.17 CONDUCT OF BINGO.

Subdivision 1. **BINGO OCCASIONS.** No compensation shall be paid to any person in connection with a bingo occasion except an active member of the organization, or its auxiliary, or the spouse or surviving spouse of an active member, conducting the bingo occasion nor shall any person not an active member of the organization or its auxiliary or the spouse or surviving spouse of an active member participate in the conduct of a bingo occasion, except by resolution of a majority of the membership, recorded in the official minutes of the organization, non-management assistants who are not active members of the organization, or its auxiliary, or the spouse or surviving spouse of an active member, may be hired to assist members in conducting a bingo occasion. Compensation shall not exceed \$20 for a bingo occasion.

Subd. 2. No Not more than 104 bingo occasions each year or two bingo occasions each week shall may be conducted by any an organization, except that the local unit of government issuing the license may permit additional bingo occasions to be conducted by an organization, except as provided in this subdivision. A bingo occasion shall may not continue for more than four consecutive hours.

The board may permit an organization to conduct more than two bingo occasions in a week and more than 104 bingo occasions in a year if the board

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determines that the additional occasions are consistent with the purpose of sections 349.11 to 349.22 and if the following procedures are followed:

(1) the organization applies for the additional occasions, stating the number of additional occasions applied for;

(2) the board notifies the governing body of the county or home rule or statutory city in which the applicant is located; and

(3) the governing body fails to adopt a resolution disapproving the additional occasions within 30 days of the notification.

Subd. 3 2. **BINGO ON LEASED PREMISES.** (1) Any A person or corporation, other than an organization, which leases any premises that it owns to two or more organizations for purposes including the conduct of bingo occasions, shall may not allow more than four bingo occasions to be conducted on the premises in any week. The board may waive this restriction and permit a person or corporation to allow a specified member of bingo occasions on the premises in excess of four per week if it finds that the waiver is consistent with the purpose of sections 349.11 to 349.22 and if the following procedures are followed:

(1) the person or corporation applies for the waiver, stating the number of additional occasions sought per week;

(2) the board notifies the governing body of the county or home rule or statutory city in which the premises are located; and

(3) the governing body fails to adopt a resolution disapproving the waiver within 30 days of the notification.

(2) Any organization which leases any premises to one or more other organizations for purposes including the conduct of bingo occasions shall use the proceeds of the rental, less reasonable sums for maintenance, furnishings and other necessary expenses, only for lawful purposes as defined in section 349.12. Not less than once each year the organization shall report to the licensing authority the disposition of all receipts which it has received during the reporting period from the rental of its facilities to other organizations for purposes including the conduct of bingo occasions.

(3) No organization shall conduct bingo on any leased premises without a written lease for a term at least equal to the remainder of the term of the bingo license of the organization. Lease payments shall be at a fixed monthly rate, or rate per bingo occasion, not subject to change during the term of the lease. No such lease shall provide that rental payments be based on a percentage of receipts or profits from bingo occasions.

Subd. 4. Prizes for a single bingo game shall not exceed \$100 except prizes for a game of the type commonly known as a "cover-all" game. "Cover-

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all" prizes may exceed \$100 provided that the aggregate value of such prizes for a bingo occasion shall not exceed \$500. The aggregate value of prizes for a bingo occasion shall not exceed \$2,500 except that in the case of a bingo occasion during which a "cover-all" game is played for a maximum prize of more than \$100 but not more than \$500, the aggregate value of prizes for the bingo occasion shall not exceed \$3,000. Merchandise prizes shall be valued at fair market retail value.

Subd. 5. No expense shall be incurred or amounts paid in connection with the conduct of bingo, except those reasonably expended for bingo supplies and equipment, prizes, rent, or utilities used during the bingo occasion, bingo license fees, taxes related to bingo, and compensation to active members who conduct the game.

Subd. 6 3. Each bingo winner shall must be determined and every prize shall be awarded and delivered the same day on which the bingo occasion is conducted.

Subd. 7. All bingo occasions shall be under the supervision of a bingo manager designated by the organization who shall be responsible for gross receipts and profits from bingo and for the conduct of the bingo occasion in compliance with all applicable laws and ordinances. The bingo manager shall give a fidelity bond in the sum of \$10,000 in favor of the organization conditioned on the faithful performance of his duties. Terms of the bond shall provide that notice shall be given in writing to the licensing authority not less than 30 days prior to its cancellation. The governing body of a local unit of government may waive this bond requirement by including a waiver provision in the bingo license issued to an organization, provided that a license containing such a provision shall be granted only by unanimous vote.

Subd. 8. No person shall act as a bingo manager for more than one organization.

Subd. 4. CHECKERS. One or more checkers must be engaged for each bingo occasion. The checker or checkers must record, on a form the board provides, the number of cards played in each game and the prizes awarded to recorded cards. The form must provide for the inclusion of the registration number of each card and must include a checker's certification that the figures recorded are correct to the best of the checker's knowledge.

Sec. 12. Minnesota Statutes 1982, section 349.18, is amended to read:

349.18 RECORDS; PLAYERS, CARDS AND PRIZES PREMISES USED FOR GAMBLING.

One or more checkers shall be engaged for each bingo occasion. The checker or checkers shall record the number of cards played in each game prior to the completion of each game and record the prizes awarded to the recorded

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cards. Each checker shall certify all figures which he has recorded as accurate and correct to the best of his knowledge. A local unit of government may require the records to be on forms which it provides

Subdivision 1. LEASE OR OWNERSHIP REQUIRED. An organization may conduct lawful gambling only on premises it owns or leases. Leases must be for a period of at least one year and must be in writing. Copies of all leases must be made available to employees of the board on request. A lease may not provide for rental payments based on a percentage of receipts or profits from lawful gambling.

Subd. 2. EXCEPTIONS. (a) A licensed organization may conduct raffles on a premise it does not own or lease.

(b) A licensed organization may with the permission of the board, conduct bingo on premises it does not own or lease for up to six days in a calendar year, in connection with a county fair or civil celebration.

Subd. 3. PROCEEDS FROM RENTAL. A licensed organization which leases premises it owns to one or more other licensed organizations for purposes including the conduct of lawful gambling may expend the rental proceeds, less reasonable deductions for maintenance, furnishings, and utilities, only for lawful purposes. The rental proceeds must be recorded and reported as proceeds from gambling under section 349.19.

Sec. 13. Minnesota Statutes 1982, section 349.19, is amended to read:

349.19 EXEMPTION RECORDS AND REPORTS.

Bingo may be conducted without complying with the requirements of sections 349.14 and 349.17, subdivisions 2 and 3, if conducted: (a) in connection with a county fair conducted by a county agricultural society or association, the state fair conducted by the state agricultural society or a civic celebration recognized by resolution or other similar official action of the local governing body provided that the bingo is conducted for no more than 12 consecutive days in any one calendar year; or, (b) by an organization that conducts less than five bingo occasions in any calendar year

Subdivision 1. REQUIRED RECORD OF RECEIPTS. A licensed organization must keep a record of each occasion on which it conducts gambling, including each bingo occasion and each day on which other forms of lawful gambling are conducted. The record must include gross receipts, quantities of free plays if any, expenses, and profits. The board may by rule provide for the methods by which expenses are documented. In the case of bingo, gross receipts must be compared to the checkers' records for the occasion by a person who did not sell cards for the occasion. Separate records must be kept for bingo and all other forms of lawful gambling.

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Subd. 2. ACCOUNTS. Gross receipts from lawful gambling must be segregated from all other revenues of the conducting organization and placed in a separate account. The person who accounts for gambling gross receipts and profits may not be the same person who accounts for other revenues of the organization.

Subd. 3. EXPENDITURES. All expenditures of bingo profits must be itemized as to payee, purpose, amount, and date of payment.

Subd. 4. DISCREPANCIES. If at a bingo occasion a discrepancy of more than \$20 is found between the gross receipts as reported by the checkers and the gross receipts determined by adding the cash receipts, the discrepancy must be reported to the board within five days of the bingo occasion.

Subd. 5. REPORTS. A licensed organization must report to the board and to its membership monthly on its gross receipts, expenses, profits, and expenditure of profits from lawful gambling. If the organization conducts both bingo and other forms of lawful gambling, the figures for both must be reported separately. In addition, a licensed organization must report to the board monthly on its purchases of gambling equipment and must include the type, quantity, and dollar amount from each supplier separately. The reports must be on a form the board prescribes.

Subd. 6. PRESERVATION OF RECORDS. Records required to be kept by this section must be preserved for at least three years and may be inspected by employees of the board at any reasonable time without notice or a search warrant.

Subd. 7. TAX RECORDS. The board may by rule require each licensed organization to provide copies of forms it files with the United States department of the treasury which are required for organizations exempt from income tax.

Sec. 14. Minnesota Statutes 1982, section 349.20, is amended to read:

349.20 RECORDS; RECEIPTS AND PROFITS MANAGERS.

Each organization shall keep records of its gross receipts and profits for each bingo occasion. Gross receipts shall be compared to the checker's records for the bingo occasion by a person who did not sell cards for the bingo occasion. All deductions from gross receipts from a bingo occasion shall be documented with receipts or other records. The distribution of profits shall be itemized as to payee, amount and date of payment.

Bingo gross receipts shall be segregated from other revenues of an organization and placed in a separate account. Each organization shall maintain separate records of its bingo operations. The person who accounts for bingo gross receipts and profits shall not be the same person who accounts for other revenues of the organization. Records required by Laws 1976, Chapter 261 shall be preserved for three years. The law enforcement agency of the licensing

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authority shall have the authority to investigate the bingo records of an organization at any reasonable time. Organizations shall make available their bingo records for investigation upon proper notice

All lawful gambling conducted by a licensed organization must be under the supervision of one or more gambling managers. A gambling manager designated by an organization to supervise a gambling occasion is responsible for the gross receipts from the occasion and for its conduct in compliance with all laws and rules. An organization may designate a different person to act as manager for each type of lawful gambling conducted. Each person designated as a gambling manager must give a fidelity bond in the sum of \$10,000 in favor of the organization conditioned on the faithful performance of the manager's duties, and the terms of the bond must provide that notice be given to the board in writing not less than 30 days before its cancellation.

A person may not act as a gambling manager for more than one organization.

Sec. 15. Minnesota Statutes 1982, section 349.21, is amended to read:

**349.21 REPORTS; DISCREPANCIES, REPORTING AGENCIES
COMPENSATION.**

Subdivision 1. If any discrepancy is found between the amount of gross receipts for a bingo occasion as determined by the checker's records and the amount of gross receipts as determined by totaling the cash receipts and the discrepancy exceeds \$20, the discrepancy shall be reported to and investigated by the licensing authority of the place where the bingo occasion was held.

Subd. 2. An organization shall report monthly to its membership its gross receipts from bingo, its profits from bingo and the distribution of those profits itemized as required by section 349.20.

Subd. 3. At least 30 days prior to conducting its first bingo occasion of the year and on an annual basis thereafter, an organization shall file with the local government unit which regulates its conduct copies of the following:

(a) Department of the treasury, internal revenue service, "Return of Organization Exempt from Income Tax," Form 990, or a comparable form if the organization is required to file the form with the department of the treasury;

(b) Department of the treasury, internal revenue service, "Exempt Organization Business Income Tax," Form 990-T, or a comparable form if the organization is required to file the form with the department of the treasury;

(c) A "Statement of Bingo Operations" in the form prescribed by the local governmental unit. All information contained in the statement shall be true, correct, and complete to the best of the knowledge of the person or persons signing the statement. Any person who shall knowingly make a false statement or

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knowingly conceal a material fact in the statement shall be subject to the penalties provided in section 349.22;

(4) Any lease agreements required by Laws 1976, Chapter 261, executed by the organization in regard to premises leased for the conduct of bingo

Compensation to persons who participate in the conduct of lawful gambling may be paid only to active members of the conducting organization or its auxiliary, or the spouse or surviving spouse of an active member, except that nonmanagement assistants who are not active members or spouses may be hired to assist in the conduct of lawful gambling in nonmanagement positions if approved by a majority of the organization's members.

The amounts of compensation which may be paid under this section must be provided for in a schedule of compensation adopted by the board by rule. In adopting the schedule the board must consider the nature of the participation and the types of lawful gambling participated in.

A licensed organization may pay a percentage of the gross receipts from raffle ticket sales to a nonprofit organization which sells tickets for the licensed organization.

Sec. 16. [349.211] PRIZE LIMITS.

Subdivision 1. BINGO. Prizes for a single bingo game may not exceed \$100 except prizes for a cover-all game, which may exceed \$100 if the aggregate value of all cover-all prizes in a bingo occasion does not exceed \$500. Total prizes awarded at a bingo occasion may not exceed \$2,500, unless a cover-all game is played in which case the limit is \$3,000. For purposes of this subdivision, a cover-all game is one in which a player must cover all spaces except a single free space to win.

Subd. 2. BINGO CUMULATIVE PRIZES. A prize of up to \$1,000 may be awarded for a single bingo game if the prize is an accumulation of prizes not won in games in previous bingo occasions. The total amount awarded in cumulative prizes in any calendar year may not exceed \$12,000. For bingo occasions in which a cumulative prize is awarded the aggregate value of prizes which may be awarded for the occasion is increased by the amount of the cumulative prize so awarded less \$100.

Subd. 3. OTHER GAMBLING. The board by rule shall establish a schedule of prize limits for all other forms of gambling consistent with the purposes set out in section 349.11. The schedule may include daily and annual prize limits and prize limits for each game, raffle or operation of a gambling device.

Subd. 4. PRIZE VALUE. Merchandise prizes must be valued at their fair market value. For purposes of sections 349.11 to 349.22 "prizes" do not include free plays awarded.

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Sec. 17. [349.212] TAX IMPOSED.

Subdivision 1. RATE. There is hereby imposed a tax on all lawful gambling conducted by licensed organizations at the rate specified in this subdivision. The tax imposed by this section is in lieu of the tax imposed by section 297A.02 and of all local taxes and license fees.

On all lawful gambling the tax is ten percent of the gross receipts of a licensed organization from lawful gambling less prizes actually paid out, payable by the organization.

Subd. 2. COLLECTION; DISPOSITION. The tax must be paid to the board at times and in a manner the board prescribes by rule. The proceeds, along with the revenue received from all license fees and other fees under sections 349.11 to 349.21 and sections 16, 17, and 18 of this article, must be paid to the state treasurer for deposit in the general fund.

Subd. 3. ANNUAL APPROPRIATION. At the end of each fiscal year, the commissioner of finance shall certify to the state treasurer the total revenues collected by the board from taxes and fees imposed by this article minus the amount appropriated by law from the general fund to the board for its expenses and operations. The net revenue so certified shall be expended by legislative appropriation to the department of education for expenditure, in consultation with the state arts board, as grants for programs, construction, maintenance, and operation of one or more schools for the arts located within the state, or the purposes recommended by the Minnesota school for the arts planning task force except that any part of the amount so certified which is not appropriated for the purposes set forth in this subdivision may be appropriated for any other purpose.

Sec. 18. [349.213] LOCAL AUTHORITY.

Subdivision 1. LOCAL REGULATION. A statutory or home rule city or county has the authority to adopt more stringent regulation of any form of lawful gambling within its jurisdiction, including the prohibition of any form of lawful gambling, and may require a permit for the conduct of gambling exempt from licensing under section 349.214. The authority granted by this subdivision does not include the authority to require a license or permit to conduct gambling by organizations licensed by the board.

Subd. 2. LOCAL APPROVAL. Before issuing or renewing an organization license, the board must notify the city council of the statutory or home rule city in which the organization's premises are located or, if the premises are located outside a city, by the county board of the county where the premises are located. If the city council or county board adopts a resolution disapproving the license and so informs the board within 30 days of receiving notice of the license, the license may not be issued or renewed.

Sec. 19. [349.214] EXEMPTIONS.

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Subdivision 1. BINGO. Bingo may be conducted without a license and without complying with sections 349.17, subdivision 1, and 349.18 if it is conducted:

(1) in connection with a county fair, the state fair, or a civic celebration if it is not conducted for more than 12 consecutive days in a calendar year; or

(2) by an organization which conducts four or fewer bingo occasions in a calendar year.

Subd. 2. RAFFLES. Raffles may be conducted by an organization as defined in section 349.12, subdivision 13, without complying with sections 349.11 to 349.213 if the value of all raffle prizes awarded by the organization in a calendar year does not exceed \$750. Merchandise prizes must be valued at their fair market value.

Subd. 3. RAFFLES, CERTAIN ORGANIZATIONS. The provisions of sections 349.21 and 349.211, subdivision 3, and the membership requirements of sections 349.14 and 349.20 do not apply to raffles conducted by an organization which directly or under contract to the state or a political subdivision delivers health or social services and which is exempt from taxation under section 501(c)(3) of the Internal Revenue Code of 1954, as amended through December 31, 1983, if the prizes awarded in the raffles are real or personal property donated by an individual, firm, or other organization. The person who accounts for the gross receipts, expenses, and profits of the raffles may be the same person who accounts for other funds of the organization.

Sec. 20. Minnesota Statutes 1982, section 349.22, is amended to read:
349.22 PENALTY.

~~Violation of any provision of Laws 1976, Chapter 261 is a gross misdemeanor.~~

Subdivision 1. GROSS MISDEMEANOR. Any other violation of sections 349.11 to 349.214 is a gross misdemeanor.

Subd. 2. OTHER ACTION. This section shall does not preclude civil or criminal actions under other applicable law or preclude any agency of government from investigating or prosecuting violations of the provisions of Laws 1976, Chapter 261 sections 349.11 to 349.214. County attorneys have primary responsibility for prosecuting violations of sections 349.11 to 349.214, but the attorney general may prosecute any violation of those sections.

Sec. 21. Minnesota Statutes 1982, section 349.31, subdivision 1, is amended to read:

Subdivision 1. INTENTIONAL POSSESSION; WILFUL KEEPING. The intentional possession or wilful keeping of a gambling device upon any on a licensed premises is cause for the revocation of any license under which the

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licensed business is carried on upon the premises where the gambling device is found, provided that possession of gambling devices commonly known as "paddlewheels" or "tipboards" or "pull-tabs" (or "ticket jars") or apparatus used in conducting raffles on the premises of a nonprofit organization and operated by organizations licensed for such operation pursuant to section 349.26 equipment as defined in section 349.12, subdivision 17, which is used for gambling licensed by the charitable gambling control board and the manufacture of gambling devices for use in jurisdictions where use of the gambling device is legal as provided for by section 349.40 shall not be cause for revocation of a license.

Sec. 22. Minnesota Statutes 1983 Supplement, section 609.75, subdivision 3, is amended to read:

Subd. 3. **WHAT ARE NOT BETS.** The following are not bets:

(1) A contract to insure, indemnify, guarantee or otherwise compensate another for a harm or loss sustained, even though the loss depends upon chance.

(2) A contract for the purchase or sale at a future date of securities or other commodities.

(3) Offers of purses, prizes or premiums to the actual contestants in any bona fide contest for the determination of skill, speed, strength, endurance, or quality or to the bona fide owners of animals or other property entered in such a contest.

(4) The game of bingo when conducted in compliance with sections 349.11 to 349.23.

(5) A private social bet not part of or incidental to organized, commercialized, or systematic gambling.

(6) The operation of a gambling device equipment or the conduct of a raffle as defined in section 349.26 under sections 349.11 to 349.22, by an organization licensed for such operation by a local unit of government pursuant to section 349.26 by the charitable gambling control board.

(7) Pari-mutuel betting on horse racing when the betting is conducted under chapter 240.

Sec. 23. Minnesota Statutes 1983 Supplement, section 609.761, is amended to read:

609.761 OPERATIONS PERMITTED.

Notwithstanding sections 609.755 and 609.76, a ~~fraternal, religious, veterans or other nonprofit~~ an organization may ~~set up or operate a gambling device or conduct a raffle~~ conduct lawful gambling as defined in section 349.26 349.12, if licensed by the ~~local unit of government~~ charitable gambling control board and conducted under ~~section 349.26~~ sections 349.11 to 349.22, and a person may

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manufacture, sell or offer for sale a gambling device to the organization, and pari-mutuel betting on horse racing may be conducted under chapter 240.

Sec. 24. APPROPRIATION.

There is appropriated from the general fund to the charitable gambling control board for the period beginning the day following final enactment of this article and ending June 30, 1985, the sum of \$556,000, or so much thereof as is necessary to carry out the purposes of this article.

Sec. 25. REPEALER.

Minnesota Statutes 1982, section 349.26, is repealed.

Sec. 26. EFFECTIVE DATE.

Sections 7 and 24 are effective the day following final enactment. All other sections of this article are effective March 1, 1985. All licenses issued by local units of government under Minnesota Statutes 1982, sections 349.16 and 349.26 expire on February 28, 1985.

**ARTICLE 13
LOCAL PROVISIONS**

Section 1. Minnesota Statutes 1982, section 458.14, is amended to read:

458.14 RIGHT TO LEVY TAXES OR ASSESSMENTS FORBIDDEN.

Subdivision 1. TAX LEVY BY CITY. The port authority shall have no right or authority to levy any tax or special assessment, nor to pledge the credit of the state, or any other subdivision or municipal corporation thereof; nor to incur any obligation enforceable upon any property, either within or without the port district, other than property owned by the port authority. Annually, at such time as may be fixed by charter, resolution, or ordinance of the city in and for which any such port authority is created, the port authority shall transmit to the council of such city a detailed estimate, in writing, of the amount of money which in its opinion will be required for the business and proper conduct of its affairs during the next ensuing fiscal year, in excess of any expected receipts from the conduct of its business, or other sources, and any such city, in addition to all other powers now possessed thereby, and in addition to, and in excess of any limitation upon the amount it is otherwise permitted by law to levy as taxes, is hereby granted the power and authority, in its discretion, to shall, at the request of the port authority, levy taxes for the benefit of, and for expenditure by, such port authority, not exceeding in any one year an amount equal to a tax of five one-hundredths of one mill .75 mill upon the dollar of the assessed valuation thereof, upon all the taxable property in such city, excluding money and credits, and any amount so levied for such purposes shall be paid over by the city

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treasurer to the treasurer of the port authority, for expenditure by it, as above provided. The fiscal year of such port authority shall be identical with the fiscal year of such city; provided that any seaway port authority may, by resolution, adopt a fiscal year based on the international shipping season through the St. Lawrence Seaway, independent of the fiscal year of the city in which the seaway port authority is located. The board of county commissioners of any county in which any such city is located, is also hereby authorized to appropriate for the use of such port authority, and to include therefor in its levy for general revenue purposes, such amount as it may deem proper; provided, that the total amount permitted by law to be levied by any county for general revenue purposes shall not be deemed increased by this provision; the board of county commissioners in any county entitled to appoint members of a seaway port authority, may annually, upon receipt of a budget as specified above from such port authority, in its discretion levy a tax sufficient to produce a sum not exceeding \$50,000 for the benefit of and for expenditure by such port authority to defray the costs of its current operations in the next ensuing fiscal year which levy shall not be included in computing the amount of levies subject to tax limitations under chapter 275 or any other provision of law. The appropriation to a port authority of moneys derived from any of the county taxes herein authorized shall not be subject to any budgetary law applicable to said county. Any amounts so appropriated or levied by the county shall be paid over by the county treasurer to the port authority for expenditure by it as herein provided, at such times and in such manner as the county board may provide. When any city entitled to appoint members of a seaway port authority has secured the approval of two-thirds of the members of the city council of such city to issue its general obligation bonds, the proceeds of which are to be appropriated to such seaway port authority, the board of county commissioners of any county entitled to appoint members of such seaway port authority may by five-sevenths vote issue general obligation bonds of the county in an amount not to exceed \$4,000,000, and appropriate the proceeds thereof to be used by such port authority for any or all of the purposes specified in section 458.15, if the county board by resolution determines that the conservation, development, reclamation, protection and improvement of lands under the jurisdiction of such port authority and the construction of port facilities thereon will promote the public welfare of the county at large and the economic well-being of its people, industries and commerce, and is an essential governmental function of the county, and can best be performed through the medium of such port authority. Any such bonds shall be issued, sold and secured as provided in sections 475.60 to 475.753; an election shall not be necessary to the validity of such bonds.

Subd. 2. REVERSE REFERENDUM. If a city proposes to increase the levy of the city for port authority purposes pursuant to subdivision 1, it shall pass a resolution stating the amount by which the levy limit base is proposed to be increased. Thereafter, the resolution shall be published for two successive weeks in the official newspaper of the city or if there is no official newspaper, in a

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newspaper of general circulation in the city, together with a notice fixing a date for a public hearing on the proposed increase. The hearing shall be held not less than two weeks nor more than four weeks after the first publication of the resolution. Following the public hearing, the city may determine to take no further action or, in the alternative, adopt a resolution authorizing the increase as originally proposed or approving an increase in the lesser amount it determines. The resolution authorizing an increase shall be published in the official newspaper of the city if there is no official newspaper, in a newspaper of general circulation in the city. If within 30 days thereafter a petition signed by voters equal in number to five percent of the votes cast in the city in the last general election requesting a referendum on the proposed resolution is filed with the clerk 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 the referendum. The referendum must be held at a special or general election prior to October 1 of the year for which the levy increase is proposed.

Sec. 2. Laws 1979, chapter 189, section 2, is amended to read:

Sec. 2. For the purposes of this act, "residential customer" means a customer classified by the public utility as a residential heating or residential non-heating customer of the public utility within the city of St. Paul and "gross operating revenue" means all sums received by the public utility from the sale of gas, hot water heating or electricity, excluding any amounts received which result from a surcharge on the public utility's rate schedule for the purpose of collecting the franchise fee.

Sec. 3. RAMSEY-WASHINGTON METRO WATERSHED DISTRICT; WATER MAINTENANCE AND REPAIR FUND; CREATION OF FUNDS; TAX LEVY.

The Ramsey-Washington metro watershed district may, in addition to its other powers, establish a water maintenance and repair fund which shall be kept distinct from all other funds of the district. The fund shall be maintained by an annual ad valorem tax levy on each dollar of assessed valuation of all taxable property within the Ramsey-Washington metro watershed district sufficient to raise not more than \$30,000 in 1985, and in subsequent years not more than \$15,000. The board of managers of the district shall adopt each year, by resolution, the amount to be raised by mill levy for the fund for the ensuing year, which shall be levied, collected, and distributed to the district in accordance with Minnesota Statutes, section 112.611, in addition to any other money levied, collected, and distributed to the district.

Sec. 4. PURPOSE OF FUND.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

The water maintenance and repair fund may be used for any maintenance, repair, restoration, upkeep, and rehabilitation of any public ditch, drain, dams, sewer, river, stream, watercourse, and waterbody, natural or artificial, lying wholly or partly within the district. Works performed in accordance with the purposes of sections 3 to 5 may include, but are not limited to, stream and watercourse clean up and maintenance and stream and watercourse bank and bed repair and stabilization.

Sec. 5. **WORKS; MUNICIPALITIES.**

Any works to be undertaken and paid for from the water maintenance and repair fund shall be ordered by the board of managers of the district. Before the commencement of any works ordered, any affected municipality shall be notified in writing by the district about the proposed works and estimated costs. Within 30 days following receipt of the written notice, any affected municipality may notify the district in writing that it will perform the works ordered by the district. If the municipality undertakes the works, it shall be paid as previously prescribed by the district from the water maintenance and repair fund. If any affected municipality fails to perform any works ordered by the board of managers, the district may have the works performed in any other manner authorized by law.

Sec. 6. **CROFT HISTORICAL PARK TAX.**

The Croft Historical Park Board, hereafter referred to in sections 6 and 7 as the "board," is created. The Croft Historical Park District, hereafter referred to in sections 6 and 7 as the "district", consists of the cities of Crosby, Cuyuna, Deerwood, Ironton, Riverton, and Trommald and the towns of Deerwood, Irondale, Rabbit Lake and Wolford. All of the cities and towns are located in Crow Wing county. The board shall consist of three members who are residents of the district, each of whom shall be elected at large in the district. The county board shall make arrangements for the holding of a special election within the district. For the initial election, the terms of the board members shall be as follows: one two year term, one three year term and one four year term. Thereafter, each board member shall be elected for a four year term.

If approved by referendum as provided in section 7, the board may levy a tax not to exceed 1.0 mills on the taxable value of all real and personal property located within the district. The amount of tax levied is in addition to all other taxes on the property and must be disregarded in the calculation of all other mill rate or per capita levy limitations imposed by law or charter upon the cities or towns located within the district. The tax shall be collected by the Crow Wing county treasurer and paid directly to the board. The proceeds of the tax levy shall be used by the board in conjunction with money received from the Iron Range Resources and Rehabilitation Board for operation of the Croft Historical Park.

Sec. 7. **REFERENDUM.**

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

The board shall make special arrangements with the Crow Wing county auditor for a referendum. The board shall submit the proposed levy to the eligible voters in the district at a general or special election. The date of the referendum shall be determined by the board. The question submitted shall read substantially as follows:

“Shall the Croft Historical Park Board be allowed to impose an annual levy of up to one mill upon all taxable property located within the boundaries of the district?

Yes

No”

If a majority of those voting on the question approve the proposed levy, the board may certify a levy to the Crow Wing county auditor as soon as practical following the referendum and in each subsequent year thereafter.

Sec. 8. CLOQUET; PUBLIC TRANSPORTATION.

Upon conditions mutually agreed, the city of Cloquet may contract with a privately owned public transportation system to provide transportation services to the people of the city. The city may disburse money to discharge the terms of the contract. The city may annually levy a property tax not to exceed one mill for the purpose of discharging the contract obligations. The amount of tax levied is in addition to all others permitted by law and must be disregarded in the calculation of statutory or other limitations on property tax levies.

Sec. 9. ST. LOUIS COUNTY LAND CONVEYANCE.

The state of Minnesota shall convey to Laila A. Furchner, Box 161, Makinen, Minnesota 55763, land in St. Louis County which forfeited for unpaid property taxes on February 4, 1980, and which is identified by parcel code number 676-10-2220 and legal description SE 1/4 or NW 1/4, Section 12, Township 56, Range 16, (Government Lot 3). The attorney general shall prepare an appropriate instrument of conveyance. The price for the land shall be the same as that provided for a redemption under Minnesota Statutes, section 281.02.

Sec. 10. CITY OF BREEZY POINT; LEVY LIMIT INCREASE.

Subdivision 1. AUTHORIZATION. The limitation imposed upon the levy of the city of Breezy Point by Minnesota Statutes, section 275.11, is increased by \$125,000 for taxes levied in 1984 and thereafter.

Subd. 2. REVERSE REFERENDUM. If the Breezy Point city council proposes to increase the levy limit base of the city pursuant to subdivision 1, it shall pass a resolution stating the amount by which the levy limit base is proposed to be increased. Thereafter, the resolution shall be published for two successive weeks in the official newspaper of the city or if there is no official newspaper, in a newspaper of general circulation in the city, together with a

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notice fixing a date for a public hearing on the proposed increase. The hearing shall be held not less than two weeks nor more than four weeks after the first publication of the resolution. Following the public hearing, the city may determine to take no further action or, in the alternative, adopt a resolution authorizing the increase as originally proposed or approving an increase in the lesser amount it determines. The resolution authorizing an increase shall be published in the official newspaper of the city or if there is no official newspaper, in a newspaper of general circulation in the city. If within 30 days thereafter a petition signed by voters equal in number to five percent of the votes cast in the city in the last general election requesting a referendum on the proposed resolution is filed with the clerk 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 the referendum. The referendum must be held at a special or general election prior to October 1, 1984.

Sec. 11. APPLICABILITY.

On its effective date, section 10 applies to the city of Breezy Point.

Sec. 12. CITY OF OAKDALE; LEVY LIMIT INCREASE.

The limitation imposed upon the levy of the city of Oakdale by Minnesota Statutes, sections 275.50 to 275.56 is increased by \$100,000 for taxes levied in 1984, 1985, and 1986. This amount is not subject to the penalty provisions of section 275.51, subdivision 4. In computing the levy limit base for taxes levied in 1987, \$100,000 shall be subtracted from the adjusted levy limit base for taxes levied in 1986.

Sec. 13. REVERSE REFERENDUM.

If the Oakdale city council proposes to increase the levy limit base of the city pursuant to section 12, it shall pass a resolution stating the amount by which the levy limit base is proposed to be increased. Thereafter, the resolution shall be published for two successive weeks in the official newspaper of the city or if there is no official newspaper, in a newspaper of general circulation in the city, together with a notice fixing a date for a public hearing on the proposed increase. The hearing shall be held not less than two weeks nor more than four weeks after the first publication of the resolution. Following the public hearing, the city may determine to take no further action or, in the alternative, adopt a resolution authorizing the increase as originally proposed or approving an increase in the lesser amount it determines. The resolution authorizing an increase shall be published in the official newspaper of the city or if there is no official newspaper, in a newspaper of general circulation in the city. If within 30 days thereafter a petition signed by voters equal in number to ten percent of the votes cast in the city in the last general election requesting a referendum on the proposed

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resolution is filed with the clerk 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 the referendum. The referendum must be held at a special or general election prior to October 1, 1984.

Sec. 14. **APPLICABILITY.**

On its effective date, sections 12 and 13 apply to the city of Oakdale.

Sec. 15. **MORRISON COUNTY LAND CONVEYANCE.**

The state of Minnesota shall convey to Richard T. Peterson, Route #6, Little Falls, 56345, any land in Morrison County owned by him in 1977 which became forfeited for unpaid property taxes after 1977. The attorney general shall prepare appropriate instruments of conveyance with a precise description of all land subject to this section. The price for the land shall be the same as that provided for a redemption under Minnesota Statutes, section 281.02.

Sec. 16. **EFFECTIVE DATE.**

Section 2 is effective for sales after June 30, 1984. Sections 3 to 5 are effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the board of managers of the Ramsey-Washington metro watershed district. Sections 6 and 7 are effective May 1, 1984. Section 8 is effective upon the day after the filing of its approval by the governing body of the city of Cloquet in accordance with Minnesota Statutes, section 645.021, subdivision 3. Pursuant to Minnesota Statutes, section 645.023, subdivision 1, clause (a), sections 10 and 11 are effective without local approval the day after final enactment. Pursuant to Minnesota Statutes, section 645.023, subdivision 1, clause (a), sections 12, 13, and 14 are effective without local approval the day after final enactment.

**ARTICLE 14
MISCELLANEOUS**

Section 1. [16A.124] PROMPT PAYMENT OF STATE AGENCY BILLS REQUIRED.

Subdivision 1. DEFINITIONS. For the purposes of section 1, the following terms have the meanings here given them.

- (a) "Commissioner" means the commissioner of finance.
- (b) "State agency" has the meaning assigned to it in section 16.011.

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Subd. 2. COMMISSIONER SUPERVISION. The commissioner shall exercise constant supervision over state agencies to insure the prompt payment of vendor obligations.

Subd. 3. PAYMENT REQUIRED. State agencies must pay each valid vendor obligation so that the vendor receives payment within the vendor's early payment discount period. If there is no early payment discount period, the state agency must pay the vendor within 30 days following the receipt of the invoice for the completed delivery of the product or service.

Subd. 4. INVOICE ERRORS. If an invoice is incorrect, defective, or otherwise improper, the agency must notify the vendor within ten days of discovering the error. Upon receiving a corrected invoice, the agency must pay the bill within the time limitation contained in subdivision 3.

Subd. 5. PAYMENT OF INTEREST ON LATE PAYMENTS REQUIRED. (a) A state agency shall pay interest to a vendor for undisputed billings when the agency has not paid the billing within 30 days following receipt of the invoice, merchandise, or service whichever is later. A negotiated contract or agreement between a vendor and a state agency which requires an audit by the state agency prior to acceptance and payment of the vendor's invoice shall not be considered past due until 30 days after the completion of the audit by the state agency. Before any interest payment is made, the vendor must invoice the state agency for such interest.

(b) The rate of interest paid by the agency on undisputed bills not paid within 30 days shall be one percent per month or any part thereof.

(c) All interest penalties and collection costs must be paid from the agency's current operating budget. No agency may seek to increase its appropriation for the purpose of obtaining funds to pay interest penalties or collection costs.

(d) Any vendor who prevails in a civil action to collect interest penalties from a state agency shall be awarded its costs and disbursements, including attorney's fees, incurred in bringing the actions.

(e) No interest penalties may accrue against an agency that delays payment of a bill due to a disagreement with the vendor; provided, that the dispute must be settled within 30 days after the bill became overdue. Upon the resolution of the dispute, the agency must pay the vendor accrued interest on all proper invoices for which payment was not received within the applicable time limit contained in subdivision 3.

(f) The minimum monthly interest penalty payment that a state agency shall pay a vendor for the unpaid balance for any one overdue bill equal to or in excess of \$100 is \$10. For unpaid balances of less than \$100, the state agency shall pay the actual penalty due to the vendor.

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Subd. 6. AUTHORITY TO REDUCE AGENCY ALLOTMENT. The commissioner shall have the authority to reduce the allotment of any state agency by the amount of any vendor obligations that are paid later than 30 days following the receipt of the invoice for completed delivery of the products or services.

Subd. 7. REPORT TO LEGISLATURE. The commissioner shall report to the legislature each year summarizing the state's payment record for the preceding year. The report shall include the number and dollar amount of late payments made by each agency, the amount of interest penalties and collection costs paid, and the specific steps being taken to reduce the incidence of late payments in the future.

Subd. 8. APPLICABILITY. Subdivisions 1 to 7 apply to all agency purchases, leases, rentals, and contracts for services, including construction and remodeling contracts.

Sec. 2. Minnesota Statutes 1983 Supplement, section 240.18, is amended to read:

240.18 BREEDERS FUND.

The commission shall establish a Minnesota breeders fund with the money paid to it under section 240.15, subdivision 1. The commission, after paying the current costs of administering the fund, shall distribute the available net proceeds as follows:

(1) Twenty percent of the remaining available money in the fund must be expended as grants for equine research and related education at public institutions of post-secondary learning within the state.

(2) After deducting the amount for (1), the balance of the fund available proceeds shall be apportioned into categories corresponding with the various breeds of horses which ~~used~~ are racing at licensed Minnesota racetracks ~~in the previous year~~, in proportion to each category's contribution to the fund. The available funds in each category may be expended by the commission to:

(a) supplement purses for races held exclusively for Minnesota-bred, Minnesota-foaled or Minnesota-owned horses until January 1, ~~1986~~ 1988, and for Minnesota-bred and Minnesota-foaled horses after that date;

(b) pay breeders or owners awards to the breeders or owners of Minnesota-bred horses which win money at licensed racetracks in the state; and

(c) provide other financial incentives to encourage the horse breeding industry in Minnesota.

The commission shall adopt rules governing the distribution of the fund. The commission may establish advisory committees to advise it on the distribu-

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tion of money under this section, provided that the members of an advisory committee shall serve without compensation.

Sec. 3. Minnesota Statutes 1982, section 270A.03, subdivision 5, is amended to read:

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. The term includes criminal fines imposed under section 609.10. 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 (1) any legal obligation of a current recipient of assistance which is based on overpayment of an assistance grant, or (2) any legal obligation to pay a claimant agency for medical care, including hospitalization if the debtor qualified for a low income credit equal to tax liability pursuant to section 290.06, subdivision 3d, clause (1), at the time when the medical care was rendered.

Sec. 4. Minnesota Statutes 1982, section 270A.04, subdivision 2, is amended to read:

Subd. 2. Any debt owed to a claimant agency shall be submitted by the agency for collection under the procedure established by sections 270A.01 to 270A.12 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, or (d) the debt is barred by section 541.05.

Sec. 5. Minnesota Statutes 1982, section 270A.08, subdivision 1, is amended to read:

Subdivision 1. Not later than five days after the claimant agency has sent notification to the department pursuant to section 270A.07, 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. If the notice is returned to the claimant agency as undeliverable, or the claimant agency has reason to believe the debtor did not receive the notice, the claimant agency shall obtain the current address of the debtor from the commissioner and resend the corrected notice.

Sec. 6. Minnesota Statutes 1982, section 270A.08, subdivision 2, is amended to read:

Subd. 2. (a) This written notice shall clearly and with specificity set forth the basis for the claim to the refund including the name of the benefit program involved if the debt arises from a public assistance grant and the dates

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on which the debt was incurred 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 or of the corrected notice, as required by subdivision 1. If the debtor has not received the notice, the 45 days shall not commence until the debtor has received actual notice. The debtor shall have the burden of showing no notice and shall be entitled to a hearing on the issue of notice as well as on the merits.

Sec. 7. Minnesota Statutes 1982, section 287.05, is amended by adding a subdivision to read:

Subd. 3. When a mortgage secures a revolving line of credit under which advances, payments, and readvances may be made from time to time, the tax imposed under subdivision 1 shall be paid on the maximum amount of the line of credit which may be secured at any one time, as expressed in the mortgage, regardless of the time or amount of advances, payments, or readvances.

Sec. 8. Minnesota Statutes 1982, section 287.05, is amended by adding a subdivision to read:

Subd. 4. No tax under subdivision 1 shall be paid on the indeterminate amount which may be advanced by the mortgagee in protection of the mortgaged premises or the mortgage, including taxes, assessments, charges, claims, fines, impositions, insurance premiums, amounts due upon prior or superior mortgages and other prior or superior liens, encumbrances and interests, and legal expenses and attorneys' fees.

Sec. 9. Minnesota Statutes 1982, section 287.05, is amended by adding a subdivision to read:

Subd. 5. When a mortgage secures an indeterminate amount other than those described in subdivision 3 or 4, no tax shall be paid at the time the mortgage is recorded or registered, but the tax must be paid at the time of recording or filing an affidavit stating the amount and time of the actual advance.

Sec. 10. Minnesota Statutes 1983 Supplement, section 296.14, subdivision 4, is amended to read:

Subd. 4. PAYMENT AND TRANSFER OF TAX ON GASOLINE SOLD FOR STORAGE IN ON-FARM BULK STORAGE AND 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 and a farmer who uses gasoline on which a tax has not been paid shall report and pay the tax on all ethyl alcohol or gasoline delivered into the supply tank of a licensed motor vehicle during the preceding

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calendar year. The tax shall be reported and paid together with the income tax return of any refund claim filed by the taxpayer under section 296.18. If no refund claim is filed, the tax shall be reported and paid annually by March 15 or more frequently, as the commissioner may prescribe. The commissioner of revenue shall transfer the amount collected in each calendar year to the highway user tax distribution fund by March 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. 11. Minnesota Statutes 1983 Supplement, section 296.18, subdivision 1, is amended to read:

Subdivision 1. GASOLINE OR SPECIAL FUEL USED IN OTHER THAN MOTOR VEHICLES. Any person who shall buy and use gasoline for any a qualifying purpose other than use in motor vehicles, snowmobiles, or motorboats, or special fuel for any a qualifying purpose other than use in licensed motor vehicles, and who shall have paid the Minnesota excise tax directly or indirectly through the amount of the tax being included in the price of the gasoline or special fuel, or otherwise, shall be eligible to receive the credit provided in section 290.06, subdivision 13, in reimbursed and repaid the amount of the tax paid by him upon filing with the commissioner a signed claim in writing in the form and containing the information the commissioner shall require and accompanied by the original invoice thereof. The taxpayer claiming this credit shall include with his income tax return information including By signing any such claim which is false or fraudulent, the applicant shall be subject to the penalties provided in this section for knowingly making a false claim. The claim shall set forth the total amount of the gasoline so purchased and used by him other than in motor vehicles, or special fuel so purchased and used by him other than in licensed motor vehicles, and shall state when and for what purpose it was used. When a claim contains an error in computation or preparation, the commissioner is authorized to adjust the claim in accordance with the evidence shown on the claim or other information available to him. If the commissioner is satisfied that the claimant is entitled to the payments, he shall approve the claim and transmit it to the commissioner of finance. No repayment shall be made unless the claim and invoice shall be filed with the commissioner within one year from the date of the purchase. The postmark on the envelope in which the claim is mailed shall determine the date of filing. The words "gasoline" or "special fuel" as used in this subdivision do not include aviation gasoline or special fuel for aircraft. Gasoline or special fuel bought and used for a "qualifying purpose" means:

(1) Gasoline or special fuel used in carrying on a trade or business, used on a farm situated in Minnesota, and used for a farming purpose. "Farm" and "farming purpose" have the meanings given them in section 6420(c)(2), (3), and (4) of the Internal Revenue Code of 1954, as amended through December 31, 1983.

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(2) Gasoline or special fuel used for off-highway business use. "Off-highway business use" means any use by a person in that person's trade, business, or activity for the production of income. "Off-highway business use" does not include use as a fuel in a motor vehicle which, at the time of use, is registered or is required to be registered for highway use under the laws of any state or foreign country.

Sec. 12. Minnesota Statutes 1982, section 296.18, subdivision 3, is amended to read:

Subd. 3. **PENALTIES FOR FILING FALSE CLAIMS.** Every person who shall make any false statement in any claim or invoice filed with the commissioner, or knowingly file with the commissioner any claim or invoice containing any false statement or collect or cause to be paid to him or to any other person a refund without being entitled thereto, when acting pursuant to the provisions of subdivision 1 or 2, clause 3, shall forfeit the full amount of the claim and be guilty of a misdemeanor. Every person who is convicted under the provisions of this subdivision shall be prohibited from filing with the commissioner any claim for refund upon gasoline purchased within six months after such conviction.

Sec. 13. Minnesota Statutes 1982, section 296.18, subdivision 8, is amended to read:

Subd. 8. **APPROPRIATION.** There is hereby appropriated to the persons entitled to such refund under this section, from the fund or account in the state treasury to which the money was credited, an amount sufficient to make the refund and payment. ~~There is annually appropriated from the highway user tax distribution fund to the general fund the amount required to make the refunds required to be paid as income tax credits pursuant to sections 290.06, subdivision 13 and 296.18, subdivision 1.~~

Sec. 14. Minnesota Statutes 1982, section 341.05, is amended to read:

341.05 **DUTIES.**

Subdivision 1. The board of boxing shall have charge and supervision of all boxing and sparring exhibitions held in the state and have power:

(1) To promulgate rules governing the conduct of boxing and sparring exhibitions and the time and place thereof;

(2) To issue licenses to individuals or organizations desiring to promote or conduct boxing or sparring exhibitions, and to suspend or revoke the licenses at its pleasure; every application for a license shall designate the territory in which the individual or organization intends to operate, and the license granted shall entitle the licensee to conduct the exhibitions in that territory and in no other.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

The commissioner of revenue shall collect five percent of the gross receipts from admission to every boxing and sparring exhibition other than an amateur boxing and sparring exhibition held within the state, and five percent of the gross receipts from the lease or sale of radio, motion picture and television rights therein.

All complimentary tickets for a boxing and sparring exhibition other than an amateur boxing and sparring exhibition presented at any entrance gate shall likewise be assessed for the tax herein provided five percent of the value thereof. All moneys so collected shall be paid into the state treasury.

Subd. 2. The board of boxing shall issue a license to a person or organization holding, showing, or exhibiting a simultaneous telecast of any live, current, or spontaneous boxing or sparring match, exhibition, or performance on a closed circuit telecast or subscription television program viewed within the state, whether originating in this state or elsewhere, and for which a charge is made. Each such person or organization shall apply for such a license in advance of each showing and shall within 24 hours after the termination of such showing furnish the commissioner of revenue a written report, duly verified by an authorized person, showing the number of tickets sold for such showing, the amount of the gross proceeds thereof, and such other matters as the commissioner of revenue may prescribe; and shall also, within 24 hours after the termination of such showing, pay to the commissioner of revenue five percent of the gross receipts from the sale of tickets of admission or moneys received from subscription for the showing or exhibiting of said boxing or sparring match, exhibition, or performance. If the boxing or sparring match, exhibition, or performance is wholly amateur no payment is due.

Whoever violates the provisions of this subdivision is guilty of a misdemeanor and may be punished therefor as provided by law. The penalty herein provided is in addition to any other penalty for violation of this subdivision as may be otherwise fixed in this chapter.

Sec. 15. Minnesota Statutes 1982, section 473.595, subdivision 1, is amended to read:

Subdivision 1. **ADMISSION TAX.** Effective January 1, 1978, the commission shall by resolution impose a three percent admission tax upon the granting, sale, or distribution, by any private or public person, association, or corporation, of the privilege of admission to activities; except for those activities sponsored at the indoor public assembly facility at the metropolitan sports area known as the metropolitan sports center. Commencing with the operation of sports facilities constructed or remodeled by the commission pursuant to sections 473.551 to 473.595, the commission shall impose an additional seven percent admission tax upon activities conducted at such sports facilities. Effective January 1, 1978, no other tax, except the taxes imposed by chapter 297A, may be levied by any other unit of government upon any such sale or distribution. The

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admission tax shall be stated and charged separately from the sales price so far as practicable and shall be collected by the grantor, seller, or distributor from the person admitted and shall be a debt from that person to the grantor, seller, or distributor, and the tax required to be collected shall constitute a debt owed by the grantor, seller, or distributor to the commission, which shall be recoverable at law in the same manner as other debts. Every person granting, selling, or distributing tickets for such admissions may be required, as provided in resolutions of the commission, to secure a permit, to file returns, to deposit security for the payment of the tax, and to pay such penalties for nonpayment and interest on late payments, as shall be deemed necessary or expedient to assure the prompt and uniform collection of the tax.

Notwithstanding any other provisions of this subdivision, the imposition of an admission tax upon a national superbowl football game conducted at the commission's facilities is discretionary with the commission.

Sec. 16. [507.325] MORTGAGE SECURING REVOLVING LINE OF CREDIT; NOTICE.

A mortgage securing a revolving line of credit under which advances, payments, and readvances may be made from time to time, and which states the maximum amount of the line of credit which may be secured at any one time, is effective as notice to parties from the time the mortgage is recorded as to all advances and readvances secured thereby, regardless of the time or amount of advances, payments, or readvances and whether or not the advances or readvances are obligatory.

Sec. 17. [508.555] MORTGAGE SECURING REVOLVING LINE OF CREDIT; NOTICE.

A mortgage securing a revolving line of credit under which advances, payments, and readvances may be made from time to time, and which states the maximum amount of the line of credit which may be secured at any one time, is effective as notice to parties from the time the mortgage is filed and registered as to all advances and readvances secured thereby, regardless of the time or amount of advances, payments, or readvances and whether or not the advances or readvances are obligatory.

Sec. 18. APPROPRIATION.

There is appropriated from the general fund to the finance department for fiscal year 1985 the sum of \$240,000 for the operating expenses of the tax study commission. The approved complement of the tax study commission for fiscal year 1985 is seven. This appropriation is available until February 28, 1985.

Sec. 19. H.F. No. 1393, article 9, section 9, if enacted during the 1984 regular session, is amended to read:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Sec. 9. EDUCATION AIDS INCREASE ACCOUNT.

Subdivision 1. **ESTABLISHMENT.** There is established an education aids increase account in the general fund of the state treasury for the deposit of funds to insure adequate funding for increases in aids to school districts for the biennium beginning July 1, 1985.

Subd. 2. **INITIAL TRANSFER.** The commissioner of finance shall transfer ~~\$23,000,000~~ \$21,700,000 to the education aids increase account on July 1, 1984.

Subd. 3. **CONTINGENT TRANSFERS.** If forecasts of general fund revenues and expenditures prepared by the commissioner of finance pursuant to chapter 16A prior to December 1, 1984, indicate a projected general fund balance for the biennium ending June 30, 1985, the commissioner shall transfer the amount of the balance to the education aids increase account; however, in no case shall the cumulative total of all transfers according to this subdivision exceed ~~\$27,000,000~~ \$28,300,000. Transfers to the education aids increase account shall remain in the account until expended.

Subd. 4. **EXPIRATION OF ACCOUNT.** The education aids increase account shall expire on June 30, 1987. Any unexpended moneys in the education aids increase account on June 30, 1987, shall be transferred to the general fund.

Sec. 20. REPEALER.

(a) Minnesota Statutes 1982, section 290.06, subdivision 13, is repealed.

(b) Minnesota Statutes 1982, section 270.051, is repealed.

Sec. 21. EFFECTIVE DATE.

Section 1 is effective July 1, 1984, and applies to all payments due on or after that date. Section 3 is effective for amounts remitted or transferred to a claimant agency after the day of final enactment. Sections 10 to 13 and 20, paragraph (a), are effective for taxable years beginning after December 31, 1984. Sections 14 and 20, paragraph (b), are effective July 1, 1984. Section 19 is effective the day after final enactment.

Approved April 25, 1984

CHAPTER 503 — H.F.No. 2081

An act relating to local government; changing the authority for licensing and inspecting vending machines; amending Minnesota Statutes 1982, sections 145.031, subdivision 1; 145.55, subdivision 1; 145.918, subdivision 2; 366.01, subdivision 2; and Minnesota Statutes 1983 Supplement, section 28A.09, subdivision 1; repealing Minnesota Statutes 1982, sections 144.075; 375.193; and 461.02.

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