

arising out of the maintenance or use of a motor vehicle or motorcycle that are executed, issued, issued for delivery, delivered, continued, or renewed in this state after September 30, 1985. Section 188 is effective for promissory notes taken on and after January 1, 1986. Sections 291, 364, and 365 are effective January 1, 1986. Sections 220, 221, and 223 to 227 are effective for the licensing year beginning March 1, 1986, and for each licensing year thereafter. Sections 202, 208 to 211 and 216 are effective July 1, 1986. Section 330 is effective January 1, 1987. Section 369 is effective July 1, 1987.

Approved June 27, 1985

CHAPTER 14 — H.F.No. 10

An act relating to financing and operation of state and local government; simplifying Minnesota income tax law by increasing conformity to federal income tax law; changing income tax rates, rate brackets, credits, and deductions; providing for computation of interest on overpayments; reducing the estate tax; changing corporate income tax provisions; rescheduling payments and increasing the budget reserve; reducing sales tax rate on farm machinery and providing sales tax exemptions; changing taxation of agricultural gasoline; changing the tax credit on fermented malt beverages; changing motor vehicle excise taxes for certain automobiles; authorizing lodging taxes for towns and unorganized territories; recodifying property tax law; changing property tax exemptions, classes, classification ratios, and credits; changing the taxation of telephone companies; providing for the allocation of industrial revenue bonds; providing economic development incentives; establishing a jobs program; providing for retention of mortgage registration and deed taxes by counties; altering provisions relating to the iron range resources and rehabilitation board; changing mining taxes; authorizing reimbursement to local units of government for certain railroad property tax abatements; giving enforcement powers to the department of revenue; changing provisions relating to leased state lands; increasing cigarette taxes and allocating the proceeds; providing for studies; imposing duties on the commissioner of revenue, commissioner of natural resources, and the state auditor; changing property tax provisions relating to collection of property tax, confessions of judgment, special assessments, and sale of tax forfeit lands; changing property tax refund benefit schedules and definitions; changing local government aids; authorizing the issuance of bonds; changing computation of adjusted levy limit base; changing tax court jurisdiction; changing certain dates; changing and adding definitions; changing provisions relating to the Hennepin county park reserve district; updating income tax provisions to changes in the Internal Revenue Code; providing penalties; appropriating money; amending Minnesota Statutes 1984, sections 10A.31, subdivisions 1 and 3; 13.04, subdivision 2; 13.58; 15A.081, subdivisions 1 and 8; 16A.128, subdivision 2; 16A.15, subdivisions 1 and 6; 16A.641, subdivision 11; 16B.60, subdivision 5; 18.023, subdivision 7; 37.17, subdivision 1; 41.55; 47.58; subdivisions 2 and 3; 60A.15, subdivision 12; 60A.199, subdivision 8; 84B.08, subdivision 6; 85A.05, subdivision 5; 86.33; 92.46, subdivision 1; 93.55, subdivision 2; 97.488, subdivision 1a; 110A.28, subdivisions 11 and 12; 115A.58, subdivision 6; 116.16, subdivisions 1 and 2; 116.17, subdivision 6; 116.18, subdivisions 1, 2a, and 3a; 116C.63, subdivision 4; 116J.035, by adding a subdivision;

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116J.64, subdivision 6; 116L.03, subdivision 7; 116L.04, by adding a subdivision; 116M.03, by adding a subdivision; 116M.06, subdivisions 2 and 3; 116M.07, subdivision 11, and by adding subdivisions; 116M.08, subdivision 11; 117.55; 121.904, subdivision 4c, and by adding a subdivision; 124.155, subdivision 2; 124.2131, subdivision 3; 124.2137, subdivision 1; 124.2138, subdivision 4; 124.2139; 124.46, subdivision 3; 124A.02, subdivisions 11 and 12; 129A.02, subdivision 2; 136.40, subdivision 7; 136.63, by adding a subdivision; 136C.06; 136C.43, subdivision 6; 145.882; 145.883, subdivision 8, and by adding a subdivision; 145.884, subdivision 1; 145.885; 145.886; 167.52; 168.012, subdivision 9; 174.51, subdivision 6; 178.03, by adding a subdivision; 245.87; 248.07; 248.08; 256.01, subdivision 4; 256.736, subdivisions 1, 3, 4, 5, 7, and by adding subdivisions; 256.737; 256C.24; 256C.25, subdivision 1; 256C.26; 256D.02, subdivision 13; 256D.03, subdivision 2; 256D.09, subdivision 3; 268.31; 268.32; 268.33; 268.34; 268.36; 268.672, subdivisions 6 and 12; 268.673, subdivisions 3, 4, 5, and 6; 268.676; 268.677; 268.678, subdivisions 1, 3, 4, 5, and 6; 268.679; 268.681; 268.682; 270.68, subdivision 4; 270A.07, subdivision 5; 271.01, subdivision 5; 271.12; 272.02, subdivision 1, as amended, and by adding a subdivision; 272.03, subdivision 1; 272.039; 272.04, subdivision 1; 272.115, subdivision 4; 273.11, subdivision 8; 273.1104, subdivision 1; 273.1105, subdivision 2; 273.111, subdivision 11; 273.115, subdivision 7; 273.116, subdivision 7; 273.118; 273.121; 273.123, subdivisions 1 and 4; 273.13, subdivisions 4, as amended, 6, 7, 7a, 8a, 9, 14a, 15a, 17b, 19, and by adding subdivisions; 273.1311; 273.1313, subdivisions 1, 2, 3, and by adding a subdivision; 273.1314, subdivisions 8 and 16a; 273.1315; 273.133, by adding a subdivision; 273.135; subdivisions 1 and 2; 273.136, subdivisions 1, 2, 3, and 4; 273.1391, subdivisions 1 and 2; 273.1392; 273.1393, as added; 273.38; 273.42, subdivision 2; 273.74, subdivision 2, and by adding a subdivision; 273.75, subdivision 4; 274.19, subdivisions 1, 2, 3, 4, 6, 7, and by adding a subdivision; 275.50, subdivision 5; 275.51, subdivision 3h; 276.04; 277.03; 277.10; 278.01, subdivisions 1 and 2; 278.05, subdivision 5; 279.01, subdivision 1, as amended; 279.06; 279.37, subdivisions 1, 3, 4, 8, and by adding a subdivision; 281.17; 281.23, subdivision 1; 281.29; 282.01, subdivision 7a; 282.021; 282.261, by adding a subdivision; 287.05, subdivision 1; 287.08; 287.09; 287.12; 287.21, subdivision 2; 287.23; 287.25; 287.27; 287.28; 287.29, subdivision 1; 287.33; 287.35; 290.01, subdivisions 19, 20, as amended, 20a, 20b, 20d, 20e, 20f, and 21; 290.032, subdivisions 1 and 2; 290.05, subdivision 3; 290.06, subdivisions 2c, 2d, 2f, 3f, 3g, and 11; 290.067, subdivision 1; 290.068, subdivisions 1, 2, 3, 4, and 5; 290.069, subdivisions 2, 2a, 4a, 4b, 5, 6, and 7; 290.07, subdivisions 5 and 7; 290.071, subdivision 5; 290.079, subdivision 1; 290.08, subdivision 26; 290.088; 290.089, subdivisions 2, 3, and 7; 290.09, subdivisions 1, 2, 7, and 19; 290.091; 290.095, subdivisions 7, 9, and 11; 290.10; 290.12, subdivision 2; 290.13, subdivision 1; 290.131, subdivision 1; 290.132, subdivision 1; 290.133, subdivision 1; 290.135, subdivision 1; 290.136, subdivision 1; 290.14; 290.16, subdivisions 3, 7, 9, 13, 15, 16, and by adding a subdivision; 290.17, subdivision 2; 290.18, subdivision 2; 290.19, subdivision 1; 290.21, subdivisions 4 and 8; 290.23, subdivision 5; 290.26, subdivision 2; 290.31, subdivisions 2, 4, and 5; 290.37, subdivision 1; 290.38; 290.41, subdivisions 1, 2, and by adding a subdivision; 290.50, subdivisions 1, 5, and 6; 290.53, subdivisions 9 and 11; 290.65, subdivision 16; 290.92, subdivisions 2a, 11, 13, 15, 18, 19, as amended, and 21; 290.93, subdivisions 1, 3, 5, 6, 7, 9, and 10; 290.931, subdivision 1; 290.936; 290A.03, subdivisions 3, as amended, 6, 12, 13, and 14; 290A.04, subdivisions 1, 2, and 3; 290A.06; 290A.07, subdivisions 2a and 3; 290A.19, as amended; 291.005, subdivision 1; 291.03, subdivision 1; 291.075; 291.09, subdivisions 1a, 2a, and 3a; 291.11, subdivision 1; 291.15, subdivisions 1 and 3; 291.215, subdivision 1; 291.32; 294.09, subdivision 1; 295.01, subdivision 10; 295.34, subdivision 1; 296.01, subdivision 24; 296.02, subdivisions 7 and 8; 296.18, subdivision 1, as amended; 296.22, subdivision 13; 297.02,

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subdivision 1; 297.03, subdivisions 5 and 6; 297.13, subdivision 1; 297.22, subdivision 1; 297.32, subdivisions 1, 2, and by adding a subdivision; 297.35, subdivision 1; 297A.01, subdivisions 14 and 15; 297A.02, subdivision 2; 297A.14; 297A.15, subdivision 5; 297A.25, subdivision 1; 297A.35, subdivision 1; 297A.39, subdivision 8; 297B.02; 297B.03; 297C.02, as added; 298.01, subdivision 1, as amended; 298.03; 298.031, subdivisions 2 and 3; 298.09, subdivision 4; 298.223; 298.225, as amended; 298.24, subdivision 4; 298.27; 298.28, subdivisions 1, as amended, and 2; 298.282, subdivisions 1, 4, and 5; 298.292; 298.293; 299.01, subdivision 1, as amended; 299.05; 299F.26, subdivision 1; 325D.41; 360.301, subdivision 1; 462.445, subdivision 13; 462A.22, subdivision 1, as amended; 462C.02, by adding subdivisions; 462C.03, subdivision 1, and by adding a subdivision; 462C.04, subdivision 2; 462C.09, subdivisions 2a, 3, and by adding a subdivision; 473.556, subdivision 4; 473F.02, subdivisions 3 and 4; 474.16, subdivision 3, and by adding subdivisions; 474.17; 474.19; 474.20; 474.22; 474.23; 475.52, subdivision 6; 475.54, subdivision 1, and by adding a subdivision; 475.56; 475.58, subdivision 1; 475.60, subdivision 2; 475.67, subdivision 8, and by adding a subdivision; 475.754; 475A.06, subdivision 6; 477A.011, subdivisions 3, 10, and by adding subdivisions; 477A.012; 477A.013; 477A.018; 514.03, subdivision 3; 524.3-1202; and 583.02; Laws 1967, chapter 721, section 2, as amended; Laws 1979, chapter 288, section 2, subdivisions 2, 3, and 4, and section 3; Laws 1981, chapter 223, section 4, subdivisions 2 and 3; Laws 1982, chapter 523, article XXX, section 4, subdivision 1, as amended; Laws 1984, chapter 502, article 5, section 19, subdivision 1, and article 11, section 6; Laws 1985, chapter 83, section 7; proposing coding for new law in Minnesota Statutes, chapters 16A; 116; 124; 144; 145; 248; 256C; 256D; 268; 270; 272; 273; 290; 297A; 297B; 298; 325E; 462C; and 474; proposing coding for new law as Minnesota Statutes, section 267; repealing Minnesota Statutes 1984, sections 41.58, subdivision 3; 41.59, subdivisions 2 and 3; 55.10, subdivision 2; 62E.03, subdivision 2; 116.18, subdivision 2; 129A.02, subdivision 4; 145.884, subdivision 2; 245.84, subdivision 2; 256.736, subdivisions 1 and 2; 256D.02, subdivision 8a; 256D.111, subdivision 1a; 256D.112; 268.011; 268.012; 268.013; 268.12, subdivisions 1 and 1a; 268.671; 268.672, subdivisions 2, 8, 10, and 11; 268.673, subdivisions 1 and 2; 268.674; 268.675; 268.676, subdivision 3; 268.678, subdivisions 2, 7, and 8; 268.679, subdivisions 1 and 2; 268.68; 268.683; 268.684; 268.685; 268.686; 268.80; 268.81; 268.82; 268.83; 268.84; 270.75, subdivision 7; 273.1105; 273.13, subdivisions 2, 2a, 3, 4, 5a, 6, 6a, 7, 7b, 7c, 7d, 8a, 9, 10, 11, 12, 14a, 16, 17, 17a, 17b, 17c, 17d, 19, 20, and 21; 273.133; 273.15; 287.27; 287.29, subdivision 3; 287.32; 290.01, subdivisions 20c and 26; 290.012; 290.06, subdivisions 3d, as amended, 3e, 14, 16, 17, 18, and 19; 290.069, subdivision 4; 290.077, subdivision 4; 290.08, subdivisions 23 and 24; 290.089, subdivisions 4 and 6; 290.09, subdivision 29; 290.101, as amended; 290.18, subdivision 4; 290.39, subdivision 2; 290.41, subdivision 5; 290A.04, subdivisions 2a and 2b; 291.015; 291.03, subdivisions 3, 4, 5, 6, and 7; 291.05; 291.051; 291.06; 291.065; 291.07; 291.08; 291.09, subdivision 5; 291.111; 291.131, subdivisions 5 and 6; 291.132; 291.15, subdivision 2; 291.18; 291.20; 291.29, subdivision 5; 295.34; 297.02, subdivision 2; 385.36; 462C.09, subdivision 2; 474.16, subdivision 4; 474.18; 474.24; and 477A.0131; Laws 1982, chapter 523, article VII, section 3; and Laws 1984, chapter 502, article 2, section 4, and chapter 582, section 23.

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

**ARTICLE 1
INCOME TAX**

Section 1. Minnesota Statutes 1984, section 10A.31, subdivision 1, is amended to read:

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Subdivision 1. Every individual resident of Minnesota who files an income tax return or a renter and homeowner property tax refund return with the commissioner of revenue may designate on their original return that \$2 shall be paid from the general fund of the state into the state elections campaign fund. If a husband and wife file a joint return, each spouse may designate that \$2 shall be paid. ~~An individual who is 18 years of age or older, who is a resident of Minnesota, and who is a dependent of another individual who files a tax return or a renter and homeowner property tax refund return, may designate that \$2 shall be paid from the general fund of the state into the state elections campaign fund.~~ No individual shall be allowed to designate \$2 more than once in any year.

Sec. 2. Minnesota Statutes 1984, section 10A.31, subdivision 3, is amended to read:

Subd. 3. The commissioner of the department of revenue shall provide on the first page of the income tax form and the renter and homeowner property tax refund return a space for the ~~filing individual and any adult dependent of that individual~~ to indicate whether ~~or not~~ he wishes to allocate \$2 (\$4 if filing a joint return) from the general fund of the state to finance the election campaigns of state candidates. The form shall also contain language prepared by the commissioner which permits the individual to direct the state to allocate the \$2 (or \$4 if filing a joint return) to: (i) one of the major political parties; (ii) any minor political party as defined in section 10A.01, subdivision 13, which qualifies under the provisions of subdivision 3a; or (iii) all qualifying candidates as provided by subdivision 7. ~~The dependent on the tax return or the renter and homeowner property tax refund return shall sign a statement which authorizes the designation of \$2.~~ The renter and homeowner property tax refund return shall include instructions that the individual filing the return may designate \$2 on the return only if he has not designated \$2 on the income tax return.

Sec. 3. Minnesota Statutes 1984, section 13.04, subdivision 2, is amended to read:

Subd. 2. **INFORMATION REQUIRED TO BE GIVEN INDIVIDUAL.** An individual asked to supply private or confidential data concerning himself shall be informed of: (a) the purpose and intended use of the requested data within the collecting state agency, political subdivision, or statewide system; (b) whether he may refuse or is legally required to supply the requested data; (c) any known consequence arising from his supplying or refusing to supply private or confidential data; and (d) the identity of other persons or entities authorized by state or federal law to receive the data. This requirement shall not apply when an individual is asked to supply investigative data, pursuant to section 13.82, subdivision 5, to a law enforcement officer.

The commissioner of revenue may place the notice required under this subdivision in the individual income tax or property tax refund instructions instead of on those forms.

Sec. 4. Minnesota Statutes 1984, section 41.55, is amended to read:

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41.55 ELIGIBILITY.

A family farm security loan approval may be granted if the following criteria are satisfied:

- (a) That the applicant is a resident of the state of Minnesota;
- (b) That the applicant has sufficient education, training, or experience in the type of farming for which he wishes the loan and continued participation in a farm management program, approved by the commissioner, for at least the first ten years of the family farm security loan;
- (c) That the applicant, his dependents and spouse have total net worth valued at less than \$75,000 and has demonstrated a need for the loan;
- (d) That the applicant intends to purchase farm land to be used by the applicant for agricultural purposes;
- (e) That the applicant is credit worthy according to standards prescribed by the commissioner;
- (f) That the seller has not acquired the farm land for purposes of obtaining the income tax exemption allowed by sections 41.58 and Laws 1976, chapter 210, section 12.

Sec. 5. Minnesota Statutes 1984, section 117.55, is amended to read:

117.55 PAYMENTS NOT CONSIDERED INCOME FOR TAX OR PUBLIC ASSISTANCE PURPOSES.

No payments received under sections 117.50 to 117.56 shall be considered as income for the purposes of chapter 290, or for purposes of determining the eligibility or the extent of eligibility of any person for public assistance based on need under the laws of the state of Minnesota.

Sec. 6. Minnesota Statutes 1984, section 270.68, subdivision 4, is amended to read:

Subd. 4. **CONFESSION OF JUDGMENT.** (a) The commissioner may, within 3-1/2 years after any return or report is filed, notwithstanding section 541.09, enter judgment on any confession of judgment contained in the return or report after ten days notice served upon the taxpayer by mail at the address shown in his return or report. The judgment shall be entered by the clerk of court of any county upon the filing of a photocopy or similar reproduction of that part of the return or report containing the confession of judgment along with a statement of the commissioner or his agent that the tax has not been paid. The commissioner may prescribe the words for the confession of judgment statement contained on the return or report.

(b) Notwithstanding any other provision of the law to the contrary, the commissioner may, within five years after a written agreement is signed by the

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taxpayer and the commissioner under the provisions of section 270.67, subdivision 2, enter judgment on the confession of judgment contained within the agreement after ten days notice served upon the taxpayer at the address shown in the agreement. Such judgment shall be entered by the clerk of court of any county upon the filing of the agreement or a certified copy thereof along with a statement of the commissioner or his agent that the tax has not been paid.

Sec. 7. Minnesota Statutes 1984, section 290.01, subdivision 19, is amended to read:

Subd. 19. **NET INCOME.** The term "net income" means the gross income, as defined in subdivision 20, less the following deductions to the extent allowed by section 290.18, subdivision 1:

(a) For corporations, the deductions allowed by section 290.09;

(b) For individuals, the deductions allowed in section 290.088, without regard to sections 290.18, subdivision 1, if the taxpayer elects to compute the taxes under section 290.06, subdivision 2c, paragraph (a) or (c); 290.089; and 290.09; and

(c) For estates and trusts, the deduction allowed by section 290.088, without regard to section 290.18, subdivision 1 if the taxpayer elects to compute the taxes under section 290.06, subdivision 2c, paragraph (c).

Sec. 8. Minnesota Statutes 1984, section 290.01, subdivision 20, as amended by Laws 1985, chapter 2, section 1, is amended to read:

Subd. 20. **GROSS INCOME.** Except as otherwise provided in this chapter, the term "gross income," as applied to corporations includes every kind of compensation for labor or personal services of every kind from any private or public employment, office, position or services; income derived from the ownership or use of property; gains or profits derived from every kind of disposition of, or every kind of dealing in, property; income derived from the transaction of any trade or business; and income derived from any source.

The term "gross income" in its application to individuals, estates, and trusts shall mean the adjusted gross income as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with the modifications specified in this subdivision and in subdivisions 20a to 20f. For estates and trusts the adjusted gross income shall be their federal taxable income as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with the modifications specified in this subdivision and in subdivisions 20a to 20f.

(i) The Internal Revenue Code of 1954, as amended through December 31, 1976, including the amendments made to section 280A (relating to licensed day care centers) in H.R. 3477 as it passed the Congress on May 16, 1977, shall be in effect for the taxable years beginning after December 31, 1976. The provisions of

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the Tax Reform Act of 1976, P.L. 94-455, which affect adjusted gross income shall become effective for purposes of this chapter at the same time they become effective for federal income tax purposes.

The provisions of section 4 of P.L. 95-458, sections 131, 133, 134, 141, 152, 156, 157, 405, and 543 of P.L. 95-600, and section 2 of P.L. 96-608 (relating to pensions, individual retirement accounts, deferred compensation plans, the sale of a residence and to conservation payments to farmers) including the amendments made to these sections in P.L. 96-222 shall be effective at the same time that these provisions became effective for federal income tax purposes.

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

(iii) The Internal Revenue Code of 1954, as amended through December 31, 1980, and as amended by sections 302(b) and 501 to 509 of Public Law Number 97-34, shall be in effect for taxable years beginning after December 31, 1980 including the provisions of section 404 (relating to partial exclusions of dividends and interest received by individuals) of the Crude Oil Windfall Profit Tax Act of 1980, P.L. 96-223. The provisions of P.L. 96-471 (relating to installment sales) sections 122, 123, 126, 201, 202, 203, 204, 211, 213, 214, 251, 261, 264, 265, 311(g)(3), 313, 314(a)(1), 321(a), 501 to 507, 811, and 812 of the Economic Recovery Tax Act of 1981, Public Law Number 97-34 and section 113 of Public Law Number 97-119 shall be effective at the same time that they become effective for federal income tax purposes.

(iv) (ii) The Internal Revenue Code of 1954, as amended through December 31, 1981, shall be in effect for taxable years beginning after December 31, 1981. The provisions of sections 205(a), 214 to 222, 231, 232, 236, 247, 251, 252, 253, 265, 266, 285, 288, and 335 of the Tax Equity and Fiscal Responsibility Act of 1982, Public Law Number 97-248, section 6(b)(2) and (3) of the Subchapter S Revision Act of 1982, Public Law Number 97-354, section 517 of Public Law Number 97-424, sections 101(c) and (d), 102(a), (aa), (f)(4), (g), (j), (l), 103(c), 104(b)(3), 105, 305(d), 306(a)(9) of Public Law Number 97-448, and sections 101 and 102 of Public Law Number 97-473 shall be effective at the same time that they become effective for federal income tax purposes. The Payment-in-Kind Tax Treatment Act of 1983, Public Law Number 98-4, shall be effective at the same time that it becomes effective for federal income tax purposes.

(v) (iii) The Internal Revenue Code of 1954, as amended through January 15, 1983, shall be in effect for taxable years beginning after December 31, 1982.

(vi) (iv) The Internal Revenue Code of 1954, as amended through December 31, 1983, shall be in effect for taxable years beginning after December 31, 1983.

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The provisions of section 611(a) of the Deficit Reduction Act of 1984, Public Law Number 98-369, shall be effective at the same time that they become effective for federal income tax purposes.

(v) The Internal Revenue Code of 1954, as amended through May 25, 1985, shall be in effect for taxable years beginning after December 31, 1984.

References to the Internal Revenue Code of 1954 in subdivisions 20a, 20b, 20e, 20e, and 20f shall mean the code in effect for the purpose of defining gross income for the applicable taxable year.

Sec. 9. Minnesota Statutes 1984, 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) ~~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);~~

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

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

(6) ~~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;~~

(7) ~~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;~~

(8) 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;

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(9) (4) 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;

(10) 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;

(11) 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);

(12) (5) For an estate or trust, 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;

(13) (6) To the extent deducted in computing the estate or trust's federal taxable income, interest, taxes and other expenses which are not allowed under section 290.10, clause (9) or (10); and

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

(15) (7) 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;

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

(17) 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

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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

(18) 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. 10. Minnesota Statutes 1984, 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 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) (4) 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~~

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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 the preceding sentence, "federal adjusted gross income" shall not include railroad retirement or social security benefit amounts provided in sections 86 and 72(r) of the Internal Revenue Code of 1954. 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 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;

(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) (5) 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;

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(9) (6) 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 Pension income as provided by section 290.08, subdivision 26;

(10) (7) 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) 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;

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

(13) (9) For an estate or trust, the amount of any income or gain which is not assignable to Minnesota under the provisions of section 290.17;

(14) 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;

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(15) (10)(a) 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; (b) to the extent included in computing federal adjusted gross income, expenses and other items allocable to the business of mining or producing iron ore, the mining or production of which is subject to the occupation tax imposed by section 298.01, subdivision 1, shall be allowed as a subtraction to the extent that the expenses or other items are included in computing the modifications provided in section 290.01, subdivision 20a, clause (7) or paragraph (a) of this clause and to the extent that the expenses or other items are not deductible, capitalizable, retainable in basis, or taken into account by allowance or otherwise in computing the occupation tax. Occupation taxes imposed under chapter 298, royalty taxes imposed under chapter 299, and depletion expenses may not be subtracted under this paragraph;

(16) (11) 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 Minnesota Statutes 1984, section 290.01, subdivision 20a, clause (18). The provisions of this clause shall apply before the provisions of clause (6) apply and an amount subtracted under this clause may not be subtracted under clause (6); and

(17) (12) To the extent included in federal adjusted gross income, distributions from an individual retirement account which represent a return of contributions if the contributions were included in gross income pursuant to Minnesota Statutes 1984, section 290.01, subdivision 20a, clause (17). The distribution shall be allocated first to return of contributions included in gross income until the amount of the contributions has been exhausted; and

(18) To the extent included in federal adjusted gross income, social security benefits as defined and as provided in section 86 of the Internal Revenue Code of 1954, railroad retirement benefits as provided in section 72(r) of the Internal Revenue Code of 1954, and sick pay paid under the Railroad Unemployment Insurance Act as provided in section 105(i) of the Internal Revenue Code of 1954, provided that any amount subtracted under this clause may not be subtracted under clause (6).

Sec. 11. Minnesota Statutes 1984, section 290.01, subdivision 20d, is amended to read:

Subd. 20d. **MODIFICATION FOR AMOUNTS TRANSFERRED TO SURPLUS.** Amounts transferred from a reserve or other account, if in effect transfers to surplus, shall, for corporate taxpayers, to the extent that the amounts were accumulated through deductions from gross income or entered into the computation of taxable net income during any taxable year, be treated as gross income for the year in which the transfer occurs, but only to the extent that the amounts resulted in a reduction of the tax imposed by this chapter and amounts

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received as refunds on account of taxes deducted from gross income during any taxable year shall be treated as gross income for the year in which actually received, but only to the extent that such amounts resulted in a reduction of the tax imposed by this chapter.

Sec. 12. Minnesota Statutes 1984, section 290.01, subdivision 20f, is amended to read:

Subd. 20f. **MODIFICATION FOR ACCELERATED COST RECOVERY SYSTEM.** A modification shall be made for the allowable deduction under the accelerated cost recovery system. The allowable deduction for the accelerated cost recovery system as provided in section 168 of the Internal Revenue Code of 1954 shall be the same amount as provided in that section for individuals, estates, and trusts with the following modifications:

(1) For property placed in service after December 31, 1980, and for taxable years beginning before January 1, 1982, 15 percent of the allowance provided in section 168 of the Internal Revenue Code of 1954 shall not be allowed.

(2)(a) For taxable years beginning after December 31, 1981, and before January 1, 1983, for 15-year real property as defined in section 168 of the Internal Revenue Code of 1954, 40 percent of the allowance provided in section 168 of the Internal Revenue Code of 1954 shall not be allowed and for all other property, 17 percent of the allowance shall not be allowed.

(b) For taxable years beginning after December 31, 1982, and with respect to property placed in service in taxable years beginning before January 1, 1983, for 15-year real property as defined in section 168 of the Internal Revenue Code of 1954, 40 percent of the allowance provided in section 168 of the Internal Revenue Code of 1954 shall not be allowed and for all other property 20 percent of the allowance shall not be allowed.

(3) For property placed in service in taxable years beginning after December 31, 1982, the allowable deduction shall be the amount provided by section 168 of the Internal Revenue Code of 1954.

(4) For property placed in service after December 31, 1980, for which the taxpayer elects to use the straight line method provided in section 168(b)(3) or a method provided in section 168(e)(2) of the Internal Revenue Code of 1954, the modifications provided in clauses (1) and (2) do not apply.

(5) For property subject to the modifications contained in clause (1) or (2) above, the following modification shall be made after the entire amount of the allowable deduction for that property under the provision of section 168 of the Internal Revenue Code of 1954 has been obtained. The remaining depreciable basis in those assets for Minnesota purposes shall be a depreciation allowance computed by using the straight line method over the following number of years:

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- (a) 3 year property - 1 year.
- (b) 5 year property - 2 years.
- (c) 10 year property - 5 years.
- (d) All 15 year property - 7 years.

(6) The basis of property to which section 168 of the Internal Revenue Code of 1954 applies shall be its basis as provided in this chapter and including the modifications provided in this subdivision. The recapture tax provisions provided in sections 1245 and 1250 of the Internal Revenue Code of 1954 shall apply but shall be calculated using the basis provided in the preceding sentence. When an asset is exchanged for another asset including an involuntary conversion and under the provision of the Internal Revenue Code of 1954 gain is not recognized in whole or in part on the exchange of the first asset, the basis of the second asset shall be the same as its federal basis provided that the difference in basis due to clause (1) or (2) can be written off as provided in clause (5).

(7) ~~The modifications provided in this subdivision shall apply before applying any limitation to farm losses contained in section 290.09, subdivision 29.~~

(8) The first taxable year after the entire amount of the allowable deduction for that property under the provisions of section 168 of the Internal Revenue Code of 1954 has been obtained, or where the straight line method provided in section 168(b)(3) is used, the last taxable year in which an amount of allowable depreciation for that property under section 168 is obtained, the remaining depreciable basis in those assets for Minnesota purposes that is attributable to the basis reduction made for federal purposes under section 48(q) of the Internal Revenue Code of 1954 to reflect the investment tax credit shall be allowed as a deduction. No amount shall be allowed as a deduction under section 196 of the Internal Revenue Code of 1954.

Sec. 13. Minnesota Statutes 1984, section 290.032, subdivision 2, is amended to read:

Subd. 2. The amount of tax imposed by subdivision 1 shall be computed in the same way as the tax imposed under section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, 1983, except that the initial separate tax shall be an amount equal to ten times the tax which would be imposed by section ~~290.03~~ 290.06, subdivision 2c, if the recipient was an unmarried individual referred to in such section electing to deduct federal income taxes, and the taxable net income, excluding the credits allowed in section 290.06, subdivision 3f, was an amount equal to one-tenth of the excess of

- (i) the total taxable amount of the lump sum distribution for the year, over
- (ii) the minimum distribution allowance, and except that references in section 402(e) of the Internal Revenue Code of 1954, as amended through

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December 31, 1983, to paragraph (1)(A) thereof shall instead be references to subdivision 1 of this section.

The amount of any distribution from a qualified pension or profit sharing plan which is received as a lump sum distribution shall be reduced to the extent of any contribution:

(1) not previously allowed as a deduction by reason of a change in federal law which was not adopted by Minnesota for a taxable year beginning in 1974 or thereafter; or

(2) designated as an employee contribution but which the employing unit picks up and which is treated as an employer contribution and which was taxed on the Minnesota return but not the federal return in the year the contribution was made.

Sec. 14. Minnesota Statutes 1984, section 290.05, subdivision 3, is amended to read:

Subd. 3. (a) An organization exempt from taxation under subdivision 2 shall, nevertheless, be subject to tax under this chapter to the extent provided in the following provisions of the Internal Revenue Code:

(i) Section 527 (dealing with political organizations) and (ii) section 528 (dealing with certain homeowners associations) but

notwithstanding this subdivision, shall be considered an organization exempt from income tax for the purposes of any law which refers to organizations exempt from income taxes.

(b) The tax shall be imposed on the taxable income of political organizations or homeowner associations. The tax shall be at the corporate rates. The tax shall only be imposed on income and deductions assignable to this state under sections 290.17 to 290.20. ~~Except for section 290.09, subdivision 29,~~ To the extent deducted in computing federal taxable income, the deductions contained in sections 290.09 and 290.21 shall not be allowed in computing Minnesota taxable net income.

Sec. 15. Minnesota Statutes 1984, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. **SCHEDULE SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES, AND TRUSTS.** (a) The income taxes imposed by this chapter upon married individuals, estates and trusts, other than those taxable as corporations, shall filing joint returns who elect to deduct federal income taxes under section 290.088 must be computed by applying to their taxable net income the following schedule of rates:

(1) ~~On the first \$500, one and six-tenths percent;~~

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- (2) On the second \$500, two and two-tenths percent;
- (3) On the next \$1,000, three and five-tenths percent;
- (4) On the next \$1,000, five and eight-tenths percent;
- (5) On the next \$1,000, seven and three-tenths percent;
- (6) On the next \$1,000, eight and eight-tenths percent;
- (7) On the next \$2,000, ten and two-tenths percent;
- (8) On the next \$2,000, eleven and five-tenths percent;
- (9) On the next \$3,500, twelve and eight-tenths percent;
- (10) On all over \$12,500, and not over \$20,000, fourteen percent;
- (11) On all over \$20,000 and not over \$27,500, fifteen percent;
- (12) On all over \$27,500, sixteen percent.

If taxable net income is:The tax is:

not over \$875	<u>1.5 percent</u>
over \$875 but not	<u>\$13 plus 2.0 percent of the</u>
over \$1,750	<u>excess over \$875</u>
over \$1,750 but not	<u>\$31 plus 2.9 percent of the</u>
over \$3,500	<u>excess over \$1,750</u>
over \$3,500 but not	<u>\$81 plus 4.8 percent of</u>
over \$5,375	<u>the excess over \$3,500</u>
over \$5,375 but not	<u>\$171 plus 5.9 percent of</u>
over \$7,000	<u>the excess over \$5,375</u>
over \$7,000 but not	<u>\$267 plus 6.1 percent of</u>
over \$7,125	<u>the excess over \$7,000</u>
over \$7,125 but not	<u>\$275 plus 7.2 percent of</u>
over \$8,875	<u>the excess over \$7,125</u>
over \$8,875 but not	<u>\$401 plus 8.3 percent of</u>
over \$12,375	<u>the excess over \$8,875</u>
over \$12,375 but not	<u>\$691 plus 9.3 percent of</u>
over \$14,000	<u>the excess over \$12,375</u>
over \$14,000 but not	<u>\$842 plus 10 percent of</u>
over \$16,000	<u>the excess over \$14,000</u>
over \$16,000 but not	<u>\$1,042 plus 11 percent</u>
over \$21,500	<u>of the excess over \$16,000</u>
over \$21,500 but not	<u>\$1,647 plus 11.3 percent</u>
over \$22,125	<u>of the excess over \$21,500</u>
over \$22,125 but not	<u>\$1,718 plus 12.3 percent</u>
over \$25,500	<u>of the excess over \$22,125</u>
over \$25,500 but not	<u>\$2,133 plus 12.6 percent</u>
over \$28,500	<u>of the excess over \$25,500</u>
over \$28,500 but not	<u>\$2,511 plus 13.7 percent</u>

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over \$31,750
over \$31,750

of the excess over \$28,500
\$2,957 plus 14.0 percent
of the excess over \$31,750

(b) The income taxes imposed by this chapter upon all other married individuals filing joint returns must be computed by applying to their taxable net income the following schedule of rates:

If taxable net income is:

The tax is:

not over \$1,200
over \$1,200 but not
over \$1,700
over \$1,700 but not
over \$2,700
over \$2,700 but not
over \$5,600
over \$5,600 but not
over \$9,100
over \$9,100 but not
over \$12,600
over \$12,600 but not
over \$17,800
over \$17,800 but not
over \$30,800
over \$30,800

1.7 percent
\$20 plus 2.1 percent of the
excess over \$1,200
\$31 plus 2.3 percent of the
excess over \$1,700
\$54 plus 3.3 percent of
the excess over \$2,700
\$150 plus 5.3 percent of
the excess over \$5,600
\$335 plus 6.8 percent of
the excess over \$9,100
\$573 plus 8.5 percent of
the excess over \$12,600
\$1,015 plus 9.3 percent of
the excess over \$17,800
\$2,224 plus 9.9 percent of
the excess over \$30,800

(b) (c) The income taxes imposed by this chapter upon unmarried individuals, married individuals filing separate returns, estates, and trusts that elect to deduct federal income taxes under section 290.088 must be computed by applying to taxable net income the following schedule of rates:

If taxable net income is:

The tax is:

not over \$700
over \$700 but not
over \$1,400
over \$1,400 but not
over \$2,800
over \$2,800 but not
over \$4,300
over \$4,300 but not
over \$5,700
over \$5,700 but not
over \$7,100
over \$7,100 but not
over \$9,900
over \$9,900 but not
over \$12,800
over \$12,800 but not

1.3 percent
\$9 plus 1.9 percent of the
excess over \$700
\$22 plus 3.2 percent of the
excess over \$1,400
\$67 plus 5.4 percent of
the excess over \$2,800
\$148 plus 6.9 percent of
the excess over \$4,300
\$245 plus 8.4 percent of
the excess over \$5,700
\$362 plus 9.8 percent of
the excess over \$7,100
\$637 plus 11.1 percent of
the excess over \$9,900
\$959 plus 12.4 percent of

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<u>over \$15,400</u>	<u>the excess over \$12,800</u>
<u>over \$15,400 but not</u>	<u>\$1,281 plus 13.6 percent of</u>
<u>over \$19,400</u>	<u>the excess over \$15,400</u>
<u>over \$19,400</u>	<u>\$1,825 plus 14 percent</u>
	<u>of the excess over \$19,400</u>

(d) The income taxes imposed by this chapter upon all other unmarried individuals, married individuals filing separate returns, estates, and trusts must be computed by applying to taxable net income the following schedule of rates:

If taxable net income is:

The tax is:

<u>not over \$300</u>	<u>1 percent</u>
<u>over \$300 but not</u>	<u>\$3 plus 1.3 percent of the</u>
<u>over \$600</u>	<u>excess over \$300</u>
<u>over \$600 but not</u>	<u>\$7 plus 1.6 percent of the</u>
<u>over \$900</u>	<u>excess over \$600</u>
<u>over \$900 but not</u>	<u>\$12 plus 2.1 percent of</u>
<u>over \$1,300</u>	<u>the excess over \$900</u>
<u>over \$1,300 but not</u>	<u>\$20 plus 2.7 percent of</u>
<u>over \$2,000</u>	<u>the excess over \$1,300</u>
<u>over \$2,000 but not</u>	<u>\$39 plus 3.7 percent of</u>
<u>over \$2,800</u>	<u>the excess over \$2,000</u>
<u>over \$2,800 but not</u>	<u>\$69 plus 4.5 percent of</u>
<u>over \$4,300</u>	<u>the excess over \$2,800</u>
<u>over \$4,300 but not</u>	<u>\$136 plus 6.1 percent of</u>
<u>over \$6,400</u>	<u>the excess over \$4,300</u>
<u>over \$6,400 but not</u>	<u>\$264 plus 7.5 percent of</u>
<u>over \$9,400</u>	<u>the excess over \$6,400</u>
<u>over \$9,400 but not</u>	<u>\$489 plus 9.3 percent of</u>
<u>over \$16,200</u>	<u>the excess over \$9,400</u>
<u>over \$16,200</u>	<u>\$1,122 plus 9.9 percent</u>
	<u>of the excess over \$16,200</u>

(e) In lieu of a tax computed according to the rates set forth in clause (a) of this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than \$40,000 shall an amount determined by the commissioner must be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than \$100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

(e) (f) An individual who is not a Minnesota resident for the entire year must compute his Minnesota income tax as provided in clause (a) this subdivision. After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

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(1) The numerator is the individual's Minnesota sourced federal adjusted gross income, computed as if the provisions of section 290.081, clause (a), 290.17, subdivision 2, or 290.171 applied; and

(2) the denominator is the individual's federal adjusted gross income.

Sec. 16. Minnesota Statutes 1984, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. **INFLATION ADJUSTMENT OF BRACKETS.** For taxable years beginning after December 31, ~~1980~~ 1985, the taxable net income brackets minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation. For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the adjusted rate brackets as they existed for taxable years beginning after December 31, ~~1979~~ 1984 and before January 1, ~~1981~~ 1986. The commissioner shall determine: (a) the percentage increase in the revised consumer price index for all urban consumers for the Minneapolis-St. Paul metropolitan area prepared by the United States department of labor. He The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

The commissioner shall adjust the rate brackets by the percentage determined under section 1(f) of the Internal Revenue Code of 1954, as amended through December 31, 1984, except that in section 1(f)(3)(B) the word "1984" shall be substituted for the word "1983." The commissioner shall then determine the percent change from August, ~~1980~~ the 12 months ending on September 30, 1984, to, in 1981, August, ~~1981~~ for 1986, the 12 months ending on September 30, 1985, and in each subsequent year, from August of the preceding year to August the 12 months ending on September 30, 1984, to the 12 months ending on September 30 of the current preceding year; and (b) the percentage increase in average Minnesota gross income from tax year 1980 to, in 1981, tax year 1981, and in each subsequent tax year between the previous tax year and the current tax year. The percent increases in Minnesota gross income shall be estimated using the best available data sources and reasonable forecasting procedures. The determination of the commissioner pursuant to this section subdivision shall not be considered a "rule" and shall not be subject to the administrative procedures act contained in chapter 14.

The dollar amount in each taxable net income bracket for the prior year in subdivision 2c shall be multiplied by a figure calculated as one plus 100 percent of the consumer price index increase or 100 percent of the Minnesota gross income increase, whichever is smaller. The product of the calculation shall yield

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the inflation adjusted tax brackets for each succeeding year. If the product exceeds a whole dollar amount, it shall be rounded to the nearest whole dollar.

No later than ~~October 1~~ December 15 of each year, the commissioner shall announce both ~~percentage increases~~ and the specific percentage that will be used to adjust the tax rate brackets, the maximum standard deduction amount, and the personal credit amounts.

Sec. 17. Minnesota Statutes 1984, section 290.06, subdivision 2f, is amended to read:

Subd. 2f. **SUSPENSION OF INFLATION ADJUSTMENTS.** (a) The ~~taxable net income rate~~ brackets, the personal credit amounts established pursuant to subdivision 3f and 3g, and the maximum standard deduction provided under section 290.089, subdivision 3, shall not be adjusted for inflation pursuant to subdivision 2d, for taxable years beginning during a calendar year if the following conditions occur:

(1) The legislature and the governor have enacted a budget providing for an appropriation to the budget reserve account of at least \$250,000,000 for the biennium during which the calendar year began or, in the second half of an odd-numbered year, for the biennium which began during the calendar year; and

(2) The commissioner of finance estimated at the time the budget is enacted that the state would receive sufficient general fund receipts during the biennium to fund the full appropriation to the budget reserve account; and

(3) On or before September 15 of the calendar year it is estimated by the commissioner of finance that the probable general fund receipts from taxes and other sources will be less than estimated and consequently the amount available for the remainder of the biennium after transferring any available funds in the budget reserve account will be less than the amount estimated or allotted to be expended or incurred from the general fund; and

(4) The additional receipts resulting from the suspension of the inflation adjustments, together with all other general fund revenues, are not estimated to exceed the sum of the amounts necessary to fund in full all appropriations, including the appropriation to the budget reserve account, in which case the commissioner of revenue shall provide for partial inflation adjustments sufficient to fund in full the appropriations.

(b) The suspension of inflation adjustments shall apply only during the biennium in which the conditions specified in paragraph (a) have been satisfied.

(c) For ~~taxable years beginning during a calendar year in which the inflation adjustments of the brackets, credits, and maximum standard deduction are not made pursuant to this subdivision, the taxable net income adjustment factor, as defined in section 290.18, subdivision 4, shall be the adjustment factor applicable to taxable years beginning during the preceding calendar year. For~~

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taxable years beginning during a calendar year in which the inflation adjustments are suspended for one-half of the taxable year as a result of paragraph (b), the taxable net income adjustment factor shall be determined by multiplying the factor for the previous year by an amount equal to the current year factor minus one, divided by two, plus one.

(d) For taxable years beginning during a calendar year in which the inflation adjustments are suspended pursuant to this subdivision and for which paragraph (b) will result in the inflation adjustments being suspended for only one-half of the taxable year, the commissioner of revenue shall adjust the withholding tables, notwithstanding section 290.92, subdivision 2a, so that the additional tax imposed is withheld and remitted by employers during the first six months of the taxable year as if the suspension were in effect for the entire year.

Sec. 18. Minnesota Statutes 1984, section 290.06, subdivision 3f, is amended to read:

Subd. 3f. **CREDITS AGAINST TAX.** Subject to the provisions of subdivision 3g the taxes due under the computation in accordance with this section shall be credited with the following amounts:

(1) In the case of an unmarried individual \$68 or a married individual filing separately, \$70;

(2) In the case of a married individual, \$136. ~~If the spouses file separate, combined or joint returns the personal credits may be taken by either or divided between them~~ individuals filing a joint return, \$140;

(3) In the case of an individual, \$68 ~~\$70~~ for each person (other than a spouse) dependent upon and receiving his chief support from the taxpayer. ~~One taxpayer only shall be allowed this credit with respect to any given dependent. A payment to a divorced or separated spouse, other than a payment for support of minor children under a temporary order or final decree of dissolution or legal separation, shall not be considered a payment by the other spouse for the support of any dependent who was claimed by the individual as a dependent on the individual's federal income tax return as provided in sections 151(e) and 152 of the Internal Revenue Code of 1954, as amended through December 31, 1984.~~

(4)(a) In the case of an unmarried individual or a married individual filing separately who has attained the age of 65 before the close of his taxable year, an additional \$68 ~~\$70~~;

(b) In the case of an unmarried individual or a married individual filing separately who is blind at the close of the taxable year, an additional \$68 ~~\$70~~;

(c) In the case of a married individual individuals filing a joint return, an additional \$68 ~~\$70~~ for each spouse who has attained the age of 65 before the close of the individual's taxable year, and an additional \$68 ~~\$70~~ for each spouse who is blind at the close of the individual's taxable year. ~~If the spouses file separate,~~

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

(d) In the case of an individual, another \$68 \$70 for each person, other than a spouse, who is blind and was claimed as a dependent upon and receiving his chief support from the taxpayer of the individual under clause (3);

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

(f) In the case of an unmarried individual or married individual filing separately who is deaf at the close of the taxable year, an additional \$68 \$70.

(g) In the case of a married ~~individual~~ individuals filing a joint return, an additional \$68 \$70 for each spouse who is deaf at the close of the taxable year. ~~If the spouses file separate, combined or joint returns, these credits may be taken by either or divided between them.~~

(h) In the case of an individual, an additional \$68 \$70 for each person (other than a spouse) who is deaf and was claimed as a dependent upon and receiving his chief support from the taxpayer of the individual under clause (3).

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

(5) (a) In the case of an unmarried individual or a married individual filing separately who is a quadriplegic at the close of the taxable year, an additional \$68 \$70;

(b) In the case of a married ~~individual~~ individuals filing a joint return, an additional \$68 \$70 for each spouse who is a quadriplegic at the close of the taxable year. ~~If the spouses file separate, combined or joint returns, these credits may be taken by either or divided between them;~~

(c) In the case of an individual, another \$68 \$70 for each person, other than a spouse, who is quadriplegic and was claimed as a dependent upon and receiving his chief support from the taxpayer of the individual under clause (3); and

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

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(6) In the case of an insurance company, it shall receive a credit on the tax computed as above equal in amount to any taxes based on premiums paid by it during the period for which the tax under this chapter is imposed by virtue of any law of this state, other than the surcharge on premiums imposed by sections 69.54 to 69.56.

Sec. 19. Minnesota Statutes 1984, section 290.06, subdivision 3g, is amended to read:

Subd. 3g. **INFLATION ADJUSTMENT OF CREDITS.** For taxable years beginning after December 31, ~~1980~~ 1985, the credits provided for individuals in subdivision 3f shall be adjusted for inflation. The dollar amount of each credit for the prior year in subdivision 3f shall be increased in the same manner as provided in subdivision 2d for the expansion of the ~~taxable net income tax rate~~ brackets.

Sec. 20. Minnesota Statutes 1984, 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 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 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. 21. Minnesota Statutes 1984, section 290.068, subdivision 1, is amended to read:

Subdivision 1. **CREDIT ALLOWED.** In addition to the deduction provided in section 290.09, ~~a credit shall be~~ corporation, other than a corporation with a valid election in effect under section 290.9725, is allowed a credit against the tax imposed by this chapter for the taxable year equal to

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- (a) 12.5 percent of the first \$2 million of the excess (if any) of
 - (1) the qualified research expenses for the taxable year, over
 - (2) the base period research expenses; and
- (b) 6.25 percent on all of such excess expenses over \$2 million.

Sec. 22. Minnesota Statutes 1984, section 290.068, subdivision 3, is amended to read:

Subd. 3. **LIMITATION; CARRYBACK AND CARRYOVER.** (a)(1) The credit for the taxable year shall not exceed the liability for tax. "Liability for tax" for purposes of this section means the tax imposed under this chapter for the taxable year reduced by the sum of the nonrefundable credits allowed under this chapter.

- (2) In the case of an individual ~~who~~ a corporation which
 - (A) ~~owns an interest in an unincorporated business,~~
 - (B) ~~is a partner in a partnership,~~
 - (C) ~~is a beneficiary of an estate or trust, or~~
 - (D) ~~is a shareholder in an S corporation,~~

the credit allowed for the taxable year shall not exceed the lesser of the amount determined under clause (1) for the taxable year or an amount (separately computed with respect to ~~such person's~~ the corporation's interest in the trade or business or entity) equal to the amount of tax attributable to that portion of a ~~person's~~ taxable income which is allocable or apportionable to the ~~person's~~ corporation's interest in the trade or business or entity.

(b) If the amount of the credit determined under this section for any taxable year exceeds the limitation under clause (a), the excess shall be a research credit carryback to each of the three preceding taxable years and a research credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year shall be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this clause shall not exceed the taxpayer's liability for tax less the research credit for the taxable year.

For the purposes of sections 290.46 and 290.50, if the claim for refund relates to an overpayment attributable to a research and experimental expenditure credit 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 research and experimental expenditure credit arises which results in the

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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 of a research and experimental expenditure credit, 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 carryback from a subsequent taxable year, interest shall be computed from the end of the subsequent taxable year.

Sec. 23. Minnesota Statutes 1984, section 290.068, subdivision 4, is amended to read:

Subd. 4. **ESTATES AND TRUSTS; PARTNERSHIPS.** In the case of ~~estates and trusts, and~~ partnerships, the credit shall be allocated in the same manner provided by section 44F(f)(2) of the Internal Revenue Code.

Sec. 24. Minnesota Statutes 1984, 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:

(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 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.

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(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. The principal place of business of the transferee business entity is located in the technology corridor project area as authorized by Laws 1984, chapter 654, article 2, section 15, clause (k).

(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 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. 25. Minnesota Statutes 1984, section 290.069, subdivision 2a, is amended to read:

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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 the technology corridor project area.

(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:

Occurrence of event causing recapture	Repayment portion
Less than six months	100 percent
Six months or more but less than 12 months	83-1/3 percent
12 months or more but less than 18 months	66-2/3 percent
18 months or more but less than 24 months	50 percent
24 months or more but less than 30 months	33-1/3 percent
30 months or more but less than 36 months	16-2/3 percent

Sec. 26. Minnesota Statutes 1984, section 290.069, subdivision 4a, is amended to read:

Subd. 4a. **RECAPTURE; EQUITY INVESTMENT CREDIT.** (a) A taxpayer who receives a tax reduction pursuant to Minnesota Statutes 1984, section 290.069, 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:

(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:

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

(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 Minnesota Statutes 1984, section 290.069, subdivision 4, paragraph (c).

Sec. 27. Minnesota Statutes 1984, section 290.069, subdivision 4b, is amended 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 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. 28. Minnesota Statutes 1984, section 290.069, subdivision 5, is amended to read:

Subd. 5. **CARRYOVER; OTHER CONDITIONS.** 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

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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, or 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. 29. Minnesota Statutes 1984, section 290.069, subdivision 6, is amended to read:

Subd. 6. **REPEALER.** This section is repealed effective for contributions made to a small business office or to an innovation center public corporation as provided in subdivision 3, and for technology transferred as described in subdivision 2, and for investments made as described in subdivision 4 in taxable years beginning after December 31, ~~1985~~ 1988.

Sec. 30. Minnesota Statutes 1984, section 290.069, subdivision 7, is amended 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. 31. Minnesota Statutes 1984, section 290.08, subdivision 26, is amended to read:

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

(1) \$11,000 reduced by the amount of the taxpayer's qualified recipient's and spouse's combined federal adjusted gross income in excess of \$17,000 excluding social security benefits and railroad retirement benefits to the extent included in federal adjusted gross income; or

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

(A) social security benefits,

(B) railroad retirement benefits, and

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(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) (2) Notwithstanding clauses clause (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 and applies without regard to the limitation in paragraph (b), clause (4).

(3) Notwithstanding clause (1), to the extent included in federal adjusted gross income, all railroad retirement benefits of a qualified recipient are excludable without limitation as to level of benefits received, maximum amount, or income offset.

¹ (4) In the case of pension income received from the correctional employees retirement program established pursuant to chapter 352; the state patrol fund retirement fund established pursuant to chapter 352B; the public employees police and fire fund established pursuant to chapter 353; the retirement funds enumerated in section 69.77, subdivision 1a; or similar retirement plans established by another state or a political subdivision of another state, an individual is a qualified recipient without regard to age.

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

(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 in effect for the purpose of defining gross income for the applicable taxable year as provided in section 290.01, subdivision 20.

(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, or

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(B) as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 404, 405, 408, or 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. "Qualified recipient" means an individual who, at the end of the taxable year, is aged 65 or older or is disabled as defined in section 290A.03, subdivision 9.

Sec. 32. Minnesota Statutes 1984, section 290.088, is amended to read:

290.088 **DEDUCTION FOR FEDERAL INCOME TAXES; ELECTION.**

Adjusted gross income for individuals, estates, and trusts shall be computed by allowing to individuals, estates, and trusts a deduction from gross income for federal income taxes. The amount of the deduction is determined under section 290.18, subdivision 2. (a) In determining net income, individuals, estates, and trusts may elect to deduct federal income taxes from gross income after allowing the deductions under section 290.089. If the election is made, the amount of the deduction is determined under section 290.18, subdivision 2, and the taxpayer must compute the tax according to the schedule contained in section 290.06, subdivision 2c, paragraph (a) or (c), whichever applies.

(b) Individuals, estates, and trusts who elect not to deduct federal income taxes in determining net income, must compute the tax according to the schedule contained in section 290.06, subdivision 2c, paragraph (b) or (d), whichever applies.

Sec. 33. Minnesota Statutes 1984, section 290.089, subdivision 2, is amended to read:

Subd. 2. **ITEMIZED DEDUCTIONS.** 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 \$650 for each dependent in grades K to 6 and \$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 compulso-

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ry attendance laws, which is not operated for profit, and which 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;~~

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

(e) ~~(c) Subtract income taxes paid to any other state or to any province or territory of Canada; and~~

(f) ~~(d) 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. 34. Minnesota Statutes 1984, section 290.089, subdivision 3, is amended to read:

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Subd. 3. **STANDARD DEDUCTION.** In lieu of the deductions provided in subdivision 2, an individual may claim or be allowed a standard deduction as follows:

(a) Subject to modification pursuant to clause (b), the standard deduction shall be an amount equal to ten percent of the adjusted gross income of the taxpayer or the joint gross income of a married couple filing a joint return, up to a maximum deduction of ~~\$2,268~~ \$2,400.

In the case of a husband and wife married individual filing a separate return, the standard deduction is ten percent of the gross income of the taxpayer, up to a maximum of \$1,200, except that the standard deduction shall not be allowed to either if the net income of one of the spouses is determined without regard to the standard deduction.

(b) For taxable years beginning after December 31, 1985, the maximum amount of the standard deduction shall be adjusted for inflation in the same manner as provided in section 290.06, subdivision 2d, for the expansion of the taxable net income rate brackets. The commissioner shall then round the maximum amount of the standard deduction to the nearest hundred dollar amount. When adjusting the maximum amount of standard deduction for inflation, the commissioner shall use the actual dollar amount of the maximum amount of the standard deduction prior to rounding the dollar amounts.

(c) The commissioner of revenue may establish a standard deduction tax table incorporating the rates set forth in section 290.06, subdivision 2c, and the standard deduction. The tax of any individual taxpayer whose adjusted gross income is less than \$20,000 shall, if an election is made not to itemize nonbusiness deductions, be computed in accordance with tables prepared and issued by the commissioner of revenue. The tables shall be prepared to reflect the allowance of the standard deduction and the personal and dependent credits.

Sec. 35. Minnesota Statutes 1984, section 290.09, subdivision 1, is amended to read:

Subdivision 1. **LIMITATIONS.** Except as provided in this subdivision, the deductions provided in this section from gross income shall only be allowed to corporations in computing net income. The provisions of subdivisions 2, clause (c), and 28, and 29 shall also apply to individuals, estates, and trusts to the extent provided in those subdivisions.

Sec. 36. Minnesota Statutes 1984, section 290.09, subdivision 7, is amended to read:

Subd. 7. **DEPRECIATION. (A) CUMULATIVE DEPRECIATION.**
(a) There shall be allowed as a depreciation deduction a reasonable allowance for the exhaustion, wear and tear (including a reasonable allowance for obsolescence):

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- (1) of property used in the trade or business, or
- (2) of property held for the production of income.

In the case of recovery property as provided in clause (c), the deduction allowable under clause (c) shall be deemed to constitute the reasonable allowance provided by this subdivision, except for the provisions of Part (B) relating to first year depreciation and except with respect to that portion of the basis of the property to which section 167(k) of the Internal Revenue Code of 1954, as amended through December 31, 1983, applies.

(b) The term "reasonable allowance" as used in clause (a) shall include (but shall not be limited to) an allowance computed in accordance with regulations prescribed by the commissioner, under any of the following methods:

- (1) the straight line method.
- (2) the declining balance method, using a rate not exceeding twice the rate which would have been used had the annual allowance been computed under the method described in paragraph (1).

(3) the sum of the years-digits method, and

(4) any other consistent method productive of an annual allowance, which, when added to all allowances for the period commencing with the taxpayer's use of the property and including the taxable year, does not, during the first two-thirds of the useful life of the property, exceed the total of such allowances which would have been used had such allowances been computed under the method described in (2). Nothing in this clause (b) shall be construed to limit or reduce an allowance otherwise allowable under clause (a).

(c) For purposes of this subdivision "reasonable allowance" shall be the accelerated cost recovery system provisions of section 168 of the Internal Revenue Code of 1954, as amended through December 31, 1983, except as provided in this subdivision. In the case of recovery property within the meaning of section 168 of the Internal Revenue Code of 1954, as amended through December 31, 1983, the term "reasonable allowance" as used in clause (a) shall mean 85 percent of the deduction allowed pursuant to section 168 of the Internal Revenue Code of 1954 for property placed in service after December 31, 1980 and for taxable years beginning before January 1, 1982.

For taxable years beginning after December 31, 1981 the term reasonable allowance as used in clause (a) shall mean the following percent of the deduction allowed pursuant to section 168 of the Internal Revenue Code of 1954, as amended through December 31, 1983:

(1) For 3, 5 and 10 year property and for 15 year public utility property the allowable percentage is 83 percent and 80 percent for taxable years beginning after December 31, 1982.

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(2) For 15 year real property the allowable percentage is 60 percent.

For property placed in service after December 31, 1980 the term "reasonable allowance" as used in clause (a) shall mean 100 percent of the deduction allowed pursuant to section 168 of the Internal Revenue Code of 1954 where the taxpayer uses for federal income tax purposes the straight line method provided in section 168(b)(3) or a method provided in section 168(e)(2) of the Internal Revenue Code of 1954, as amended through December 31, 1983. For property placed in service after December 31, 1980 and for which the full amount of the deduction allowed under section 168 of the Internal Revenue Code of 1954, as amended through December 31, 1983 has been allowed, the remaining depreciable basis in those assets for Minnesota purposes shall be a depreciation allowance computed by using the straight line method over the following number of years:

- (1) 3 year property - 1 year.
- (2) 5 year property - 2 years.
- (3) 10 year property - 5 years.
- (4) All 15 year property - 7 years.

When an asset is exchanged for another asset including an involuntary conversion and under the provision of the Internal Revenue Code gain is not recognized in whole or in part on the exchange of the first asset, the basis of the second asset shall be the same as its federal basis provided that the difference in basis due to the limitations provided in this clause can be written off as provided in the preceding sentence.

After the full amount of the allowable deduction for that property under the provision of section 168 of the Internal Revenue Code of 1954, as amended through December 31, 1983, has been obtained, the remaining depreciable basis in those assets for Minnesota purposes that shall be allowed as a depreciation allowance as provided above shall include the amount of any basis reduction made for federal purposes under section 48(q) of the Internal Revenue Code, as amended through December 31, 1983, to reflect the investment tax credit. No amount shall be allowed as a deduction under section 196 of the Internal Revenue Code of 1954, as amended through December 31, 1983.

The provisions of section 168(i)(4) of the Internal Revenue Code of 1954, as amended through December 31, 1983 shall apply to restrict research credit carrybacks and net operating loss carrybacks which are allocable to elected qualified leased property, notwithstanding section 290.068, subdivision 3, or 290.095, subdivision 3.

The modification provided in this clause shall apply before applying a limitation on farm losses as contained in subdivision 29.

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(d) Paragraphs (2), (3), and (4) of clause (b) shall apply only in the case of property (other than intangible property) described in clause (a) with a useful life of three years or more.

(1) the construction, reconstruction, or erection of which is completed after December 31, 1958, and then only to that portion of the basis which is properly attributable to such construction, reconstruction, or erection after December 31, 1958, or

(2) acquired after December 31, 1958, if the original use of such property commenced with the taxpayer and commences after such date.

(e) Where, under rules prescribed by the commissioner, the taxpayer and the commissioner have, after June 30, 1959, entered into an agreement in writing specifically dealing with the useful life and rate of depreciation of any property, the rate so agreed upon shall be binding on both the taxpayer and the commissioner in the absence of facts or circumstances not taken into consideration in the adoption of such agreement. The responsibility of establishing the existence of such facts and circumstances shall rest with the party initiating the modification. Any change in the agreed rate and useful life specified in the agreement shall not be effective for taxable years before the taxable year in which notice in writing by certified mail is served by the party to the agreement initiating such change. This clause shall not apply with respect to recovery property as defined in clause (c).

(f) In the absence of an agreement under clause (e) containing a provision to the contrary, a taxpayer may at any time elect in accordance with rules prescribed by the commissioner to change from the method of depreciation prescribed in clause (b)(2) to the method described in clause (b)(1).

(g) The basis on which exhaustion, wear and tear, and obsolescence are to be allowed in respect of any property shall be the adjusted basis provided in this chapter for the purpose of determining the gain on the sale or other disposition of such property.

(B) FIRST YEAR DEPRECIATION. The term "reasonable allowance" as used in this subdivision may, at the election of the taxpayer, include an amount as provided under section 179 of the Internal Revenue Code of 1954, as amended through December 31, 1983.

Sec. 37. Minnesota Statutes 1984, section 290.091, is amended to read:

290.091 ALTERNATIVE MINIMUM TAX ON PREFERENCE ITEMS.

Subdivision 1. IMPOSITION OF TAX. In addition to all other taxes imposed by this chapter ~~there a tax is hereby imposed on individuals, estates, and trusts a tax which, in the case of a resident individual, shall be equal to 40 percent of the amount of the taxpayer's alternative minimum tax liability for tax~~

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preference items pursuant to the provisions of sections 55, 57, 58 and 443(d) of the Internal Revenue Code of 1954 as amended through December 31, 1983 the excess (if any) of

(a) an amount equal to four percent of alternative minimum taxable income after subtracting the exemption amount, over

(b) the regular tax for the taxable year.

Subd. 2. **DEFINITIONS.** For purposes of the tax imposed by this section, the following modifications shall be made terms have the meanings given:

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

(1) the taxpayer's federal adjusted gross income as defined in the Internal Revenue Code;

(2) the taxpayer's federal tax preference items; less the sum of

(i) interest income as defined in section 290.01, subdivision 20b, clause (1); and

(ii) the amount of interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed qualified net investment income, as defined in section 55(e)(5) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income or amounts that are not allowable under section 55(e)(8) of the Internal Revenue Code.

In the case of an estate or trust, adjusted gross income must be modified as provided in section 55(e)(6)(B) of the Internal Revenue Code.

(b) "Federal tax preference items" means items as defined in sections 57, 58, and 443(d) of the Internal Revenue Code, modified as follows:

(1) Alternative tax itemized deductions shall include the amount allowable as a deduction for the taxable year under section 164 of the Internal Revenue Code for Minnesota income tax paid or accrued.

(2) The capital gain preference item shall be reduced where the gain would be modified because some or all of the assets have a higher basis for Minnesota purposes than for federal purposes.

(3) (2) In the case of a nonresident individual, or an estate or trust, with a net operating loss that is a larger amount for Minnesota than for federal, the capital gain preference item shall be reduced to the extent it was reduced in the allowance of the net operating loss.

(4) (3) Federal preference items from the business of mining or producing iron ore and other ores which are subject to the occupation tax and exempt from

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taxation under section 290.05, subdivision 1, shall not be a preference item for Minnesota.

(5) The term "regular tax" as defined in section 55(f)(2) of the Internal Revenue Code shall be increased by the amount of the credit allowable under section 38 of the Internal Revenue Code and it shall be computed before the limitation on tax provided in section 1301 of the Internal Revenue Code.

(6) Federal preference items which arise from a farm shall not be a preference item to the extent they exceed the loss allowed under section 290.09, subdivision 29, other than interest and taxes.

In the case of any taxpayer who is not a full year resident individual, or who is an estate or trust the tax shall equal 40 percent of that federal liability, multiplied by a fraction the numerator of which is the amount of the taxpayer's preference item income allocated to this state pursuant to the provisions of sections 290.17 to 290.20, and the denominator of which is the taxpayer's total preference item income for federal purposes.

The tax benefit rule contained in section 58(h) of the Internal Revenue Code is applied to the Minnesota minimum tax only to the extent that it determines if there is a federal minimum tax. No separate tax benefit rule is allowable for the Minnesota minimum tax.

(4) Other federal preference items to the extent not allowed in the computation of Minnesota gross income, as determined by the commissioner, are not preference items for Minnesota.

For property placed in service after December 31, 1980, and in a taxable year beginning before January 1, 1983, the preference items contained in section 57 (a)(12) of the Internal Revenue Code of 1954, as amended through December 31, 1983, shall not apply.

(c) "Internal Revenue Code" means the Internal Revenue Code of 1954, as amended through December 31, 1984.

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

Subd. 3. EXEMPTION AMOUNT. For purposes of computing the alternative minimum tax, the exemption amount is:

(a) \$40,000 in the case of a married couple filing a joint return;

(b) \$30,000 in the case of an individual who is not married, as defined in section 143 of the Internal Revenue Code;

(c) \$20,000 in the case of

(1) an estate or trust or

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(2) a married individual who files a separate tax return.

Subd. 4. PART YEAR RESIDENTS; ESTATES AND TRUSTS. (a) An individual who is not a Minnesota resident for the entire year must compute his alternative minimum tax liability using a regular tax liability determined under section 290.06, subdivision 2c, paragraph (f), without regard to the provision for allocation to Minnesota. The resulting alternative minimum tax liability must be multiplied by the fraction defined in section 290.06, subdivision 2c, paragraph (f).

(b) In the case of an estate or trust, the alternative minimum tax liability must be computed by multiplying alternative minimum taxable income and the exemption amount by a fraction, the numerator of which is the amount of the taxpayer's alternative minimum taxable income allocated to this state pursuant to the provisions of sections 290.17 to 290.20, and the denominator of which is the taxpayer's total alternative minimum taxable income.

Subd. 5. TAX BENEFIT RULE. The tax benefit rule contained in section 58(h) of the Internal Revenue Code applies to the computation of the tax under this section only to the extent that it determines if there is an item of tax preference for purposes of subdivision 2, clause (a)(2).

Sec. 38. Minnesota Statutes 1984, section 290.095, subdivision 7, is amended to read:

Subd. 7. TENTATIVE CARRYBACK ADJUSTMENTS. (a) Application for adjustment. A taxpayer may file an application for a tentative carryback adjustment of the tax for the prior taxable year affected by a loss or credit carryback from any taxable year. The application shall be signed and verified as provided in section 290.37, subdivision 1, and shall be filed on or after the date of filing of the return for the taxable year from which the carryback results and within a period of 12 months from the end of such taxable year (or with respect to any portion of a credit carryback from a taxable year attributable to a loss carryback from a subsequent taxable year, the application shall be filed within a period of 12 months from the end of the subsequent taxable year), in the manner and form required by rules prescribed by the commissioner. The application shall set forth in such detail and with such supporting data and explanation as such rules shall require:

- (1) The amount of the loss or credit;
- (2) The amount of the tax previously determined for the prior taxable year affected by such carryback;
- (3) The amount of decrease in such tax, attributable to such carryback, such decrease being determined by applying the carryback in the manner provided by law to the items on the basis of which such tax was determined;
- (4) The unpaid amount of such tax;

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(5) Such other information for purposes of carrying out the provisions of this subdivision as may be required by such rules.

An application under this subdivision shall not constitute a claim for refund until 90 days from the date on which the application was filed, at which time it will become a claim for refund under the provisions of section 290.50.

(b) Allowance of adjustments. Within a period of 90 days from the date on which an application for a tentative carryback adjustment is filed under (a), or from the last day of the month in which falls the last date prescribed by law (including any extension of time granted the taxpayer) for filing the return for the taxable year from which such carryback results, whichever is the later, the commissioner shall make, to the extent he deems practicable in such period a limited examination of the application, to discover omissions and errors of computation therein, and shall determine the amount of the decrease in the tax attributable to such carryback upon the basis of the application and the examination, except that the commissioner may disallow, without further action, any application which he finds contains errors of computation which he deems cannot be corrected by him within such 90-day period or material omissions. Such decrease shall be applied against any unpaid amount of tax decreased and any remainder shall, within such 90-day period, be either credited against any tax or installment thereof then due from the taxpayer, or refunded to the taxpayer.

(c) The provisions of this subdivision shall apply to net operating loss carrybacks as provided in subdivision 3 or 11; capital loss carrybacks as provided in section 290.16, subdivision 6; ~~farm loss carrybacks as provided in section 290.09, subdivision 29;~~ research credit carrybacks as provided in section 290.068, subdivision 3; and to any other carrybacks which may be provided in this chapter.

Sec. 39. Minnesota Statutes 1984, section 290.095, subdivision 9, is amended to read:

Subd. 9. **SPECIAL PERIOD OF LIMITATION WITH RESPECT TO NET OPERATING LOSS CARRYBACKS.** For the purposes of sections 290.46 and 290.50 if the claim for refund relates to an overpayment attributable to a net operating loss carryback under this section or as the result in the case of an individual of an adjustment of "federal adjusted gross income" because of the carryback under section 172 of the Internal Revenue Code of 1954, as amended through December 31, 1983 in lieu of the period of limitation prescribed in sections 290.46 and 290.50, the period 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 net operating loss which results in such carryback or adjustment of "federal adjusted gross income." During this extended period, for taxable years beginning before January 1, 1985, married individuals who elected to file separate returns or a combined return may change their election and file a joint return.

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

Sec. 40. Minnesota Statutes 1984, section 290.095, subdivision 11, is amended to read:

Subd. 11. **CARRYBACK OR CARRYOVER ADJUSTMENTS.** (a) For individuals the amount of a net operating loss that may be carried back or carried over shall be the same dollar amount allowable in the determination of federal adjusted gross income. For estates and trusts the amount of a net operating loss that may be carried back or carried over shall be the same dollar amount allowable in the determination of federal taxable income.

(b) The following adjustments to the amount of the net operating loss that may be carried back or carried over must be made for:

(1) Nonassignable income or losses as required by section 290.17, subdivision 2.

(2) ~~Modifications required because of the restrictions on farm losses as provided in section 290.09, subdivision 29.~~

(3) ~~Adjustments to the determination of federal adjusted gross income that must be made because of changes in the Internal Revenue Code that have not yet been adopted by the legislature by updating the reference to the Internal Revenue Code contained in section 290.01, subdivision 20.~~

(4) ~~Modifications to income contained in federal adjusted gross income according to the provisions of section 290.01, subdivision 20c.~~

(5) (3) Gains or losses which result from the sale or other disposition of property having a higher adjusted basis for Minnesota income tax purposes than for federal income tax purposes subject to the limitations contained in section 290.01, subdivision 20b, clauses (2) and (4) (3).

(6) (4) Interest, taxes, and other expenses not allowed under section 290.10, clause (9) or section 290.101.

(7) (5) The modification for accelerated cost recovery system depreciation as provided in section 290.01, subdivision 20f.

(c)(1) The net operating loss carryback or carryover applied as a deduction in the taxable year to which the net operating loss is carried back or carried over shall be equal to the net operating loss carryback or carryover applied in the taxable year in arriving at federal adjusted gross income (or federal taxable income for trusts and estates) subject to the modifications contained in clause (b) and to the following modifications:

(A) Increase the amount of carryback or carryover applied in the taxable year by the amount of losses and interest, taxes and other expenses not assignable or allowable to Minnesota incurred in the taxable year.

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(B) Decrease the amount of carryback or carryover applied in the taxable year by the amount of income not assignable to Minnesota earned in the taxable year and the amount of federal jobs credit earned in the taxable year.

(C) A taxpayer who is not a resident of Minnesota during any part of the taxable year and who has no income assignable to Minnesota during the taxable year shall apply no net operating loss carryback or carryover in the taxable year.

(2) The provisions of section 172(b) of the Internal Revenue Code of 1954 as amended through December 31, 1983 (relating to carrybacks and carryovers) shall apply. The net operating loss carryback or carryover to the next consecutive taxable year shall be the net operating loss carryback or carryover as calculated in clause (c)(1) less the amount applied in the earlier taxable year(s). No additional net operating loss carryback or carryover shall be allowed if the entire amount has been used to offset Minnesota income in a year earlier than was possible on the federal return. A net operating loss carryback or carryover that was allowed to offset federal income in a year earlier than was possible on the Minnesota return shall still be allowed to offset Minnesota income but only if the loss was assignable to Minnesota in the year the loss occurred.

(d) A net operating loss shall be allowed to be carried back or carried forward only to the extent that loss was assignable to Minnesota in the year the loss occurred or in the year to which the loss was carried over, whichever would allow more of the loss to be allowed for Minnesota purposes.

~~(e) If a taxpayer has a net operating loss for federal purposes and the provisions of the farm loss limitation as provided in section 290.09, subdivision 29 apply, the limitations applying to the farm losses that are carried back or carried over are applied first and the net operating loss that is carried back or carried over is limited to the excess, if any, that the net operating loss exceeds the farm loss limitation.~~

Sec. 41. Minnesota Statutes 1984, section 290.10, is amended to read:
290.10 **NONDEDUCTIBLE ITEMS.**

In computing the net income no deduction shall in any case be allowed for:

- (1) Personal, living or family expenses;
- (2) Amounts paid out for new buildings or for permanent improvements or betterments made to increase the value of any property or estate, except as otherwise provided in this chapter;
- (3) Amounts expended in restoring property or in making good the exhaustion thereof for which an allowance is or has been made;
- (4) Premiums paid on any life insurance policy covering the life of the taxpayer or of any other person;

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(5) The shrinkage in value, due to the lapse of time, of a life or terminable interest of any kind in property acquired by gift, devise, bequest or inheritance;

(6) Losses from sales or exchanges of property, directly or indirectly, between related taxpayers as defined and as provided in section 267 of the Internal Revenue Code of 1954, as amended through December 31, 1983;

(7) In computing net income, no deduction shall be allowed under section 290.09, subdivision 2, relating to expenses incurred or under section 290.09, subdivision 3, relating to interest accrued as provided in section 267 of the Internal Revenue Code of 1954, as amended through December 31, 1983;

(8)(a) Contributions by employees under the federal railroad retirement act and the federal social security act; (b) Payments to Minnesota or federal public employee retirement funds; (c) ~~Three-fourths (75 percent)~~ 60 percent of the amount of taxes imposed on self-employment income under section 1401 of the Internal Revenue Code of 1954, as amended through December 31, 1983, ~~provided that~~. Effective for taxable years beginning after December 31, 1989, no deduction is allowed for self-employment taxes where the taxpayer claimed a deduction for those taxes under section 164(f) of the Internal Revenue Code of 1954, as amended through December 31, 1983;

(9) Expenses, interest and taxes connected with or allocable against the production or receipt of all income not included in the measure of the tax imposed by this chapter, except that for persons engaged in the business of mining or producing iron ore, the mining of which is subject to the occupation tax imposed by section 298.01, subdivision 1, this shall not prevent a subtraction to the extent allowed under section 290.01, subdivision 20b, clause (10)(b), or the deduction by a corporate taxpayer of expenses and other items to the extent that the expenses and other items are allowable under section 290.09 and are not deductible, capitalizable, retainable in basis, or taken into account by allowance or otherwise in computing the occupation tax and do not exceed the amounts taken for federal income tax purposes for that year. Occupation taxes imposed under chapter 298, royalty taxes imposed under chapter 299, or depletion expenses may not be deducted under this clause;

(10) In situations where this chapter provides for a subtraction from gross income of a specific dollar amount of an item of income assignable to this state, and within the measure of the tax imposed by this chapter, that portion of the federal income tax liability assessed upon such income subtracted, and any expenses attributable to earning such income, shall not be deductible in computing net income;

(11) Amounts paid or accrued for such taxes and carrying charges as, under rules prescribed by the commissioner, are chargeable to capital account with respect to property, if the taxpayer elects, in accordance with such rules, to treat such taxes or charges as so chargeable;

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(12) No deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if the trade or business (or the activities which comprise the trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the federal Controlled Substances Act) which is prohibited by federal law or the law of Minnesota.

For purposes of this section, reference to the Internal Revenue Code means the Internal Revenue Code of 1954, as amended through December 31, 1984.

Sec. 42. Minnesota Statutes 1984, section 290.12, subdivision 2, is amended to read:

Subd. 2. **ADJUSTMENTS.** In computing the amount of gain or loss under subdivision 1 proper adjustment shall be made for any expenditure, receipt, loss, or other item properly chargeable to capital account by the taxpayer during his ownership thereof. The basis shall be diminished by the amount of the deductions for exhaustion, wear and tear, obsolescence, amortization, depletion, and the allowance for amortization of bond premium if an election to amortize was made in accordance with section 290.09, subdivision 13, which could, during the period of his ownership thereof, have been deducted by the taxpayer under this chapter in respect of such property. ~~The basis shall also be diminished by the amount of depreciation relating to a substandard building disallowed by section 290.101.~~ In addition, if the property was acquired before January 1, 1933, the basis, if other than the fair market value as of such date, shall be diminished by the amount of exhaustion, wear and tear, obsolescence, amortization, or depletion actually sustained before such date. In respect of any period since December 31, 1932, during which property was held by a person or an organization not subject to income taxation under this chapter, proper adjustment shall be made for exhaustion, wear and tear, obsolescence, amortization, and depletion of such property to the extent sustained. For the purpose of determining the amount of these adjustments the taxpayer who sells or otherwise disposes of property acquired by gift shall be treated as the owner thereof from the time it was acquired by the last preceding owner who did not acquire it by gift, and the taxpayer who sells or otherwise disposes of property acquired by gift through an inter vivos transfer in trust shall be treated as the owner from the time it was acquired by the grantor.

No adjustment shall be made:

(1) for taxes or other carrying charges described in section 290.10, clause (11), or

(2) for expenditures described in section 290.09, subdivision 16 (relating to circulation expenditures), for which deductions have been taken by the taxpayer in determining taxable income for the taxable year or prior years.

Sec. 43. Minnesota Statutes 1984, section 290.14, is amended to read:

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290.14 GAIN OR LOSS ON DISPOSITION OF PROPERTY, BASIS.

Except as otherwise provided in this chapter, the basis for determining the gain or loss from the sale or other disposition of property acquired on or after January 1, 1933, shall be the cost to the taxpayer of such property, with the following exceptions:

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

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

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

(4) Except as otherwise provided in this clause, the basis of property in the hands of a person acquiring the property from a decedent or to whom the property passed from a decedent shall, if not sold, exchanged or otherwise disposed of before the decedent's death by the person, be the fair market value of the property at the date of decedent's death or, in the case of an election under section 2032 (relating to alternate valuation) of the Internal Revenue Code of 1954, as amended through December 31, 1983, its valuation at the applicable valuation date prescribed by that section, or in the case of an election under section 2032A (relating to valuation of farm real property) of the Internal Revenue Code of 1954, as amended through December 31, 1983, its value determined by that section.

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

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

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

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

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

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

This clause shall not apply to property which constitutes a right to receive an item of income in respect of a decedent under section 290.077.

(5) If substantially identical property was acquired in the place of stocks or securities which were sold or disposed of and in respect of which loss was not allowed as a deduction under section 290.089 or section 290.09, subdivision 5, the basis in the case of property so acquired shall be the same as that provided in section 1091 of the Internal Revenue Code of 1954, as amended through December 31, 1983.

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

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

~~(7) If the property was acquired by the taxpayer as a transfer of property in exchange for the release of the taxpayer's marital rights, the basis of the property shall be the same as it would be if it were being sold or otherwise disposed of by the person who transferred the property to the taxpayer.~~

(8) The basis of property subject to the provisions of section 1034 of the Internal Revenue Code of 1954, as amended through December 31, 1983 (relating to the rollover of gain on sale of principal residence) shall be the same as the basis for federal income tax purposes. The basis shall be increased by the amount of

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gain realized on the sale of a principal residence outside of Minnesota, while a nonresident of this state, which gain was not recognized because of the provisions of section 1034.

Sec. 44. Minnesota Statutes 1984, section 290.18, subdivision 2, is amended to read:

Subd. 2. **FEDERAL INCOME TAX PAYMENTS AND REFUNDS.**
In the case of individuals, estates, or trusts electing to deduct federal income taxes under section 290.088, the adjusted gross net income shall be computed by deducting from the gross income assignable to this state under section 290.17, first the deductions allowed under section 290.089, and second the deduction for allowable federal income taxes determined under the provisions of sections 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, "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, 1983.~~

(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.

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(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.

(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. 45. Minnesota Statutes 1984, section 290.19, subdivision 1, is amended to read:

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

Subdivision 1. **COMPUTATION, BUSINESS CONDUCTED PARTLY WITHIN STATE; APPORTIONMENT.** The taxable net income from a trade or business carried on partly within and partly without this state shall be computed by deducting from the gross income of such business, wherever derived, deductions of the kind permitted by section 290.09, so far as connected with or allocable against the production or receipt of such income. The remaining net income shall be apportioned to Minnesota as follows:

(1) If the business consists of the mining, producing, smelting, refining, or any combination of these activities of copper and nickel ores, or of the manufacture of personal property and the sale of said property within and without the state, the remainder shall be apportioned to Minnesota on the basis of the percentage obtained by taking the arithmetical average of the following three percentages:

(a) The percentage which the sales made within this state is of the total sales wherever made;

(b) The percentage which the total tangible property, real, personal, and mixed, owned or rented, and used by the taxpayer in this state during the tax period in connection with such trade or business is of the total tangible property, real, personal, or mixed, wherever located, owned or rented and, used by the taxpayer in connection with such trade or business during the tax period; and,

(c) The percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with such trade or business is of the taxpayer's total payrolls paid or incurred in connection with such entire trade or business;

(d) The percentage of such remainder to be assigned to this state shall not be in excess of the sum of the following percentages: 70 percent of the percentage determined under clause (1) (a), 15 percent of the percentage determined under clause (1) (b), and 15 percent of the percentage determined under clause (1) (c);

(2) (a) In all other cases the remainder shall be apportioned to Minnesota on the basis of the percentage obtained by taking the arithmetical average of the following three percentages:

(1) The percentage which the sales, gross earnings, or receipts from business operations, in whole or in part, within this state bear to the total sales, gross earnings, or receipts from business operations wherever conducted;

(2) The percentage which the total tangible property, real, personal, and mixed, owned or rented, and used by the taxpayer in this state during the tax period in connection with such trade or business is of the total tangible property, real, personal, or mixed, wherever located, owned, or rented, and used by the taxpayer in connection with such trade or business during the tax period; and

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(3) The percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with such trade or business is of the taxpayer's total payrolls paid or incurred in connection with such entire trade or business;

(4) The percentage of such remainder to be assigned to this state shall not be in excess of the sum of the following percentages: 70 percent of the percentage determined under clause (2) (a) (1), 15 percent of the percentage determined under clause (2) (a) (2), and 15 percent of the percentage determined under clause (2) (a) (3);

(b) If the methods prescribed under clause (2) (a) will not properly reflect taxable net income assignable to the state, there may be used, if practicable and if such use will properly and fairly reflect such income, the percentage which the sales, gross earnings, or receipts from business operations, in whole or in part, within this state bear to the total sales, gross earnings, or receipts from business operations wherever conducted; or the separate or segregated accounting method; however, for athletic teams when the visiting team does not share in the gate receipts, all of the team's income is apportioned to the state in which the team's operation is based;

(3) If the business consists exclusively of the selling of tangible personal property and services in response to orders received by United States mail or telephone, and 100 percent of the taxpayer's property and payroll is within Minnesota, then the taxpayer may apportion net income to Minnesota as provided in clause (1) or (2), except that the percentage applicable in clause (1)(d) or (2)(a)(4) shall be 100 percent of the percentage determined under clause (1)(a) or (2)(a)(1). In determining eligibility for this paragraph, the sale not in the ordinary course of business of tangible or intangible assets used in conducting business activities shall be disregarded.

(4) The sales, payrolls, earnings, and receipts referred to in this section shall be those for the taxable year in respect of which the tax is being computed. The property referred to in this section shall be the average of the property owned or rented and used by the taxpayer during the taxable year in respect of which the tax is being computed. For purposes of computing the property factor referred to in this section, United States government property which is used by the taxpayer shall be considered as being owned by the taxpayer.

Sec. 46. Minnesota Statutes 1984, section 290.21, subdivision 8, is amended 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

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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 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 A~~ corporation's gross income for purposes of ~~this clause paragraphs (b) and (c)~~ 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. 47. Minnesota Statutes 1984, section 290.37, subdivision 1, is amended to read:

Subdivision 1. **PERSONS MAKING RETURNS.** (a) The commissioner of revenue shall annually determine the gross income levels at which individuals, trusts, and estates shall be required to file a return for each taxable year. An individual who is not a Minnesota resident for any part of the year is not required to file a Minnesota income tax return if the individual's Minnesota gross income computed under section 290.06, subdivision 2c, clause ~~(e)(1)~~ (f)(1) is less than the filing requirements for an individual who is a full year resident of Minnesota with the same marital status and number of personal credits.

The decedent's final income tax return, and all other income tax returns for prior years where the decedent had gross income in excess of the minimum amount at which an individual is required to file and did not file, shall be filed by his or her personal representative, if any. If there is no personal representative, the return or returns shall be filed by the transferees as defined in section 290.29, subdivision 3, who receive any property of the decedent.

The trustee or other fiduciary of property held in trust shall file a return with respect to the taxable net income of such trust if that exceeds an amount

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determined by the commissioner if such trust belongs to the class of taxable persons.

Every corporation shall file a return. The commissioner may adopt rules for the filing of one return on behalf of the members of an affiliated group of corporations that are required to file a combined report if the affiliated group includes a corporation subject to tax under section 290.361. The return in this case of a corporation shall be signed by an officer of a person designated by the corporation.

The receivers, trustees in bankruptcy, or assignees operating the business or property of a taxpayer shall file a return with respect to the taxable net income of such taxpayer if that exceeds an amount on which a tax at the rates herein provided would exceed the specific credits allowed a return is required.

(b) Such return shall (1) ~~be verified or~~ contain a written declaration that it is made under the penalties of criminal liability for willfully making a false return correct and complete, and (2) shall contain language prescribed by the commissioner providing a confession of judgment for the amount of the tax shown due thereon to the extent not timely paid.

(c) For purposes of this subdivision the term "gross income" shall mean gross income as defined in section 61 of the Internal Revenue Code of 1954, as amended through December 31, 1983, modified and adjusted in accordance with the provisions of sections 290.01, subdivision 20b, clauses (1), (6), ~~and (10) (7),~~ and (8), 290.08, and 290.17.

Sec. 48. Minnesota Statutes 1984, section 290.38, is amended to read:

290.38 JOINT RETURNS OF HUSBAND AND WIFE MARRIED PERSONS.

A husband and wife may make a single return jointly even though one of the spouses has neither gross income nor deductions must file a joint Minnesota income tax return if they filed a joint federal income tax return. If a joint return is made the tax shall be computed on the aggregate income and the liability with respect to the tax shall be joint and several. If both the husband and wife have gross income elected to file separate federal income tax returns they may elect to either file a single return jointly or may must file separate Minnesota income tax returns pursuant to this section or as provided in section 290.39, subdivision 2. This election to file a joint or separate returns may must be changed within the period provided for the assessment of additional taxes on said return or returns if they change their election for federal purposes. In the event taxpayers desire to change their election, such change shall be done in the manner and on such form as the commissioner shall prescribe by regulation rule.

No joint return shall be made if the husband and wife have different taxable years; except that if such taxable years begin on the same day and end on

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different days because of the death of either or of both, then the joint return may be made with respect to the taxable year of each. The above exception shall not apply if the surviving spouse remarries before the close of his taxable year or if the taxable year of either spouse is a fractional part of a year under section 290.32. The determination of whether an individual is married is made as of the close of that person's taxable year; except that if that person's spouse dies during the taxable year the determination is made as of the time of the death. An individual who is legally separated from a spouse under a decree of divorce, dissolution, or of separate maintenance is not considered to be married.

In the case of the death of one spouse or both spouses the joint return with respect to the decedent may be made only by the personal representative of his estate; except that in the case of the death of one spouse the joint return may be made by the surviving spouse with respect to both himself and the decedent if (a) no return for the taxable year has been made by the decedent, (b) no personal representative has been appointed, and (c) no personal representative is appointed before the last day prescribed by law for filing the return of the surviving spouse. If a personal representative of the estate of the decedent is appointed after the joint return has been filed by the surviving spouse, the personal representative may disaffirm such joint return by filing, within one year after the last day prescribed by law for filing the return of the surviving spouse, a separate return for the taxable year of the decedent with respect to which the joint return was made, in which case the return made by the survivor shall constitute his separate return provided that the election has been also disaffirmed for federal purposes.

If husband and wife determine their federal income tax on a joint return but determine their Minnesota income taxes separately, they shall determine their Minnesota gross income separately as if their federal adjusted gross incomes had been determined separately.

Sec. 49. Minnesota Statutes 1984, section 290.41, subdivision 2, is amended to read:

Subd. 2. BY PERSONS, CORPORATIONS, COOPERATIVES, GOVERNMENTAL ENTITIES OR SCHOOL DISTRICTS. Every person, corporation, or cooperative, the state of Minnesota and its political subdivisions, and every city, county and school district in Minnesota, making payments in the regular course of a trade or business during the taxable year to any person or corporation of \$600 or more on account of rents or royalties, or of \$10 or more on account of interest, or \$10 or more on account of dividends or patronage dividends, or \$600 or more on account of either wages, salaries, commissions, fees, prizes, awards, pensions, annuities, or any other fixed or determinable gains, profits or income, not otherwise reportable under section 290.92, subdivision 7, or on account of earnings of \$10 or more distributed to its members by savings, building and loan associations or credit unions chartered under the laws of this state or the United States, (a) shall make a return (except in cases where a valid

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agreement to participate in the combined federal and state information reporting system has been entered into, and such return is therefore filed only with the commissioner of internal revenue pursuant to the applicable filing and informational reporting requirements of the Internal Revenue Code of 1954 as amended through December 31, 1983) in respect to such payments in excess of the amounts specified, giving the names and addresses of the persons to whom such payments were made, the amounts paid to each, and (b) shall make a return in respect to the total number of such payments and total amount of such payments, for each category of income specified, which were in excess of the amounts specified. This subdivision shall not apply to the payment of interest or dividends to a person who was a nonresident of Minnesota for the entire year.

A person, corporation, or cooperative required to file returns under this subdivision on interest, dividends, or patronage dividend payments with respect to more than 50 payees for any calendar year must file all of these returns on magnetic media unless the person establishes to the satisfaction of the commissioner that compliance with this requirement would be an undue hardship.

Upon request from the commissioner, any public pension plan as defined in section 356.61 in which the employer picks up the employee contributions under section 356.62 shall furnish the commissioner, on magnetic media to the extent possible, with the name, address, and social security number of each employee who participated in the plan during that calendar year for which picked up contributions were made.

Sec. 50. [290.491] TAX ON GAIN; DISCHARGE IN BANKRUPTCY.

Any tax due under this chapter on a gain realized on a forced sale pursuant to foreclosure of a mortgage or other security interest in agricultural production property, other real property, or equipment, used in a farm business that was owned and operated by the taxpayer shall be a dischargeable debt in a bankruptcy proceeding under United States Code, title 11, section 727. A gain realized on a sale of agricultural production property, other real property, or equipment, used in a farm business that was owned and operated by the taxpayer shall be exempt from taxation under this chapter, if the taxpayer was insolvent at the time of the sale and the proceeds of the sale were used solely to discharge indebtedness secured by a mortgage, lien or other security interest on the property sold. For purposes of this section, "insolvent" means insolvent as defined in section 108(d)(3) of the Internal Revenue Code of 1954, as amended through December 31, 1984.

Sec. 51. Minnesota Statutes 1984, section 290.50, subdivision 5, is amended to read:

Subd. 5. **OVERPAYMENTS; CREDITS AND REFUNDS.** (a) If the amount allowable as a credit under section 290.92, subdivision 12 (relating to

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credit for tax withheld at source) or an amount determined to be an overpayment under section 290.93, subdivision 9, or 290.936 exceeds the taxes imposed by this chapter against which such credit is allowable the amount of such excess shall be considered an overpayment. An amount paid as tax shall constitute an overpayment even if in fact there was no tax liability with respect to which such amount was paid.

(b) Notwithstanding any other provision of law to the contrary, in the case of any overpayment the commissioner, within the applicable period of limitations, may credit the amount of such overpayment against any liability in respect of Minnesota income tax on the part of the person who made the overpayment or against any liability in respect to Minnesota income tax on the part of either spouse who shall have filed a joint ~~or combined~~ return for the taxable year in which the overpayment was made and shall refund any balance of more than one dollar to such person if the taxpayer shall so request.

The commissioner is authorized to prescribe rules providing for the crediting against the estimated income tax for any taxable year of the amount determined by the commissioner to be an overpayment of the income tax for a preceding taxable year.

Sec. 52. Minnesota Statutes 1984, section 290.50, subdivision 6, is amended to read:

Subd. 6. **WITHHOLDING OF REFUNDS FROM CHILD SUPPORT DEBTORS.** Upon a finding by a court of this state that a person obligated to pay child support is delinquent in making payments, the amount of child support unpaid and owing including attorneys fees and costs incurred in ascertaining or collecting child support shall be withheld from a refund due the person under this section. The public agency responsible for child support enforcement or the parent or guardian of a child for whom the support, attorneys fees and costs are owed may petition the district or county court for an order providing for the withholding of the amount of child support, attorneys fees and costs unpaid and owing as determined by court order. The person from whom the refund may be withheld shall be notified of the petition pursuant to the rules of civil procedure prior to the issuance of an order pursuant to this subdivision. The order may be granted on a showing to the court that required support payments, attorneys fees and costs have not been made when they were due.

On order of the court, the money shall be withheld by the commissioner from the refund due to the person obligated to pay and the amount withheld shall be remitted to the public agency responsible for child support enforcement or to the parent or guardian petitioning on behalf of the child, provided that any delinquent tax obligations of the taxpayer owed to the revenue department shall be satisfied first. Any amount received by the responsible public agency or the petitioning parent or guardian in excess of the amount of public assistance expended for the benefit of the child to be supported, or the amount of any

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support, attorneys fees and costs that had been the subject of the claim pursuant to this subdivision which has been paid by the taxpayer prior to the diversion of the refund, shall be remitted to the person entitled to the money. If the refund is based on a joint ~~or combined~~ return, the portion of the refund that shall be remitted to the petitioner shall be the proportion of the total refund that equals the proportion of the total federal adjusted gross income of the spouses that is the federal adjusted gross income of the spouse who is delinquent in making the child support payments. A petition filed pursuant to this subdivision shall be in effect with respect to any refunds due under this section until the support money, attorneys fees and costs have been paid in full or the court orders the commissioner to discontinue withholding the money from the refund due the person obligated to pay the support, attorneys fees and costs. If a petition is filed pursuant to this subdivision and a claim is made pursuant to chapter 270A with respect to the same individual's refund and notices of both are received prior to the time when payment of the refund is made on either claim, the claim relating to the liability that accrued first in time shall be paid first; any amount of the refund remaining shall then be applied to the other claim. The provisions of section 290.61 shall not prohibit the exchange of information among the department, the petitioner, and the court to the extent necessary to accomplish the intent of this subdivision.

Sec. 53. Minnesota Statutes 1984, section 290.92, subdivision 2a, is amended to read:

Subd. 2a. **COLLECTION AT SOURCE. (1) DEDUCTIONS.** Every employer making payment of wages shall deduct and withhold upon such wages a tax as provided in this section.

(2) **WITHHOLDING ON PAYROLL PERIOD.** The employer shall withhold the tax on the basis of each payroll period or as otherwise provided in this section.

(3) **WITHHOLDING TABLES.** Unless the amount of tax to be withheld is determined as provided in subdivision 3, the amount of tax to be withheld for each individual shall be based upon tables to be prepared and distributed by the commissioner. The tables shall be computed for the several permissible withholding periods and shall take account of exemptions allowed under this section; and the amounts computed for withholding shall be such that the amount withheld for any individual during his taxable year shall approximate in the aggregate as closely as possible the tax which is levied and imposed under this chapter for that taxable year, upon his salary, wages, or compensation for personal services of any kind for the employer, and shall take into consideration the allowable optional deduction for federal income tax and the deduction allowable under section 290.089, subdivision 3, and the personal credits allowed against the tax.

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

(4) **MISCELLANEOUS PAYROLL PERIOD.** If wages are paid with respect to a period which is not a payroll period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days, including Sundays and holidays, equal to the number of days in the period with respect to which such wages are paid.

(5) **MISCELLANEOUS PAYROLL PERIOD.** (a) In any case in which wages are paid by an employer without regard to any payroll period or other period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days equal to the number of days, including Sundays and holidays, which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

(b) In any case in which the period, or the time described in clause (a), in respect of any wages is less than one week, the commissioner, under regulations prescribed by him, may authorize an employer to determine the amount to be deducted and withheld under the tables applicable in the case of a weekly payroll period, in which case the aggregate of the wages paid to the employee during the calendar week shall be considered the weekly wages.

(6) **WAGES COMPUTED TO NEAREST DOLLAR.** If the wages exceed the highest bracket, in determining the amount to be deducted and withheld under this subdivision, the wages may, at the election of the employer, be computed to the nearest dollar.

(7) **REGULATIONS ON WITHHOLDING.** The commissioner may, by regulations rule, authorize employers:

(a) To estimate the wages which will be paid to any employee in any quarter of the calendar year;

(b) To determine the amount to be deducted and withheld upon each payment of wages to such employee during such quarter as if the appropriate average of the wages so estimated constituted the actual wages paid; and

(c) To deduct and withhold upon any payment of wages to such employee during such quarter such amount as may be necessary to adjust the amount actually deducted and withheld upon wages of such employee during such quarter to the amount required to be deducted and withheld during such quarter without regard to this paragraph (7).

(8) **ADDITIONAL WITHHOLDING.** The commissioner is authorized to provide by rule for increases or decreases in the amount of withholding otherwise required under this section in cases where the employee requests the changes. Such additional withholding shall for all purposes be considered tax required to be deducted and withheld under this section.

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

(9) **TIPS.** In the case of tips which constitute wages, this subdivision shall be applicable only to such tips as are included in a written statement furnished to the employer pursuant to section 6053 of the Internal Revenue Code of 1954, as amended through December 31, 1983, and only to the extent that the tax can be deducted and withheld by the employer, at or after the time such statement is so furnished and before the close of the calendar year in which such statement is furnished, from such wages of the employee (excluding tips, but including funds turned over by the employee to the employer for the purpose of such deduction and withholding) as are under the control of the employer; and an employer who is furnished by an employee a written statement of tips (received in a calendar month) pursuant to section 6053 of the Internal Revenue Code of 1954 as amended through December 31, 1983 to which subdivision 1 is applicable may deduct and withhold the tax with respect to such tips from any wages of the employee (excluding tips) under his control, even though at the time such statement is furnished the total amount of the tips included in statements furnished to the employer as having been received by the employee in such calendar month in the course of his employment by such employer is less than \$20. Such tax shall not at any time be deducted and withheld in an amount which exceeds the aggregate of such wages and funds as are under the control of the employer minus any tax required by other provisions of state or federal law to be collected from such wages and funds.

Sec. 54. Minnesota Statutes 1984, section 290.92, subdivision 18, is amended to read:

Subd. 18. **RETURNS; CONFESSION OF JUDGMENT.** Any return that is required to be filed with the commissioner of revenue under this section shall (a) contain a written declaration that it is ~~made under the penalties of criminal liability for wilfully making a false return~~ correct and complete, and (b) shall contain language prescribed by the commissioner providing a confession of judgment for the amount of the tax shown due thereon to the extent not timely paid.

Sec. 55. Minnesota Statutes 1984, section 290.92, subdivision 19, as amended by Laws 1985, chapter 210, article 1, section 14, is amended to read:

Subd. 19. **EMPLOYEES INCURRING NO INCOME TAX LIABILITY.** Notwithstanding any other provision of this section, except the provisions of subdivision 5a, an employer shall not be required to deduct and withhold any tax under this chapter upon a payment of wages to an employee if there is in effect with respect to such payment a withholding exemption certificate, in such form and containing such other information as the commissioner may prescribe, furnished to the employer by the employee certifying that the employee

(a) incurred no liability for income tax imposed under this chapter for his preceding taxable year, and

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(b) anticipates that he will incur no liability for income tax imposed under this chapter for his current taxable year. ~~When an employee anticipates no liability for the current taxable year because of the provision contained in section 290.06, subdivision 3d, no withholding shall be required, clause (a) notwithstanding, except for the provisions of subdivision 5a.~~ The commissioner shall by rule provide for the coordination of the provisions of this subdivision with the provisions of subdivision 7.

Sec. 56. Minnesota Statutes 1984, section 290.92, subdivision 21, is amended to read:

Subd. 21. **EXTENSION OF WITHHOLDING TO UNEMPLOYMENT COMPENSATION BENEFITS.** For purposes of this section, any supplemental unemployment compensation benefit paid to an individual to the extent includable in such individual's Minnesota ~~adjusted~~ gross income, shall be treated as if it were a payment of wages by an employer to an employee for a payroll period.

Sec. 57. Minnesota Statutes 1984, section 290.931, subdivision 1, is amended to read:

Subdivision 1. **REQUIREMENTS OF DECLARATION.** Every corporation subject to taxation under this chapter (excluding section 290.92) shall make a declaration of estimated tax for the taxable year if its tax liability so computed can reasonably be expected to exceed \$1,000, or in accordance with rules prescribed by the commissioner for an affiliated group of corporations electing to file one return as permitted by rules prescribed under section 290.37, subdivision 1.

Sec. 58. Minnesota Statutes 1984, section 290A.03, subdivision 3, as amended by Laws 1985, chapter 210, article 2, section 9, is amended to read:

Subd. 3. **INCOME.** (1) "Income" means the sum of the following:

(a) federal adjusted gross income as defined in the Internal Revenue Code of 1954 as amended through ~~December 31, 1983~~ May 25, 1985; and

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

(i) additions to federal adjusted gross income as provided in Minnesota Statutes, section 290.01, subdivision 20a, clauses (1), (2), (3), and (4), ~~(9), (10), and (14)~~;

(ii) all nontaxable income;

(iii) recognized net long term capital gains;

(iv) dividends ~~and interest~~ excluded from federal adjusted gross income under section 116 ~~or 128~~ of the Internal Revenue Code of 1954;

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(v) cash public assistance and relief;

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

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

(viii) workers' compensation;

(ix) unemployment benefits;

(x) nontaxable strike benefits;

(xi) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise; and

(xii) the ordinary income portion of a lump sum distribution under section 402(e) of the Internal Revenue Code of 1954.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carryback.

(2) "Income" does not include

(a) amounts excluded pursuant to the Internal Revenue Code, Sections 101(a), 102, 117, and 121;

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

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

(d) relief granted under this chapter; or

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

(f) ~~federal adjusted gross income shall be reduced by wage or salary expense which is not allowed as a deduction under provisions of section 280C of the Internal Revenue Code of 1954.~~

Sec. 59. **REPEALER.**

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

(a) Minnesota Statutes 1984, sections 41.58, subdivision 3; 41.59, subdivisions 2 and 3; 62E.03, subdivision 2; 290.01, subdivisions 20c and 26; 290.012; 290.06, subdivision 3d, as amended by Laws 1985, chapter 210, article 2, section 1, subdivisions 3e, 14, 16, 17, 18, and 19; 290.077, subdivision 4; 290.08, subdivisions 23 and 24; 290.089, subdivisions 4 and 6; 290.09, subdivision 29; 290.101, as amended by Laws 1985, chapter 210, article 2, section 4; 290.18, subdivision 4; 290.39, subdivision 2; 290.41, subdivision 5; Laws 1982, chapter 523, article VII, section 3; and Laws 1984, chapter 502, article 2, section 4, are repealed.

(b) Minnesota Statutes 1984, section 290.069, subdivision 4 is repealed.

Sec. 60. CARRYOVER OF FARM LOSS DEDUCTION.

Any remaining balance of the deductions attributable to farming, after any carryback or carryover deductions allowed under Minnesota Statutes 1984, section 290.09, subdivision 29 in taxable years beginning before January 1, 1985, may be carried forward to taxable years beginning after December 31, 1984. The deductions carried over to taxable years beginning after December 31, 1984, shall be allowed in an amount up to gross income or, in the case of a corporation, taxable net income. The term "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, 1984.

For purposes of this section, "remaining balance" means the amount that would be allowable under the carryover provisions of Minnesota Statutes 1984, section 290.09, subdivision 29, paragraph (c), for taxable year 1985, if the income limitations under Minnesota Statutes 1984, section 290.09, subdivision 29, were not applicable. The carryover deduction provided in this section is deductible in computing alternative minimum taxable income for purposes of section 290.091.

Sec. 61. EFFECTIVE DATE.

Except as otherwise provided, sections 1 to 23, 31 to 44, 46 to 49, 51 to 56, 59, paragraph (a), and 60 are effective for taxable years beginning after December 31, 1984. Sections 24, 25, and 29 are effective for taxable years beginning after December 31, 1985. The provisions of Minnesota Statutes 1984, section 290.069, subdivisions 1 to 3, and 4a to 7 remain in effect as amended, provided that the credits are repealed as provided in section 29. Section 59, paragraph (b) is effective for qualified small businesses certified after June 30, 1985 and for stock purchased after June 30, 1985 and the provisions of sections 26 to 30 conforming to the repeal of Minnesota Statutes, section 290.069, subdivision 4, are effective at the same time. The amendment to Minnesota Statutes 1984, section 290.10, clause (8) in section 41 changing the percentage of deductible self-employment tax is effective for taxable years beginning after December 31, 1985. Section 45 is effective for taxable years beginning after December 31, 1984 and before January 1, 1989. Sections 50, 57 and the

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amendment to Minnesota Statutes 1984, section 290.37, subdivision 1, paragraph (a), in section 47, authorizing the adoption of rules, are effective the day after final enactment. The provision in section 58, clause(1)(a), updating the reference to the Internal Revenue Code, is effective for claims based on rent paid in 1984 and thereafter and property taxes payable in 1985 and thereafter. The balance of section 58 is effective for claims based on rent paid in 1985 and thereafter and property taxes payable in 1986 and thereafter.

ARTICLE 2 SALES AND EXCISE TAXES

Section 1. Minnesota Statutes 1984, section 296.01, subdivision 24, is amended to read:

Subd. 24. **AGRICULTURAL ALCOHOL GASOLINE.** "Agricultural alcohol gasoline" means a gasoline blend at least up to ten percent of which is agriculturally derived fermentation ethyl alcohol ethanol of a purity of at least 99 percent, determined without regard to any added denaturants, denatured in conformity with one of the approved methods set forth by the United States Department of Treasury, Bureau of Alcohol, Tobacco and Firearms, and derived from agricultural products such as cereal grains, cheese whey, sugar beets, or forest products or other renewable resources, distilled in the United States and derived from agricultural products produced in the United States.

Sec. 2. Minnesota Statutes 1984, section 296.02, subdivision 7, is amended to read:

Subd. 7. **TAX REDUCTION FOR AGRICULTURAL ALCOHOL GASOLINE.** The tax on gasoline imposed by subdivision 1 shall be reduced by two cents per gallon beginning July 1, 1983, and continuing through June 30, 1985, and four cents per gallon beginning July 1, 1985, and continuing through June 30, 1992, for gasoline which is agricultural alcohol gasoline as defined in section 296.01, subdivision 24, which is blended by a distributor with alcohol distilled in the United States from agricultural products produced in the United States, and which is used on the public highways of this state. The tax imposed by this subdivision shall be payable at the same time, and collected in the same manner, as the tax imposed by subdivision 1. A distributor shall be allowed a credit on each gallon of fuel grade alcohol commercially blended with gasoline or blended in a tank truck with gasoline on which the tax imposed by subdivision 1 is due and payable. The amount of the credit is 40 cents for every gallon of fuel-grade alcohol blended with gasoline to produce agricultural alcohol gasoline. The credit allowed a distributor must not exceed the total tax liability under subdivision 1. The tax credit received by a distributor on alcohol blended with motor fuels shall be passed on to the retailer.

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Sec. 3. Minnesota Statutes 1984, section 296.02, subdivision 8, is amended to read:

Subd. 8. **TAX REDUCTION FOR AGRICULTURAL ALCOHOL GASOLINE SOLD IN BULK TO GOVERNMENT OR FOR SCHOOL TRANSPORTATION.** The tax on gasoline imposed by subdivision 1 shall be reduced by eight cents per gallon beginning January 1, 1984, and continuing through June 30, 1992, for gasoline which is agricultural alcohol gasoline as defined in section 296.01, subdivision 24, meets the criteria established in subdivision 7, and A distributor shall be allowed a credit of 80 cents for every gallon of fuel grade alcohol blended with gasoline to produce agricultural alcohol gasoline which is sold in bulk to the state, local units of government, or for use in the transportation of pupils to and from school or school-related events in school buses vehicles. This reduction is in lieu of the reductions provided in subdivision 7.

Sec. 4. Minnesota Statutes 1984, section 296.18, subdivision 1, as amended by Laws 1985, chapter 248, section 50, 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 a qualifying purpose other than use in motor vehicles, snowmobiles, or motorboats, or special fuel for 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 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. 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:

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(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.

(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.

(3) Gasoline or special fuel placed in the fuel tanks of new motor vehicles, manufactured in Minnesota, and shipped by interstate carrier to destinations in other states or foreign countries.

Sec. 5. Minnesota Statutes 1984, section 296.22, subdivision 13, is amended to read:

Subd. 13. **GASOLINE-ALCOHOL BLENDS; IDENTIFICATION.** When gasoline blended with alcohol is sold, offered for sale, or dispensed for use in motor vehicles, the dispenser shall be clearly marked to identify each type of alcohol, if more than one percent by volume, blended with the gasoline. The marking shall consist of a white or yellow adhesive decal not less than two inches by six inches with clearly printed black lettering not less than one-half inch high and one-eighth inch in stroke. The marking shall be conspicuously displayed on the front side of the dispenser and state that the gasoline "CONTAINS ETHANOL" or "CONTAINS METHANOL" or has been improved "WITH ETHANOL ENRICHMENT." This subdivision does not prohibit the posting of other alcohol or additive information.

Sec. 6. Minnesota Statutes 1984, 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

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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 including chain saws used for logging only if the engine displacement equals or exceeds five cubic inches, 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. 7. Minnesota Statutes 1984, section 297A.02, subdivision 2, is amended to read:

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

Sec. 8. Minnesota Statutes 1984, 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, a use tax is imposed on every person in this state at the rate of six percent of the sales price of sales at retail unless the tax imposed by section 297A.02 was paid on the sales price. Notwithstanding the provisions of the preceding sentence, the rate of the use tax imposed upon the sales price of sales of ~~farm machinery~~, special tooling, and capital equipment is four percent and upon the sales price of sales of farm machinery is two 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. 9. Minnesota Statutes 1984, 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,

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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 noncarbonated 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

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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;

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

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

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

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

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

(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

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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. Electricity used to make snow for outdoor use for ski hills, ski slopes, or ski trails is included in this exemption;

(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

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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 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;~~

(e) 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

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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)~~ (o) 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 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)~~ (p) The gross receipts from the sale of caskets and burial vaults;

~~(r)~~ (q) 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)~~ (r) 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)~~ (s) 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)~~ (t) 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

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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)~~ (u) 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)~~ (v) 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;

(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)~~ (w) 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)~~ (x) 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;

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

(aa) (z) 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;

(bb) (aa) The gross receipts from the sale of equipment used for processing solid or hazardous waste at a resource recovery facility, as defined in section 115A.03, subdivision 28;

(bb) The gross receipts from the sale of repair and replacement parts, except tires, used for maintenance or repair of farm machinery, if the part replaces a farm machinery part assigned a specific or generic part number by the manufacturer of the farm machinery;

(cc) The gross receipts from sales of tickets or admissions to regular season school games, events, and activities. For purposes of this clause, "school" has the meaning given it in section 120.10, subdivision 2.

Sec. 10. [297A.256] EXEMPTIONS FOR CERTAIN NONPROFIT GROUPS.

Notwithstanding the provisions of this chapter, the following sales made by a "nonprofit organization" are exempt from the sales and use tax.

(a) All sales made by an organization for fundraising purposes if that organization exists solely for the purpose of providing educational or social activities for young people primarily age 18 and under. This exemption shall apply only if the gross annual sales receipts of the organization from fundraising do not exceed \$10,000.

(b) All sales made by an organization for fundraising purposes if that organization is a senior citizen group which qualifies for exemption on its purchases pursuant to section 297A.25, subdivision 1, clause (o). This exemption shall apply only if the gross annual sales receipts of the organization from fundraising do not exceed \$10,000.

(c) The gross receipts from the sales of tangible personal property at, admission charges for, and sales of food, meals, or drinks at fundraising events sponsored by a nonprofit organization when the entire proceeds, except for the necessary expenses therewith, will be used solely and exclusively for charitable, religious, or educational purposes. This exemption does not apply to admission charges for events involving bingo or other gambling activities or to charges for use of amusement devices involving bingo or other gambling activities. For purposes of this clause, a "nonprofit organization" means any unit of government, corporation, society, association, foundation, or institution organized and operated for charitable, religious, educational, civic, fraternal, senior citizens' or

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veterans' purposes, no part of the net earnings of which enures to the benefit of a private individual.

If the profits are not used solely and exclusively for charitable, religious, or educational purposes, the entire gross receipts are subject to tax.

Each nonprofit organization shall keep a separate accounting record, including receipts and disbursements from each fundraising event. All deductions from gross receipts must be documented with receipts and other records. If records are not maintained as required, the entire gross receipts are subject to tax.

The exemption provided by this section does not apply to any sale made by or in the name of a nonprofit corporation as the active or passive agent of a person that is not a nonprofit corporation.

The exemption for fundraising events under this section is limited to no more than 24 days a year. Fundraising events conducted on premises leased or occupied for more than four days but less than 30 days do not qualify for this exemption.

Sec. 11. Minnesota Statutes 1984, section 297B.02, is amended to read:

297B.02 TAX IMPOSED.

Subdivision 1. RATE. There is imposed an excise tax at the rate provided in chapter 297A on the purchase price of any motor vehicle purchased or acquired, either in or outside of the state of Minnesota, which is required to be registered under the laws of this state.

Subd. 2. IN LIEU TAX. In lieu of the tax imposed in subdivision 1, there is imposed a tax of \$10 on the purchase price of any passenger automobile described in section 12.

Sec. 12. [297B.025] OLDER PASSENGER AUTOMOBILES.

Purchase or use of a passenger automobile as defined in section 168.011, subdivision 7, shall be taxed pursuant to section 297B.02, subdivision 2, if the passenger automobile is (1) in the tenth or subsequent year of vehicle life, (2) is currently registered in Minnesota other than registration under section 168.10, subdivisions 1a, 1b, 1c, and 1d, and (3) is not an above-market automobile as designated by the registrar of motor vehicles.

The registrar of motor vehicles shall prepare, and distribute to all deputy motor vehicle registrars by July 15, 1985, a listing by make, model, and year of above-market automobiles. The registrar must include in the list all automobiles with a resale value of \$3,000 or more, as determined using nationally recognized sources of information on automobile resale values. The registrar shall revise the list by February 1 of each year. The initial list and all subsequent revisions must

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include only those automobiles which are in the tenth or subsequent year of vehicle life.

Sec. 13. Minnesota Statutes 1984, 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)~~ (o) and ~~(r)~~ (q).

(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. 14. Minnesota Statutes 1984, section 297C.02, as added by Laws 1985, chapter 305, article 2, section 2, is amended to read:

297C.02 TAX IMPOSED.

Subdivision 1. **DISTILLED SPIRITS AND WINE.** There is imposed on all distilled spirits and wine manufactured, imported, sold, or possessed in this state the following excise tax:

	Standard	Metric
(a) Distilled spirits, liqueurs, cordials, and specialties regardless of alcohol content (excluding ethyl alcohol)	\$4.39 per gallon	\$1.16 per liter

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(b) Wine containing 14 percent or less alcohol by volume	\$.27 per gallon	\$.07 per liter
(c) Wine containing more than 14 percent but not more than 21 percent alcohol by volume	\$.79 per gallon	\$.21 per liter
(d) Wine containing more than 21 percent but not more than 24 percent alcohol by volume	\$1.58 per gallon	\$.42 per liter
(e) Wine containing more than 24 percent alcohol by volume	\$3.08 per gallon	\$.81 per liter
(f) Natural and artificial sparkling wines containing alcohol	\$1.50 per gallon	\$.40 per liter

The metric tax is imposed on all products taxable under this subdivision when the net contents are stated in metric units of measure.

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

The tax on miniatures of two fluid ounces or less or 50 milliliters or less is 12 cents.

The commissioner of revenue may establish by rule a date and procedure for the conversion of excise tax computation and reporting from rates expressed in gallons to rates expressed in metric volumes. The official conversion factor is one liter equals 0.264172 U.S. gallons.

Subd. 2. **FERMENTED MALT BEVERAGES.** There is imposed on the direct or indirect sale of fermented malt beverages the following excise tax:

(1) On fermented malt beverages containing not more than 3.2 percent alcohol by weight, \$2 per barrel of 31 gallons;

(2) On fermented malt beverages containing more than 3.2 percent alcohol by weight, \$4 per barrel of 31 gallons.

The tax is at a proportional rate for fractions of a barrel of 31 gallons.

Subd. 3. **TAX CREDIT.** A qualified brewer producing fermented malt beverages is entitled to a tax credit of ~~\$2~~ \$4 per barrel on ~~the first~~ 25,000 barrels sold in any fiscal year beginning July 1, regardless of the alcohol content of the

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product. Qualified brewers may take the credit on the 15th day of each month, but the total credit allowed may not exceed the allowable credit on more than 25,000 barrels produced and sold in Minnesota in any fiscal year the lesser of (a) the liability for tax or (b) \$100,000.

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

Sec. 15. Minnesota Statutes 1984, section 477A.018, is amended to read:

477A.018 ~~CITY~~ LOCAL LODGING TAX.

Subdivision 1. **AUTHORIZATION.** Notwithstanding section 477A.016 or any other law, a statutory or home rule charter city may by ordinance, and a town may by vote at its annual meeting, impose a tax of up to three percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or ~~other use of space by a transient resort,~~ other than the renting or leasing of it for a continuous period of 30 days or more. A statutory or home rule charter city may by ordinance impose the tax authorized under this subdivision on the camping site receipts of a municipal campground.

Subd. 2. **EXISTING TAXES.** No statutory or home rule charter city or town may impose a tax under this section upon transient lodging that, when combined with any tax authorized by special law or enacted prior to 1972, exceeds a rate of three percent.

Subd. 3. **DISPOSITION OF PROCEEDS.** Ninety-five percent of the gross proceeds from any tax imposed under subdivision 1 shall be used by the statutory or home rule charter city or town to fund a local convention or tourism bureau for the purpose of marketing and promoting the city or town as a tourist or convention center. This subdivision shall not apply to any statutory or home rule charter city or town that has a lodging tax authorized by special law or enacted prior to 1972 at the time of enactment of this section.

Subd. 4. **UNORGANIZED TERRITORIES.** A county board acting as a town board with respect to an unorganized territory may impose a lodging tax within the unorganized territory according to this section if it determines by resolution that imposition of the tax is in the public interest.

Subd. 5. **REVERSE REFERENDUM.** If the county board passes a resolution under subdivision 4 to impose the tax, the resolution must be published for two successive weeks in a newspaper of general circulation within the

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unorganized territory, together with a notice fixing a date for a public hearing on the proposed tax.

The hearing must be held not less than two weeks nor more than four weeks after the first publication of the notice. After the public hearing, the county board may determine to take no further action, or may adopt a resolution authorizing the tax as originally proposed or approving a lesser rate of tax. The resolution must be published in a newspaper of general circulation within the unorganized territory. The voters of the unorganized territory may request a referendum on the proposed tax by filing a petition with the county auditor within 30 days after the resolution is published. The petition must be signed by voters who reside in the unorganized territory. The number of signatures must equal at least five percent of the number of persons voting in the unorganized territory in the last general election. If such a petition is timely filed, the resolution is not effective until it has been submitted to the voters residing in the unorganized territory at a general or special election 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.

Subd. 6. JOINT POWERS AGREEMENTS. Any statutory or home rule charter city, town, or county when the county board is acting as a town board with respect to an unorganized territory, may enter into a joint exercise of powers agreement pursuant to section 471.59 for the purpose of imposing the tax and disposing of its proceeds pursuant to this section.

Sec. 16. Laws 1985, chapter 83, section 7, is amended to read:

Sec. 7. EFFECTIVE DATE.

Sections 1 to 3 are effective the day following final enactment, except that section 1 does not apply to written contracts entered into before July 1, 1985, or to written bids submitted for contracts before July 1, 1985. Sections 4 and 5 are effective July 1, 1985. Section 6 is effective for sales tax paid on electricity billed on or after January 1, 1987.

Sec. 17. EFFECTIVE DATE.

Sections 1 to 3 and 5 are effective July 1, 1986. Sections 11 and 12 are effective for sales and transfers made after July 31, 1985. Section 14 is effective August 1, 1985. Sections 6 to 10 are effective for sales occurring after June 30, 1985, except that the amendment in section 9 eliminating the exemption for sales of telephone equipment is effective for sales after December 31, 1986. Section 13 is effective January 1, 1987. Section 4 applies to gasoline or special fuels placed in the fuel tanks of new motor vehicles under the circumstances described in section 296.18, subdivision 1, clause (3), on or after July 1, 1982. Section 4 shall not become effective unless the commissioner of revenue and any manufacturer of motor vehicles in Minnesota with pending gasoline or special fuel excise tax

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litigation execute an agreement to settle the litigation under terms and conditions satisfactory to the commissioner and the motor vehicle manufacturer before the governor approves this act. Section 16 is effective May 9, 1985.

ARTICLE 3 PROPERTY TAX

Section 1. Minnesota Statutes 1984, section 124.2131, subdivision 3, is amended to read:

Subd. 3. **DECREASE IN IRON ORE ASSESSED VALUE.** (1) ~~RE-DETERMINATION OF ASSESSED VALUE.~~ If in any year the assessed value of any district is less than the assessed value of the immediate preceding year, the equalization aid review committee shall, upon notification by the county assessor prior to October 16 of that assessment year, redetermine for all purposes the adjusted assessed value of the immediate preceding year taking into account the decrease in assessed value. On or before November 1 of the assessment year, the equalization aid review committee shall file the redetermined adjusted assessed value with the commissioner of education who shall thereupon certify to the county auditors and school districts affected the redetermined adjusted assessed value and the appropriate levy limits of the school districts affected pursuant to section 275.125, subdivision 10. Notwithstanding section 275.07, the districts affected may certify the taxes voted to the county auditor on or before December 1.

(2) **IRON ORE VALUE.** If in any year the assessed value of class 1 and class 1a property, as defined in section 273.13, subdivision 2, in any district is less than the assessed value of such property in the immediately preceding year, the equalization aid review committee shall redetermine for all purposes the adjusted assessed value of the immediately preceding year taking into account only the decrease in assessed value of class 1 and class 1a property. If subdivision 2, clause (a) is applicable to such a district, the decrease in class 1 and class 1a property shall be applied to the adjusted assessed value as limited therein. In all other respects, the provisions of clause (1) shall be applicable.

Sec. 2. Minnesota Statutes 1984, 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 ~~33~~ 36 percent of the tax levy imposed on up to 320 acres of land including the buildings and structures thereon but excluding all dwellings and an acre of land for each dwelling. 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

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equal to 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 be reduced by an amount equal to ~~ten~~ 26 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 on timber land classified pursuant to section 273.13, subdivision 8a shall be reduced by an amount equal to 26 percent of the tax levy imposed on the property. The tax on 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 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 \$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. 3. Minnesota Statutes 1984, section 272.02, subdivision 1, as amended by Laws 1985, chapter 300, section 4, is amended to read:

Subdivision 1. 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;

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(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;

(8) Except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, clause paragraphs (c) and (d) shall be exempt.

The following personal property shall be taxable:

(a) personal property which is part of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, 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;

(b) railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80;

(c) personal property defined in section 272.03, subdivision 2, clause (3);

(d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; 273.13, subdivision 7b or 7d; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;

(e) property classified as class 2a property; and

(f) flight property as defined in section 270.071.

(9) 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.

(10) Wetlands. For purposes of this subdivision, "wetlands" means (1) land described in section 105.37, subdivision 15, or (2) land which is mostly

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under water, produces little if any income, and has no use except for wildlife or water conservation purposes, provided it is preserved in its natural condition and drainage of 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.

(11) 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 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.

(12) 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.

(13) 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.

(14) 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

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developed and operated pursuant to the provisions of section 105.482, subdivisions 1, 8 and 9.

(15) If approved by the governing body of the municipality in which the property is located, and if construction is commenced after June 30, 1983:

(a) a "direct satellite broadcasting 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;

(b) a "fixed satellite regional or national program service 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; and

(c) a facility 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.

An exemption provided by paragraph (15) shall apply 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.

The exemptions granted by this subdivision shall be subject to the limits contained in the other subdivisions of this section, section 272.025, or section 273.13, subdivisions 17, 17b, 17c, or 17d.

(16) Real and personal property owned and operated by a private, nonprofit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3), primarily used in the generation and distribution of hot water for heating buildings and structures.

Sec. 4. Minnesota Statutes 1984, section 272.03, subdivision 1, is amended to read:

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Subdivision 1. **REAL PROPERTY.** (a) For the purposes of taxation, "real property" includes the land itself, rails, ties, and other track materials annexed to the land, and all buildings, structures, and improvements or other fixtures on it, bridges of bridge companies, and all rights and privileges belonging or appertaining to the land, and all mines, minerals, quarries, fossils, and trees on or under it.

(b) A building or structure shall include the building or structure itself, together with all improvements or fixtures annexed to the building or structure, which are integrated with and of permanent benefit to the building or structure, regardless of the present use of the building, and which cannot be removed without substantial damage to itself or to the building or structure.

(c) (i) The term real property shall not include tools, implements, machinery, and equipment attached to or installed in real property for use in the business or production activity conducted thereon, regardless of size, weight or method of attachment.

(ii) The exclusion provided in clause (c) (i) shall not apply to machinery and equipment includable as real estate by ~~clauses~~ paragraphs (a) and (b) even though such machinery and equipment is used in the business or production activity conducted on the real property if and to the extent such business or production activity consists of furnishing services or products to other buildings or structures which are subject to taxation under this chapter.

(iii) The exclusion provided in clause (i) does not apply to the exterior shell of a structure which constitutes walls, ceilings, roofs, or floors if the shell of the structure has structural, insulation, or temperature control functions or provides protection from the elements. Such an exterior shell is included in the definition of real property even if it also has special functions distinct from that of a building.

(d) The term real property does not include tools, implements, machinery, equipment, poles, lines, cables, wires, conduit, and station connections which are part of a telephone communications system, regardless of attachment to or installation in real property and regardless of size, weight, or method of attachment or installation.

Sec. 5. Minnesota Statutes 1984, section 273.13, subdivision 4, as amended by Laws 1985, chapter 300, section 6, is amended to read:

Subd. 4. **CLASS 3.** (a) Tools, implements and machinery of an electric generating, transmission or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, which are fixtures, all agricultural land, except as provided by classes 1, 3b, 3e, shall constitute class 3 and shall be valued and assessed at 33-1/3 percent of the market value thereof, except as provided in clause (b). All

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buildings and structures assessed as personal property and situated upon land of the state of Minnesota or the United States government which is rural in character and devoted or adaptable to rural but not necessarily agricultural use shall be assessed based upon the use made of the building or structure. Except as provided in subdivision 5a, all real property devoted to temporary and seasonal residential occupancy for recreational purposes, and which is not devoted to commercial purposes for more than 200 days in the year preceding the year of assessment, shall be class 3 property and assessed accordingly. For this purpose, property is devoted to commercial use on a specific day if it is used, or offered for use, and a fee is charged for such use. Class 3 shall also include commercial use real property used exclusively for recreational purposes in conjunction with class 3 property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 200 days in the year preceding the year of assessment and is located within two miles of the class 3 property with which it is used.

Class 3 shall also include real property up to a maximum of one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this subdivision, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1954, as amended through December 31, 1984. For purposes of this subdivision, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or nonintoxicating malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 4. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity.

(b) Agricultural land which is classified as class 3 shall be assessed at 19 percent of its market value. Real property devoted to temporary and seasonal residential occupancy for recreation purposes which is classified as class 3 shall be assessed at 21 percent of its market value. Real property owned by a nonprofit

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community service oriented organization which is classified as class 3 shall be assessed at 21 percent of its market value.

Sec. 6. Minnesota Statutes 1984, section 273.13, subdivision 6, is amended to read:

Subd. 6. **CLASS 3B.** Agricultural land, except as provided by class 1, 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~~ \$64,000 of market value shall be valued and assessed at 14 percent; the remaining market value shall be valued and assessed at ~~19~~ 18 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, and 473H.10 shall be reduced by 54 percent of the tax. The amount of the reduction shall not exceed ~~\$650~~ \$700. 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.

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.

Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified class 3b. If agricultural land is classified class 3b, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 3b and is entitled to the homestead credit.

Sec. 7. Minnesota Statutes 1984, 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

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homestead, shall constitute class 3c, and shall be valued and assessed as follows: the first ~~\$30,000~~ \$64,000 of market value shall be valued and assessed at ~~17~~ 18 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~~ 29 percent for taxes levied in 1985 and payable in 1986, and at ~~28~~ percent for taxes levied in 1986 and payable in 1987 and thereafter. The maximum amounts of the market value of the homestead brackets subject to the ~~17~~ 18 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 sections 273.123 and 473H.10 shall be reduced by 54 percent of the tax imposed on the first ~~\$67,000~~ \$68,000 of market value. The amount of the reduction shall not exceed ~~\$650~~ \$700.

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 pursuant to clause (a) only if the commissioner of human services certifies to the assessor that the owner of the property satisfies the requirements of this subdivision. The commissioner of human services shall provide a copy of the certification to the commissioner of revenue. 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~~ \$32,000 of market value shall be valued and assessed at five percent, the next ~~\$30,000~~ \$32,000 of market value shall be valued and assessed at 14

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percent, and the remaining market value shall be valued and assessed at 19 18 percent; and in the case of all other real estate and manufactured homes, the first ~~\$30,000~~ \$32,000 of market value shall be valued and assessed at five percent, the next ~~\$30,000~~ \$32,000 of market value shall be valued and assessed at 19 18 percent, and the remaining market value shall be valued and assessed at ~~30 29~~ percent for taxes levied in 1985 and payable in 1986, and at 28 percent for taxes levied in 1986 and payable in 1987 and thereafter. 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 273.1311, the maximum amount of the market value of the homestead brackets subject to the five percent and 19 18 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, shall be reduced by 54 percent of the tax imposed on the first ~~\$67,000~~ \$68,000 of market value. The amount of the reduction shall not exceed \$650 \$700.

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 the year when the treatment is initially sought. After initial qualification for the homestead treatment, additional applications for subsequent years are not required.

Sec. 8. Minnesota Statutes 1984, section 273.13, subdivision 8a, is amended to read:

Subd. 8a. **CLASS 3E.** Real estate, rural in character, and used exclusively for the purpose of growing trees for timber, lumber, wood and wood products shall constitute class 3e, and shall be valued and assessed at 19 18 percent of the market value thereof.

Sec. 9. Minnesota Statutes 1984, 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

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43 percent of the market value thereof, except as otherwise provided in this subdivision.

(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 28 percent of the first \$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 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 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~~ \$60,000 of market value shall be valued and assessed at ~~31.5~~ 28 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 1984, section 273.13, subdivision 14a, is amended to read:

Subd. 14a. **BUILDINGS AND APPURTENANCES ON LAND NOT OWNED BY OCCUPANT.** The property tax to be paid in respect of the value of all buildings and appurtenances thereto owned and used by the occupant for the purposes of a homestead, which are located upon land subject to property taxes and the title to which is vested in a person or entity other than the occupant, for all purposes shall be reduced by 54 percent of the amount of the tax in respect of the value not in excess of ~~\$67,000~~ \$68,000 as otherwise determined by law, but not by more than ~~\$650~~ \$700.

Sec. 11. Minnesota Statutes 1984, 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

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(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~~ ten 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) 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 1984, 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 34 percent of market value. Residential real estate containing three or less units, other than seasonal residential, recreational and homesteads, shall be classified as class 3dd property and shall have a taxable value equal to 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 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

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unit is attached to the structure, the units must be assessed as class 3d or 3dd property.

For purposes of this subdivision, class 3d also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided.

For purposes of this subdivision, class 3dd shall also include post-secondary student housing not to exceed one acre of land which is owned by a nonprofit corporation organized under chapter 317 and is used exclusively by a sorority or fraternity organization for housing.

Sec. 13. Minnesota Statutes 1984, section 273.1311, is amended to read:

273.1311 FLEXIBLE HOMESTEAD BRACKETS.

The maximum amount of the market value of the homestead brackets shall be adjusted as provided in this section.

For taxes payable in 1985 1987 and subsequent years, the commissioner shall adjust the brackets used in the preceding assessment by the estimated percentage increase in the statewide average assessors' estimated market value, as equalized by the state board of equalization, of a residential home for the current assessment over the previous assessment. The revised bracket shall be rounded to the nearest \$500 \$1,000, except that the brackets applicable to class 3cc property shall be rounded to the nearest \$500. The commissioner of revenue shall determine and announce the revised bracket on December 15 of each year preceding the assessment date.

Sec. 14. Minnesota Statutes 1984, section 273.133, is amended by adding a subdivision to read:

Subd. 2a. CONTINUING CARE FACILITIES. When a building containing several dwelling units is owned by an entity which is regulated under the provisions of chapter 80D and operating as a continuing care facility enters into residency agreements with persons who occupy a unit in the building and the residency agreement entitles the resident to occupancy in the building after personal assets are exhausted and regardless of ability to pay the monthly maintenance fee, homestead classification shall be given to each unit so occupied and the entire building shall be assessed in the manner provided in subdivision 1 for cooperatives and charitable corporations.

Sec. 15. **[270.068] REVISION OF MINNESOTA ASSESSORS' MANUAL.**

In accordance with the provisions of Minnesota Statutes, section 270.06, clause (14), the commissioner of revenue shall prepare a revised Minnesota

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assessors' manual by July 1, 1986, and thereafter shall revise the manual in a timely manner.

Sec. 16. LOCAL GOVERNMENT FINANCE STUDY COMMISSION.

A local government finance 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 present local government finance structure, concentrating on the state paid homestead credit, agricultural credit, and local government aid programs. The commission will study the aid distribution patterns past and present, and relationships between the aid programs, local government property tax levies, and local government spending patterns. 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 system which encourage local government accountability while at the same time attempting to simplify the property tax system. The commission shall expire on February 1, 1986. Expenses of the commission including per diem and expenses of commission members will be provided by the appointing authority.

Sec. 17. 1985 ADJUSTED ASSESSED VALUES.

The 1985 adjusted assessed value for each school district computed pursuant to Minnesota Statutes, section 124.2131, shall be adjusted by the department of revenue as provided in this section. Sales occurring for the nine-month period from January 1, 1984, to September 30, 1984, shall not be adjusted for financing terms of sales. Sales occurring for the 12-month period from October 1, 1984, to September 30, 1985, shall be adjusted as necessary to their cash equivalency value by taking financing terms of the sale into account. The department shall compute an adjusted assessed value for the school district based upon the aggregate ratio resulting from the nine-month time period using unadjusted sales. The department shall also compute an adjusted assessed value based upon the aggregate ratio resulting from the 12-month time period using sales which have been adjusted to their cash equivalency. The school district's 1985 adjusted assessed value shall be the arithmetic average of the two resulting values as provided in this section.

The same methodology shall be used in determining the aggregate ratios for distributing 1986 local government aids pursuant to Minnesota Statutes, section 477A.011, subdivision 4.

Sec. 18. EFFECTIVE DATE.

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Section 3 and section 4, paragraph (d), are effective beginning with taxes assessed in 1987 and payable in 1988 and thereafter. Sections 2, 4, paragraph (c), 5 to 12, and 14 are effective beginning with taxes assessed in 1985 and payable in 1986 and thereafter. Sections 15 and 16 are effective the day after final enactment. The change in the classification ratio for employment property in section 9 does not modify the required amount of local contribution for enterprise zones, approved prior to enactment of this act, that provide local contributions in lieu of the employment classification for projects already approved.

ARTICLE 4

PROPERTY TAX RECODIFICATION

Section 1. Minnesota Statutes 1984, section 13.58, is amended to read:

13.58 HOMESTEAD APPLICATION DATA.

The following data collected and maintained by political subdivisions are classified as private data pursuant to section 13.02, subdivision 12: the social security account numbers and detailed financial data submitted by individuals who are applying for class ~~3ee~~ 1b homestead classifications pursuant to section 273.13.

Sec. 2. Minnesota Statutes 1984, section 16A.641, subdivision 11, is amended to read:

Subd. 11. **CONSTITUTIONAL TAX LEVY.** Under the Constitution, article XI, section 7, the state auditor must levy each year on all taxable property within the state a tax sufficient, with the amount then on hand in the state bond fund, to pay all principal and interest on state bonds due and to become due to and including July 1 in the second ensuing year. ~~If levied, this tax must be assessed and extended against real property used for the purposes of a homestead, as well as other taxable property, notwithstanding section 273.13, subdivisions 6 and 7.~~ The tax is not subject to limitation of rate or amount. However, the amount of money appropriated from other sources as provided in subdivision 10, and actually received and on hand prior to the levy in any year, reduces the amount of the tax otherwise required to be levied. The proceeds of the tax must be credited to the state bond fund.

Sec. 3. Minnesota Statutes 1984, section 16B.60, subdivision 5, is amended to read:

Subd. 5. **AGRICULTURAL BUILDING.** "Agricultural building" means a structure on agricultural land as defined in section 273.13, subdivision 6 ~~23~~, designed, constructed, and used to house farm implements, livestock, or agricultural produce or products used by the owner, lessee, and sublessee of the

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building and members of their immediate families, their employees, and persons engaged in the pickup or delivery of agricultural produce or products.

Sec. 4. Minnesota Statutes 1984, section 18.023, subdivision 7, is amended to read:

Subd. 7. **FINANCING.** (a) A municipality may collect the amount assessed against the property under subdivision 2 as a special assessment and may issue obligations as provided in section 429.101, subdivision 1, provided that a municipality at its option make any assessment levied payable with interest in installments not to exceed five years from the date of the assessment.

(b) After a contract for the sanitation or approved treatment of trees on private property has been let, or the work commenced, the municipality may issue obligations to defray the expense of any such work financed by special assessments imposed upon private property. Section 429.091 shall apply to such obligations with the following modifications:

(1) Such obligations shall be payable not more than five years from the date of issuance; and

(2) No election shall be required.

~~Obligations issued under the provisions of this clause shall not be considered bonded indebtedness for the purposes of section 273.13, subdivisions 6 and 7. The certificates shall not be included in the net debt of the issuing municipality.~~

Sec. 5. Minnesota Statutes 1984, section 47.58, subdivision 2, is amended to read:

Subd. 2. **AUTHORIZATION.** Pursuant to rules which the commissioner of commerce or commissioner of insurance may find to be necessary and proper, if any, and subject to federal laws and regulations, lenders may make investments in reverse mortgage loans and purchases of obligations representing reverse mortgage loans, provided the aggregate total of committed principal of the investment in reverse mortgage loans by any bank, savings bank, or savings and loan association, does not exceed five percent of that lender's total deposits and savings accounts. This limitation shall be determined at each June 30 and December 31 for the following six month period. Any decline in the total of deposits and savings accounts subsequent to a determination may be disregarded. Security for loans made under this section shall be a first lien on residential property (a) which the borrower occupies as principal residence and which qualifies for a homestead ~~credit~~ classification pursuant to section 273.13, and (b) to which the borrower alone has title.

Sec. 6. Minnesota Statutes 1984, section 47.58, subdivision 3, is amended to read:

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Subd. 3. PAYMENT; REPAYMENT; AMOUNT. The committed

principal amount of a reverse mortgage loan shall be paid to the borrower over the period of months or years as specified in the loan agreement. The borrower and lender may, by written agreement, amend the loan agreement from time to time. Pursuant to the terms of the contract the borrower shall make repayment to the lender:

(a) Upon payment to the borrower of the final installment unless, by written agreement between the borrower and lender whereunder the borrower agrees to periodically pay the lender interest accruing on the outstanding loan balance, repayment of the outstanding loan balance is postponed until default in payment of interest or until the occurrence of any of the events specified in clauses (b) to (e);

(b) Upon sale of the property securing the loan;

(c) Upon the death of the last surviving borrower;

(d) Upon the borrower terminating use of the property as principal residence so as to disqualify the property from the homestead credit given in classification under section 273.13; or

(e) Upon renegotiation of the terms of the reverse mortgage loan agreement, unless the parties agree in writing to postpone repayment.

Except as otherwise provided in this subdivision, the outstanding loan balance as projected by the lender to the anticipated time of payment to the borrower of the final installment of committed principal shall not exceed 80 percent of the appraised value of the property at inception of the loan. If upon reappraisal of the property made at any time during the term of the loan, the projected outstanding loan balance does not exceed 70 percent of the reappraised value of the property, the schedule of the lender's installment payments may be extended and the amount of the committed principal amount increased, provided the revised outstanding loan balance at payment of the lender's final installment of committed principal does not exceed 80 percent of the reappraised value of the property.

Sec. 7. Minnesota Statutes 1984, section 84B.08, subdivision 6, is amended to read:

Subd. 6. On or before December 1 in each year the state auditor shall levy on all taxable property within the state whatever tax may be necessary to produce an amount sufficient, with all money then and heretofore credited to the bond account, to pay the entire amount of principal and interest then and heretofore due and principal and interest to become due on or before July 1 in the second year thereafter on Voyagers National Park bonds. This tax shall be levied upon all real property used for the purposes of a homestead, as well as other taxable property, notwithstanding the provisions of section 273.13, subdivision

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sions 6 and 7, and shall be subject to no limitation of rate or amount until all such bonds and interest thereon are fully paid. The proceeds of this tax are appropriated and shall be credited to the state bond fund, and the principal of and interest on the bonds are payable from such proceeds, and the whole thereof, or so much as may be necessary, is appropriated for such payments.

Sec. 8. Minnesota Statutes 1984, section 85A.05, subdivision 5, is amended to read:

Subd. 5. **TAX LEVY.** On or before December 1 in each year the state auditor shall levy on all taxable property within the state whatever tax may be necessary to produce an amount sufficient, with all money then and theretofore credited to the Minnesota zoological garden bond account, to pay the entire amount of principal and interest then and theretofore due and principal and interest to become due on or before July 1 in the second year thereafter on Minnesota zoological garden bonds. This tax shall be levied upon all real property used for the purposes of a homestead, as well as other taxable property, notwithstanding the provisions of section 273.13, subdivisions 6 and 7, and shall be subject to no limitation of rate or amount until all such bonds and interest thereon are fully paid. The proceeds of this tax are appropriated and shall be credited to the state bond fund, and the principal of and interest on the bonds are payable from such proceeds, and the whole thereof, or so much as may be necessary, is appropriated for such payments. If at any time there is insufficient money from the proceeds of such taxes to pay the principal and interest when due on Minnesota zoological garden bonds, such principal and interest shall be paid out of the general fund in the state treasury, and the amount necessary therefor is hereby appropriated, with such sums from tax levies and the general fund subject to future reimbursement to the bond fund by the Minnesota zoological garden bond account as indicated in section 85A.04, subdivision 2.

Sec. 9. Minnesota Statutes 1984, section 93.55, subdivision 2, is amended to read:

Subd. 2. The commissioner shall notify the last owner of record on file in either the county recorder's or registrar of titles' office of a hearing on an order to show cause why the mineral interest should not forfeit to the state absolutely. The notice shall be served in the same manner as provided for the service of summons in a civil action to determine adverse claims under chapter 559 and shall contain the following: (1) the legal description of the property upon or beneath which the interest exists; (2) a recitation that the statement of severed mineral interest either did not comply with the requirements specified by section 93.52 for such a statement or was not filed within the time specified in section 93.55, or both; and (3) that the court will be requested to enter an order adjudging the forfeiture of the mineral interest to be absolute in the absence of a showing that there was substantial compliance with laws requiring the registration and taxation of severed mineral interests. For the purposes of this section,

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substantial compliance with laws requiring the registration and taxation of severed mineral interests means: (1) that the records in the office of the county recorder or registrar of titles specified the true ownership of the severed mineral interest during the time period within which the statement of severed mineral interest should have been registered with the county recorder or the registrar of titles, or that probate, divorce, bankruptcy, mortgage foreclosure, or other proceedings affecting the title had been timely initiated and diligently pursued by the true owner during the time period within which the severed mineral interest statement should have been registered, and (2) that all taxes relating to severed mineral interests had been timely paid, including any taxes which would have been due and owing under section ~~273.13~~ 273.165, subdivision 2a 1, had the interest been properly filed for record as required by section 93.52 within the time specified in section 93.55. For the purposes of this section, "timely paid" means paid within the time period during which tax forfeiture would not have been possible had a real property tax been assessed against the property.

Sec. 10. Minnesota Statutes 1984, section 97.488, subdivision 1a, is amended to read:

Subd. 1a. **APPLICATION.** The provisions of subdivision 1 do not apply to plants on land classified for property tax purposes as class ~~3~~ or ~~3b~~ 2a or 2c agricultural land pursuant to section 273.13, or on ditches and roadways. The provisions of subdivision 1 do not apply to noxious weeds designated pursuant to sections 18.171 to 18.315 or to weeds otherwise designated as troublesome by the department of agriculture. When control of noxious weeds is necessary, it takes priority over the protection of endangered plant species, as long as reasonable effort is taken to preserve the endangered plant species first.

The taking or killing of an endangered plant species on land adjacent to class 3 or 3b agricultural land as a result of the application of pesticides or other agricultural chemical on the class 3 or 3b land shall not be a violation of subdivision 1, as long as reasonable care is taken in the pesticide or other chemical application to avoid impact on adjacent lands.

The accidental taking of an endangered plant, where the existence of the plant is not known at the time of the taking, shall not be a violation of subdivision 1.

For the purpose of this subdivision, class 3 or 3b agricultural land does not include timber land, waste land, or any land for which the owner receives a state paid wetlands or native prairie tax credit.

Sec. 11. Minnesota Statutes 1984, section 110A.28, subdivision 11, is amended to read:

Subd. 11. A district shall not, in the exercise of the powers conferred by sections 110A.01 to 110A.36, provide service to actual or potential residential, commercial, industrial or publicly-owned land uses within one-half mile of the

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limits of a city of up to 20,000 persons without approval by the city council. Approval shall not be required prior to serving class ~~3b~~ 2a lands as defined in section 273.13.

Sec. 12. Minnesota Statutes 1984, section 110A.28, subdivision 12, is amended to read:

Subd. 12. A district shall not, in the exercise of the powers conferred by sections 110A.01 to 110A.36, provide service to actual or potential residential, commercial, industrial or publicly-owned land uses within one mile of the limits of a city of more than 20,000 persons without approval by the city council. Approval shall not be required prior to serving class ~~3b~~ 2a lands as defined in section 273.13.

Sec. 13. Minnesota Statutes 1984, section 115A.58, subdivision 6, is amended to read:

Subd. 6. **SECURITY.** On or before December 1 in each year the state auditor shall levy on all taxable property within the state whatever tax may be necessary to produce an amount sufficient, with all money currently credited to the debt service account, to pay the entire amount of principal and interest currently due and the principal and interest to become due before July 1 in the second year thereafter on Minnesota waste management bonds. This tax shall be levied upon all real property used for the purposes of a homestead, as well as other taxable property, notwithstanding the provisions of section 273.13, subdivisions 6 and 7, and shall be subject to no limitation of rate or amount until all the bonds and interest thereon are fully paid. The proceeds of this tax are appropriated to the debt service account. The principal of and interest on the bonds are payable from the proceeds of this tax.

Sec. 14. Minnesota Statutes 1984, section 116.17, subdivision 6, is amended to read:

Subd. 6. **TAX LEVY.** On or before December 1 in each year the state auditor shall levy on all taxable property within the state whatever tax may be necessary to produce an amount sufficient, with all money then and theretofore credited to the bond account, to pay the entire amount of principal and interest then and theretofore due and principal and interest to become due on or before July 1 in the second year thereafter on Minnesota water pollution control bonds. This tax shall be levied upon all real property used for the purposes of a homestead, as well as other taxable property, notwithstanding the provisions of section 273.13, subdivisions 6 and 7, and shall be subject to no limitation of rate or amount until all such bonds and interest thereon are fully paid. The proceeds of this tax are appropriated and shall be credited to the state bond fund, and the principal of and interest on the bonds are payable from such proceeds, and the whole thereof, or so much as may be necessary, is appropriated for such payments. If at any time there is insufficient money from the proceeds of such

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taxes to pay the principal and interest when due on Minnesota water pollution control bonds, such principal and interest shall be paid out of the general fund in the state treasury, and the amount necessary therefor is hereby appropriated.

Sec. 15. Minnesota Statutes 1984, section 116C.63, subdivision 4, is amended to read:

Subd. 4. When private real property defined as class ~~3, 3b, 3c, 3cc, 3d, or 3f~~ 1a, 1b, 2a, 2c, 4a, 5a, or 6a pursuant to section 273.13 is proposed to be acquired for the construction of a site or route by eminent domain proceedings, the fee owner, or when applicable, the fee owner with the written consent of the contract for deed vendee, or the contract for deed vendee with the written consent of the fee owner, shall have the option to require the utility to condemn a fee interest in any amount of contiguous, commercially viable land which he wholly owns or has contracted to own in undivided fee and elects in writing to transfer to the utility within 60 days after his receipt of the notice of the objects of the petition filed pursuant to section 117.055. Commercial viability shall be determined without regard to the presence of the utility route or site. The owner or, when applicable, the contract vendee shall have only one such option and may not expand or otherwise modify his election without the consent of the utility. The required acquisition of land pursuant to this subdivision shall be considered an acquisition for a public purpose and for use in the utility's business, for purposes of chapter 117 and section 500.24, respectively; provided that a utility shall divest itself completely of all such lands used for farming or capable of being used for farming not later than the time it can receive the market value paid at the time of acquisition of lands less any diminution in value by reason of the presence of the utility route or site. Upon the owner's election made under this subdivision, the easement interest over and adjacent to the lands designated by the owner to be acquired in fee, sought in the condemnation petition for a high voltage transmission line right-of-way shall automatically be converted into a fee taking.

Sec. 16. Minnesota Statutes 1984, section 116J.64, subdivision 6, is amended to read:

Subd. 6. The remaining 20 percent of the tax revenue received by the county auditor under section ~~273.13~~ 273.165, subdivision ~~2a~~ 1 shall be remitted by the county auditor to the state treasurer and shall be deposited in a special account called the "Indian business loan account", which shall be a revolving fund created and established under the jurisdiction and control of the agency, which may engage in a business loan program for American Indians as that term is defined in subdivision 2. The tribal councils may administer the fund, provided that, before making any eligible loans, each tribal council must submit to the agency, for its review and approval, a plan for that council's loan program which specifically describes, as to that program, its content, utilization of funds, administration, operation, implementation, and other matters required by the

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agency. All such programs must provide for a reasonable balance in the distribution of funds appropriated pursuant to this section for the purpose of making business loans between Indians residing on and off the reservations within the state. As a condition to the making of such eligible loans, the tribal councils shall enter into a loan agreement and other contractual arrangements with the agency for the purpose of carrying out the provisions of this chapter, and shall agree that all official books and records relating to the business loan program shall be subject to audit by the legislative auditor in the same manner prescribed for agencies of state government.

Whenever any moneys are appropriated by the state treasurer to the agency solely for the above-specified purpose or purposes, the agency shall establish a separate bookkeeping account or accounts in the Indian business loan fund to record the receipt and disbursement of such moneys and of the income, gain and loss from the investment and reinvestment thereof.

Sec. 17. Minnesota Statutes 1984, section 124.155, subdivision 2, is amended to read:

Subd. 2. **SUBTRACTION FROM AIDS.** The amount specified in Laws 1981, Third Special Session chapter 2, article 4, section 3, subdivision 2, as amended by Laws 1982, chapter 548, article 7, section 7, as further amended by Laws 1982, Third Special Session chapter 1, article III, section 4 shall be subtracted from the following state aids and credits in the order listed in fiscal year 1983. The amount specified in subdivision 1 shall be used to adjust the following state aids and credits in the order listed:

- (a) Foundation aid as authorized in section 124.212, subdivision 1;
- (b) Secondary vocational aid authorized in section 124.573;
- (c) Special education aid authorized in section 124.32;
- (d) Secondary vocational aid for handicapped children authorized in section 124.574;
- (e) Gifted and talented aid authorized in section 124.247;
- (f) Aid for pupils of limited English proficiency authorized in section 124.273;
- (g) Aid for chemical use programs authorized in section 124.246;
- (h) Transportation aid authorized in section 124.225;
- (i) Community education programs aid authorized in section 124.271;
- (j) Adult education aid authorized in section 124.26;
- (k) Capital expenditure equalization aid authorized in section 124.245;

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(l) Homestead credit authorized in section 273.13, subdivisions ~~6, 7, and 14a~~ 22 and 23;

(m) ~~Reduced assessment credit authorized in section 273.139;~~

(n) ~~Wetlands credit authorized in section 273.115;~~

(o) ~~(n) Native prairie credit authorized in section 273.116; and~~

(p) ~~(o) Attached machinery aid authorized in section 273.138, subdivision 3.~~

The commissioner of education shall schedule the timing of the reductions from state aids and credits specified in Laws 1981, Third Special Session chapter 2, article 4, section 3, subdivision 2, as amended by Laws 1982, chapter 548, article 7, section 7, as further amended by article III, section 4 of this act, and the adjustments to state aids and credits specified in subdivision 1, as close to the end of the fiscal year as possible and in such a manner that will minimize the impact of Laws 1981, Third Special Session chapter 2, article 4, as amended, on the cash flow needs of the school districts.

Sec. 18. Minnesota Statutes 1984, section 124.2131, subdivision 3, is amended to read:

Subd. 3. **DECREASE IN IRON ORE ASSESSED VALUE.** ~~(1) RE- DETERMINATION OF ASSESSED VALUE.~~ If in any year the assessed value of any district is less than the assessed value of the immediate preceding year, the equalization aid review committee shall, upon notification by the county assessor prior to October 16 of that assessment year, redetermine for all purposes the adjusted assessed value of the immediate preceding year taking into account the decrease in assessed value. On or before November 1 of the assessment year, the equalization aid review committee shall file the redetermined adjusted assessed value with the commissioner of education who shall thereupon certify to the county auditors and school districts affected the redetermined adjusted assessed value and the appropriate levy limits of the school districts affected pursuant to section 275.125, subdivision 10. Notwithstanding section 275.07, the districts affected may certify the taxes voted to the county auditor on or before December 1.

~~(2) IRON ORE VALUE.~~ If in any year the assessed value of class 1 and class 1a 9a property, as defined in section 273.13, subdivision 30, and 273.165, subdivision 2, in any district is less than the assessed value of such property in the immediately preceding year, the equalization aid review committee shall redetermine for all purposes the adjusted assessed value of the immediately preceding year taking into account only the decrease in assessed value of class 1 and class 1a 9a property. If subdivision 2, clause (a) is applicable to such a district, the decrease in class 1 and class 1a 9a property shall be applied to the adjusted

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assessed value as limited therein. In all other respects, the provisions of clause (1) shall be applicable.

Sec. 19. Minnesota Statutes 1984, 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 ~~23~~, by an amount equal to ~~33~~ 36 percent of the tax levy imposed on up to 320 acres of land including the buildings and structures thereon but excluding all dwellings and an acre of land for each dwelling. 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 ~~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 be reduced 23, including buildings and structures thereon but excluding all dwellings and an acre of land for each dwelling, and on timber land classified pursuant to section 273.13, subdivision 23, paragraph (b) by an amount equal to ten 26 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 The tax on~~ 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 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 \$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. 20. Minnesota Statutes 1984, section 124.2138, subdivision 4, is amended to read:

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Subd. 4. **NONAGRICULTURAL DISTRICT DEFINED.** For the purposes of this section and section 124A.037, nonagricultural district means a district where the assessed valuation of agricultural land identified in section 273.13, subdivisions 4, 6, and ~~6a~~ subdivision 23, comprises less than 60 percent of the assessed valuation of the district.

Sec. 21. Minnesota Statutes 1984, section 124.2139, is amended to read:

124.2139 REDUCTION OF HOMESTEAD CREDIT PAYMENTS TO SCHOOL DISTRICTS.

Beginning with homestead credit payments made to school districts pursuant to section 273.13, subdivisions 6, 7, and 14a, in fiscal year 1985 for taxes payable in 1984, and each year thereafter, The commissioner of revenue shall reduce these payments to any school district homestead credit payments made to school districts pursuant to section 273.13, subdivisions 22 and 23, by the product of:

(1) the district's fiscal year 1984 payroll for coordinated plan members of the public employees retirement association, times

(2) the difference between the employer contribution rate in effect prior to July 1, 1984, and the total employer contribution rate in effect after June 30, 1984.

Sec. 22. Minnesota Statutes 1984, section 124.46, subdivision 3, is amended to read:

Subd. 3. The commissioner of finance shall maintain a separate school loan bond account in the state bond fund, showing all moneys transferred to that fund for the payment of school loan bonds and all income received from the investment of such moneys. Upon the issuance of each series of school loan bonds the commissioner of finance shall deduct from the proceeds thereof and credit to said bond account a sum sufficient, with the balance then on hand in said account, to pay all interest to become due on such bonds on and before July 1 in the second ensuing year. On the first day of November in each year there shall be transferred to the bond account all or so much of the moneys then on hand in the loan repayment account in the maximum effort school loan fund as will be sufficient, with the balance then on hand in said bond account, to pay all principal and interest then and theretofore due and to become due within the next ensuing year and to and including July 1 in the second ensuing year on school loan bonds issued and sold pursuant to this section. In the event that moneys are not available for such transfer in the full amount required, the state auditor shall levy on all taxable property within the state a tax sufficient to meet the deficiency. Such tax shall be levied upon all real property used for the purposes of a homestead, as well as other taxable property, notwithstanding the provisions of section 273.13, subdivisions 6 and 7, and shall be and remain subject to no limitation of rate or amount until all school loan bonds and all interest thereon

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are fully paid. The proceeds of this tax are hereby irrevocably appropriated and shall be credited to the state bond fund, but the school loan bond account is appropriated as the primary source of payment of such bonds and interest, and only so much of said tax as may be necessary is appropriated for this purpose. If any principal or interest on school loan bonds should become due at any time when there is not on hand a sufficient amount from any of the sources herein appropriated for the payment thereof, it shall nevertheless be paid out of the general fund in the state treasury, and the amount necessary therefor is hereby appropriated; but any such payments shall be reimbursed from the proceeds of taxes levied as required herein, and any such payments made from taxes shall be reimbursed from the loan repayment account in the maximum effort school loan fund, when the balance therein is sufficient.

Sec. 23. Minnesota Statutes 1984, section 124A.02, subdivision 11, is amended to read:

Subd. 11. **MINIMUM AID.** A qualifying district's minimum aid for each school year shall equal its minimum guarantee for that school year, minus the sum of:

(1) The amount of the district's state school agricultural tax credit aid for that school year;

(2) The amount by which property taxes of the district for use in that school year are reduced by the homestead credit provisions in section 273.13, subdivisions 6, 7, and 14a 22 and 23;

(3) The amount by which property taxes of the district for use in that school year are reduced by the taconite homestead credit provisions in section 273.135;

(4) The amount by which property taxes of the district for use in that school year are reduced by the attached machinery provisions in section 273.138, subdivision 6;

(5) The amount by which property taxes of the district for use in that school year are reduced by the state paid wetlands credit provisions in section 273.115;

(6) The amount by which property taxes of the district for use in that school year are reduced by the state paid native prairie credit provisions in section 273.116;

(7) The amount by which property taxes of the district for use in that school year are reduced by the state reimbursed disaster or emergency reassessment provisions in section 273.123; and

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(8) The amount by which property taxes of the district for use in that school year are reduced by the metropolitan agricultural preserve provisions in section 473H.10.

Sec. 24. Minnesota Statutes 1984, section 124A.02, subdivision 12, is amended to read:

Subd. 12. **MINIMUM AID QUALIFYING DISTRICT.** A district where the assessed valuation of agricultural land identified in section 273.13, ~~subdivisions 4, 6 and 6a~~ subdivision 23, comprises 60 percent or more of the assessed valuation of the district shall qualify for minimum aid.

Sec. 25. Minnesota Statutes 1984, section 136.40, subdivision 7, is amended to read:

Subd. 7. **TAX LEVY.** On or before December 1 in each year the state auditor shall levy on all taxable property within the state whatever tax may be necessary to produce an amount sufficient, with all money then and theretofore credited to the Minnesota state university bond account, to pay the entire amount of principal and interest then and theretofore due and principal and interest to become due on or before July 1 in the second year thereafter on Minnesota state university bonds. ~~This tax shall be levied upon all real property used for the purposes of a homestead, as well as other taxable property, notwithstanding the provisions of section 273.13, subdivisions 6 and 7,~~ and shall be subject to no limitation of rate or amount until all such bonds and interest thereon are fully paid. The proceeds of this tax are appropriated and shall be credited to the state bond fund, and the principal of and interest on the bonds are payable from such proceeds, and the whole thereof, or so much as may be necessary, is appropriated for such payments. If at any time there is insufficient money from the proceeds of such taxes to pay the principal and interest when due on Minnesota state university bonds, such principal and interest shall be paid out of the general fund in the state treasury, and the amount necessary therefor is hereby appropriated.

Sec. 26. Minnesota Statutes 1984, section 136C.43, subdivision 6, is amended to read:

Subd. 6. **TAX LEVY.** On or before December 1 in each year, if the full amount appropriated to the bond account in subdivision 5 has not been credited thereto, the tax required by the Constitution shall be levied upon all taxable property within the state. ~~This tax shall be levied upon all real property used for the purposes of a homestead, as well as other taxable property, notwithstanding the provisions of section 273.13, subdivisions 6 and 7,~~ and shall be subject to no limitation of rate or amount until all vocational technical building bonds and interest thereon are fully paid. The proceeds of this tax are appropriated and shall be credited to the state bond fund, and the principal of and interest on the bonds are payable from such proceeds, and the whole thereof, or so much as may be necessary, is appropriated for such payments. If at any time there is not

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sufficient money from the proceeds of such taxes to pay the principal and interest when due on vocational technical building bonds, such principal and interest shall be paid out of the general fund in the state treasury, and the amount necessary therefor is hereby appropriated.

Sec. 27. Minnesota Statutes 1984, section 167.52, is amended to read:
167.52 TAX LEVY.

The state auditor shall levy each year on all taxable property within the state whatever tax may be necessary to produce an amount sufficient, with all money then and theretofore transferred under section 167.51, and all income from the investment thereof, to pay the entire amount of principal and interest which is then due or is to become due within the then ensuing year and to and including July 1 of the second ensuing year, on Minnesota trunk highway bonds heretofore issued and all such bonds hereafter issued pursuant to section 167.50. Such tax shall be levied upon all real property used for the purposes of a homestead, as well as other taxable property, notwithstanding the provisions of section 273.13, subdivisions 6 and 7. Such tax shall be subject to no limitation of rate or amount until all such bonds and all interest thereon are fully paid. The proceeds of such taxes are appropriated and credited to the state bond fund, and the principal and interest of said bonds are payable from the proceeds of such taxes, and the whole thereof, or so much thereof as may be necessary, is appropriated for such payments. If at any time there is insufficient money from the proceeds of the taxes provided for herein to pay the principal and interest when due on such bonds, then such principal and interest shall be paid out of the general fund in the state treasury, and the amount necessary therefor is hereby appropriated. The general fund shall be reimbursed from the proceeds of said taxes when received.

Sec. 28. Minnesota Statutes 1984, section 168.012, subdivision 9, is amended to read:

Subd. 9. Manufactured homes shall not be taxed as motor vehicles using the public streets and highways and shall be exempt from the motor vehicle tax provisions of this chapter. Except as provided in section ~~273.13~~ 274.19, manufactured homes shall be taxed as personal property. The provisions of Minnesota Statutes 1957, Section 272.02 or any other act providing for tax exemption shall be inapplicable to manufactured homes, except such manufactured homes as are held by a licensed dealer and exempted as inventory. House trailers not used on the highway during any calendar year shall be taxed as manufactured homes if occupied as human dwelling places.

Sec. 29. Minnesota Statutes 1984, section 174.51, subdivision 6, is amended to read:

Subd. 6. On or before December 1 in each year, if the full amount appropriated to the bond account in subdivision 5 has not been credited thereto,

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the tax required by article XI of the constitution shall be levied upon all taxable property within the state. This tax shall be levied upon all real property used for the purposes of a homestead, as well as other taxable property, notwithstanding the provisions of section 273.13, subdivisions 6 and 7, and shall be subject to no limitation of rate or amount until all Minnesota state transportation bonds and interest thereon are fully paid. The proceeds of this tax are appropriated and shall be credited to the state bond fund, and the principal of and interest on the bonds are payable from such proceeds, and the whole thereof, or so much as may be necessary, is appropriated for such payments. If at any time there is not sufficient money from the proceeds of such taxes to pay the principal and interest when due on Minnesota state transportation bonds, such principal and interest shall be paid out of the general fund in the state treasury, and the amount necessary therefor is hereby appropriated.

Sec. 30. Minnesota Statutes 1984, section 272.02, subdivision 1, as amended by Laws 1985, chapter 300, section 4, is amended to read:

Subdivision 1. 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 as class 7(a), (b), (c), or (d);
- (7) All public property exclusively used for any public purpose;
- (8) Except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, clause (c) shall be exempt:

The following personal property shall be taxable:

- (a) personal property which is part of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, 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;
- (b) railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80;
- (c) personal property defined in section 272.03, subdivision 2, clause (3);

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(d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; ~~273.13, subdivision 7b or 7d~~ 273.124, subdivision 7; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;

(e) ~~property classified as class 2a property~~ manufactured homes and sectional structures; and

(f) flight property as defined in section 270.071.

(9) 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.

(10) 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, provided it is preserved in its natural condition and drainage of 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.

(11) 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.

(12) 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.

(13) 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.

(14) 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.

(15) If approved by the governing body of the municipality in which the property is located, and if construction is commenced after June 30, 1983:

(a) a "direct satellite broadcasting 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;

(b) a "fixed satellite regional or national program service 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; and

(c) a facility 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.

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An exemption provided by paragraph (15) shall apply 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.

~~The exemptions granted by this subdivision shall be subject to the limits contained in the other subdivisions of this section, section 272.025, or section 273.13, subdivisions 17, 17b, 17e, or 17d.~~

(16) Real and personal property owned and operated by a private, nonprofit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3), primarily used in the generation and distribution of hot water for heating buildings and structures.

Sec. 31. Minnesota Statutes 1984, section 272.02, is amended by adding a subdivision to read:

Subd. 1a. The exemptions granted by subdivision 1 are subject to the limits contained in the other subdivisions of this section, section 272.025, or 273.13, subdivision 28, paragraphs (a), (b), (c) and (d).

Sec. 32. Minnesota Statutes 1984, section 272.039, is amended to read:

272.039 LEGISLATIVE FINDINGS AND CONCLUSIONS RELATED TO THE TAXATION OF MINERALS OWNED SEPARATELY FROM THE SURFACE.

The legislature finds, for the reasons stated below, that a class of real property has been created which, although not exempt from taxation, is not assessed for tax purposes and does not, therefore, contribute anything toward the cost of supporting the governments which protect and preserve the continued existence of the property. These reasons are as follows: (1) In the case of *Washburn v. Gregory*, 1914, 125 Minn. 491, 147 N.W. 706, the Minnesota Supreme Court determined that where mineral interests are owned separately from the surface interests in real estate, the mineral interest is a separate interest in land, separately taxable, and does not forfeit if the overlying surface interest forfeits for nonpayment of taxes due on the surface interest; (2) Since this 1914 decision, mineral interests owned separately from the surface have been valued

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and assessed for tax purposes, as a practical matter, only if the value of the minerals has been determined through drilling and drill core analysis; and (3) The absence of any taxation of mineral interests owned separately from the surface, except where drilling analysis is available, has encouraged the separation of ownership of surface and mineral estates and resulted in the creation of hundreds of thousands of acres of untaxed mineral estate lands which thus are immune from tax forfeiture. The legislature also finds that the province of Ontario in Canada, which has land ownership patterns and mineral characteristics similar to that of Minnesota, has imposed a tax of \$.50 an acre on minerals owned separately from the surface since 1968, and \$.10 an acre before that. The legislature further finds that the identification of separately owned mineral interests by taxing authorities requires title searches which are extremely burdensome and, where no public tract index is available, prohibitively expensive. This result is caused in part by the decision in *Wichelman v. Messner*, 1957, 250 Minn. 88, 83 N.W. (2d) 800, where the so called "40 year law" was held inapplicable to mineral interests owned separately from surface interests. On the basis of the above findings, and for the purpose of requiring mineral interests owned separately from surface interests to contribute to the cost of government at a time when other interests in real property are heavily burdened with real property taxes, the legislature concludes that the taxation of severed mineral interests as provided in section ~~273.13~~ 273.165, subdivision ~~2a~~ 1 is necessary and in the public interest, and provides fair taxation of a class of real property which has escaped taxation for many years. The legislature further concludes that such a tax is not prohibited by Minnesota Constitution, Article 10, Section 2. The legislature concludes finally that the amendments and repeals made by Laws 1973, Chapter 650 to sections 93.52 to 93.58, are necessary to provide adequate identification of mineral interests owned separately from the surface and to prevent the continued escape from taxation of obscure and fractionalized severed mineral interests.

Sec. 33. Minnesota Statutes 1984, section 272.04, subdivision 1, is amended to read:

Subdivision 1. When any mineral, gas, coal, oil, or other similar interests in real estate are owned separately and apart from and independently of the rights and interests owned in the surface of such real estate, such mineral, gas, coal, oil, or other similar interests may be assessed and taxed separately from such surface rights and interests in such real estate, including but not limited to the taxation provided in section ~~273.13~~ 273.165, subdivision ~~2a~~ 1, and may be sold for taxes in the same manner and with the same effect as other interests in real estate are sold for taxes.

Sec. 34. Minnesota Statutes 1984, section 272.115, subdivision 4, is amended to read:

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Subd. 4. ~~Beginning with taxes payable in 1979~~, No real estate sold on or after January 1, 1978 for which a certificate of value is required pursuant to subdivision 1 shall receive the homestead credit provided under section 273.13, subdivisions ~~6 and 7~~ 22 and 23; the agricultural mill credit provided in section 124.2137; or the taconite homestead credit provided in sections 273.134 to 273.136, unless a certificate of value has been filed with the county auditor in accordance with this section.

This subdivision shall apply to any real estate taxes that are payable the year or years following the sale of the property.

Sec. 35. Minnesota Statutes 1984, section 273.11, subdivision 8, is amended to read:

Subd. 8. **LIMITED EQUITY COOPERATIVE APARTMENTS.** For the purposes of this subdivision, the terms defined in this subdivision have the meanings given them.

A "limited equity cooperative" is a corporation organized under Minnesota Statutes, chapter 308, which has as its primary purpose the provision of housing and related services to its members, who must be persons or families of low and moderate income as defined in section 462A.03, subdivision 10, at the time they purchase their membership, and which meets the following requirements:

(a) The articles of incorporation set the sale price of occupancy entitling cooperative shares or memberships at no more than a transfer value determined as provided in the articles. That value may not exceed the sum of the following:

(1) the consideration paid for the membership or shares by the first occupant of the unit, as shown in the records of the corporation;

(2) the fair market value, as shown in the records of the corporation, of any improvements to the real property that were installed at the sole expense of the member with the prior approval of the board of directors;

(3) accumulated interest, or an inflation allowance not to exceed the greater of a ten percent annual noncompounded increase on the consideration paid for the membership or share by the first occupant of the unit, or the amount that would have been paid on that consideration if interest had been paid on it at the rate of the percentage increase in the revised consumer price index for all urban consumers for the Minneapolis-St. Paul metropolitan area prepared by the United States Department of Labor, provided that the amount determined pursuant to this clause may not exceed \$500 for each year or fraction of a year the membership or share was owned; plus

(4) real property capital contributions shown in the records of the corporation to have been paid by the transferor member and previous holders of the same membership, or of separate memberships that had entitled occupancy to

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the unit of the member involved. These contributions include contributions to a corporate reserve account the use of which is restricted to real property improvements or acquisitions, contributions to the corporation which are used for real property improvements or acquisitions, and the amount of principal amortized by the corporation on its indebtedness due to the financing of real property acquisition or improvement or the averaging of principal paid by the corporation over the term of its real property-related indebtedness.

(b) The articles of incorporation require that the board of directors limit the purchase price of stock or membership interests for new member-occupants or resident shareholders to an amount which does not exceed the transfer value for the membership or stock as defined in clause (a).

(c) The articles of incorporation require that the total distribution out of capital to a member shall not exceed that transfer value.

(d) The articles of incorporation require that upon liquidation of the corporation any assets remaining after retirement of corporate debts and distribution to members will be conveyed to a charitable organization described in section 501(c)(3) of the Internal Revenue Code of 1954, as amended through December 31, ~~1982~~ 1984, or a public agency.

A "limited equity cooperative apartment" is a dwelling unit owned or leased by a limited equity cooperative. If the dwelling unit is leased by the cooperative the lease agreement must meet the conditions for a cooperative lease stated in Minnesota Statutes, section ~~273.133~~ 273.124, subdivision ~~3~~ 6.

"Occupancy entitling cooperative share or membership" is the ownership interest in a cooperative organization which entitles the holder to an exclusive right to occupy a dwelling unit owned or leased by the cooperative.

For purposes of taxation, the assessor shall value a unit owned by a limited equity cooperative at the lesser of its market value or the value determined by capitalizing the net operating income of a comparable apartment operated on a rental basis at the capitalization rate used in valuing comparable buildings that are not limited equity cooperatives. If a cooperative fails to operate in accordance with the provisions of clauses (a) to (d), the property shall be subject to additional property taxes in the amount of the difference between the taxes determined in accordance with this subdivision for the last ten years that the property had been assessed pursuant to this subdivision and the amount that would have been paid if the provisions of this subdivision had not applied to it. The additional taxes, plus interest at the rate specified in section 549.09, shall be extended against the property on the tax list for the current year.

Sec. 36. Minnesota Statutes 1984, section 273.1104, subdivision 1, is amended to read:

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Subdivision 1. The term value as applied to iron ore in section ~~273.13~~ 273.165, subdivision 2 and in section ~~273.15~~ 273.13, subdivision 30, paragraph (b) shall be deemed to be three times the present value of future income notwithstanding the provisions of section 273.11. The present value of future income shall be determined by the commissioner of revenue in accordance with professionally recognized mineral valuation practice and procedure. Nothing contained herein shall be construed as requiring any change in the method of determining present value of iron ore utilized by the commissioner prior to the enactment hereof or as limiting any remedy presently available to the taxpayer in connection with the commissioner's determination of present value, or precluding the commissioner from making subsequent changes in the present worth formula.

Sec. 37. Minnesota Statutes 1984, section 273.1105, subdivision 2, is amended to read:

Subd. 2. To qualify for valuation pursuant to subdivision 1, the owner of a building shall apply to the assessor prior to commencing a rehabilitation project. The assessor shall approve treatment pursuant to subdivision 1 for a building if: (a) the building is more than 25 years old; (b) the anticipated rehabilitation costs, which are those expenses incurred in the process of renovation, including labor, materials, and management costs, exceed 60 percent of the estimated market value of the building at the time when the application is made; (c) the rehabilitation is completed within one year and prior to the January 2 assessment date; (d) the building contains more than three rental units; (e) the building is not used as a hotel or motel in which the rental units are used by tenants for rental periods of less than 30 days; (f) the property is not classified pursuant to ~~Minnesota Statutes~~, section 273.13, ~~subdivisions 17, 17a or 17b~~ subdivision 28, paragraph (a) or (c); (g) not more than 25 percent of the residential units in the building are subsidized through section 8 of the U.S. Housing Act of 1937, 42 USC 1437(f); and (h) limits the rehabilitation to the original structure.

Sec. 38. Minnesota Statutes 1984, section 273.115, subdivision 7, is amended to read:

Subd. 7. The total credits allowed by subdivision 1 shall be deducted from the gross property tax before determination of the homestead credit provided by section 273.13, subdivisions ~~6 and 7~~ 22 and 23 and the taconite homestead credit provided by section 273.135.

Sec. 39. Minnesota Statutes 1984, section 273.116, subdivision 7, is amended to read:

Subd. 7. The total credits allowed by subdivision 1 shall be deducted from the gross property tax before determination of the homestead credit

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provided by section 273.13, subdivisions ~~6 and 7~~ 22 and 23 and the taconite homestead credit provided by section 273.135.

Sec. 40. Minnesota Statutes 1984, section 273.118, is amended to read:

273.118 TAX PAID IN RECOGNITION OF CONGRESSIONAL MEDAL OF HONOR.

An owner of homestead property classified under section 273.13, subdivision 6, 6a, 7, 7d, or 14a, who submits to the commissioner of revenue his property tax statement and reasonable proof that the owner of the property:

(a) is a veteran as defined in section 197.447;

(b) was a resident of this state for at least six months before entering military service, or has been a resident of this state for five consecutive years before submitting the statement and proof; and

(c) has been awarded the congressional medal of honor;

shall be paid by the commissioner of revenue, within 30 days after the commissioner receives the statement and proof, the amount of the owner's property tax liability as shown on the statement, up to \$2,000. The surviving spouse of a property owner who has received a payment under this section may receive payment of property taxes under this section as long as the spouse continues to own and occupy the property for which the taxes were paid under this section and the property continues to have an eligible classification be a homestead. Property taxes paid under this section reduce property taxes payable for purposes of chapter 290A, the Property Tax Refund Act.

Sec. 41. Minnesota Statutes 1984, section 273.121, is amended to read:

273.121 VALUATION OF REAL PROPERTY, NOTICE.

Any county assessor or city assessor having the powers of a county assessor, valuing or classifying taxable real property shall in each year notify those persons whose property is to be assessed or reclassified that year if the person's address is known to the assessor, otherwise the occupant of the property. In the case of property owned by a married couple in joint tenancy or tenancy in common, the assessor shall not deny the 3b or 3e property classification homestead treatment in whole or in part if only one of the spouses is occupying the property and the other spouse is absent due to divorce or separation, or is a resident of a nursing home or a boarding care facility. The notice shall be in writing and shall be sent by ordinary mail at least ten days before the meeting of the local board of review or equalization. It shall contain the amount of the valuation in terms of market value, the new classification, the assessor's office address, and the dates, places, and times set for the meetings of the local board of review or equalization and the county board of equalization. If the assessment roll is not complete, the notice shall be sent by ordinary mail at least ten days

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prior to the date on which the board of review has adjourned. The assessor shall attach to the assessment roll a statement that the notices required by this section have been mailed. Any such assessor who is not provided sufficient funds from his governing body to provide such notices, may make application to the commissioner of revenue to finance such notices. The commissioner of revenue shall conduct an investigation and if he is satisfied that the assessor does not have the necessary funds, issue his certification to the commissioner of finance of the amount necessary to provide such notices. The commissioner of finance shall issue a warrant for such amount and shall deduct such amount from any state payment to such county or municipality. The necessary funds to make such payments are hereby appropriated. Failure to receive the notice shall in no way affect the validity of the assessment, the resulting tax, the procedures of any board of review or equalization, or the enforcement of delinquent taxes by statutory means.

Sec. 42. Minnesota Statutes 1984, section 273.123, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** For purposes of this section (a) "disaster or emergency" means

- (1) a major disaster as determined by the president of the United States;
- (2) a natural disaster as determined by the secretary of agriculture;
- (3) a disaster as determined by the administrator of the small business administration; or
- (4) a tornado, storm, flood, earthquake, landslide, explosion, fire or similar catastrophe, as a result of which a local emergency is declared pursuant to section 12.29.

(b) "disaster or emergency area" means an area

(1) in which the president of the United States, the secretary of agriculture, or the administrator of the small business administration has determined that a disaster exists pursuant to federal law or in which a local emergency has been declared pursuant to section 12.29; and

(2) for which an application by the local unit of government requesting property tax relief under this section has been received by the governor and approved by the executive council.

(c) "homestead property" means homestead dwelling located on property classified pursuant to section 273.13, subdivision 6, 6a, 7, 7b, 7d, or 14a, including manufactured homes and sectional homes used as homesteads and taxed pursuant to section 273.13, subdivision 3, clause (b), (c), or (d) that is classified as class 1a, 1b, or 2a property or a manufactured home or sectional

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home used as a homestead and taxed pursuant to section 274.19, subdivision 8, paragraph (b), (c), or (d).

Sec. 43. Minnesota Statutes 1984, section 273.123, subdivision 4, is amended to read:

Subd. 4. **STATE REIMBURSEMENT.** The county auditor shall calculate the tax on the property described in subdivision 2 based on the assessment made on January 1 of the year in which the disaster or emergency occurred. The difference between the tax determined on the January 1 assessed value and the tax actually payable based on the reassessed value determined under subdivision 2 shall be reimbursed to each taxing jurisdiction in which the damaged property is located. The amount shall be certified by the county auditor and reported to the commissioner of revenue. The commissioner shall make the payments to the taxing jurisdictions containing the property at the time distributions are made pursuant to section 273.13, subdivision 15a, in the same proportion that the ad valorem tax is distributed.

Sec. 44. [273.124] **HOMESTEAD DETERMINATION; SPECIAL RULES.**

Subdivision 1. GENERAL RULE. Residential real estate that is occupied and used for the purposes of a homestead by its owner, who must be a Minnesota resident, is a homestead. Dates for establishment of a homestead and homestead treatment provided to particular types of property are as provided in this section.

The assessor shall require proof, by affidavit or otherwise, of the facts upon which classification as a homestead may be determined.

For purposes of this section, homestead property 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 the year when the treatment is initially sought. After initial qualification for the homestead treatment, additional applications for subsequent years are not required.

Subd. 2. TOWNHOUSES; COMMON AREAS; CONDOMINIUMS; COOPERATIVES. (a) The total value of townhouse property, including the value added as provided in this paragraph, must have the benefit of homestead treatment or other special classification if the townhouse otherwise qualifies. The value of townhouse property must be increased by the value added by the right to use any common areas in connection with the townhouse development. The common areas of the development must not be separately taxed.

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(b) Condominium property qualifying as a homestead under section 515A.1-105 and property owned by a cooperative association that qualifies as a homestead must have the benefit of homestead treatment or other special classification if the condominium or cooperative association property otherwise qualifies.

(c) If the condominium, townhouse, or cooperative association property is owned by the occupant and used for the purposes of a homestead but is located upon land which is leased, that leased land must be valued and assessed as if it were homestead property within class 1 if all of the following criteria are met:

- (1) the occupant is using the property as his permanent residence;
- (2) the occupant or the cooperative association is paying the ad valorem property taxes and any special assessments levied against the land and structure;
- (3) the occupant or the cooperative association has signed a land lease;

(4) the term of the land lease is at least 50 years, notwithstanding the fact that the amount of the rental payment may be renegotiated at shorter intervals.

Subd. 3. COOPERATIVES AND CHARITABLE CORPORATIONS.
When one or more dwellings, or one or more buildings which each contain several dwelling units, are owned by a corporation or association organized under sections 308.05 to 308.18, and each person who owns a share or shares in the corporation or association is entitled to occupy a dwelling, or dwelling unit in the building, the corporation or association may claim homestead treatment for each dwelling, or for each unit in case of a building containing several dwelling units, for the dwelling or for the part of the value of the building occupied by a shareholder. Each dwelling or unit must be designated by legal description or number, the assessed value of each dwelling that qualifies for assessment under this subdivision must include not more than one-half acre of land, if platted, nor more than 80 acres if unplatted. The assessed value of the building or buildings containing several dwelling units is the sum of the assessed values of each of the respective units comprising the building. To qualify for the treatment provided by this subdivision, the corporation or association must be wholly owned by persons having a right to occupy a dwelling or dwelling unit owned by the corporation or association. A charitable corporation organized under the laws of Minnesota and not otherwise exempt thereunder with no outstanding stock qualifies for homestead treatment with respect to member residents of the dwelling units who have purchased and hold residential participation warrants entitling them to occupy the units.

Subd. 4. NONPROFIT CORPORATIONS. When a building containing several dwelling units is owned by an entity organized under chapter 317 and operating as a nonprofit corporation which enters into membership agreements with persons under which they are entitled to life occupancy in a unit in the

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building, homestead classification must be given to each unit so occupied and the entire building must be assessed in the manner provided in subdivision 3 for cooperatives and charitable corporations.

Subd. 5. CONTINUING CARE FACILITIES. When a building containing several dwelling units is owned by an entity which is regulated under the provisions of chapter 80D and operating as a continuing care facility enters into residency agreements with persons who occupy a unit in the building and the residency agreement entitles the resident to occupancy in the building after personal assets are exhausted and regardless of ability to pay the monthly maintenance fee, homestead classification shall be given to each unit so occupied and the entire building shall be assessed in the manner provided in subdivision 1 for cooperatives and charitable corporations.

Subd. 6. LEASEHOLD COOPERATIVES. When one or more dwellings or one or more buildings which each contain several dwelling units is owned by a nonprofit corporation subject to the provisions of chapter 317 or a limited partnership which corporation or partnership operates the property in conjunction with a cooperative association, homestead treatment may be claimed for each dwelling unit occupied by a member of the cooperative. To qualify for the treatment provided by this subdivision, the following conditions must be met: (a) the cooperative association must be organized under sections 308.05 to 308.18; (b) the cooperative association must have a lease for occupancy of the property for a term of at least 20 years; (c) the cooperative association must have a right under a written agreement with the owner to purchase the property if the owner proposes to sell it; if the cooperative association does not purchase the property when it is offered for sale, the owner may not subsequently sell the property to another purchaser at a price lower than the price at which it was offered for sale to the cooperative association unless the cooperative association approves the sale; and (d) if a limited partnership owns the property, it must include as the managing general partner either the cooperative association or a nonprofit organization operating under the provisions of chapter 317. Homestead treatment must be afforded to units occupied by members of the cooperative association and the units must be assessed as provided in subdivision 1, provided that any unit not so occupied shall be classified and assessed pursuant to the appropriate class. No more than three acres of land may, for assessment purposes, be included with each dwelling unit that qualifies for homestead treatment under this subdivision.

Subd. 7. LEASED BUILDINGS OR LAND. For purposes of class 1 determinations, homesteads include:

(a) buildings and appurtenances owned and used by the occupant as a permanent residence which are located upon land the title to which is vested in a person or entity other than the occupant;

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(b) all buildings and appurtenances located upon land owned by the occupant and used for the purposes of a homestead together with the land upon which they are located, if all of the following criterial are met:

- (1) the occupant is using the property as his permanent residence;
- (2) the occupant is paying the property taxes and any special assessments levied against the property;
- (3) the occupant has signed a lease which has an option to purchase the buildings and appurtenances; and
- (4) the term of the lease is at least five years.

Any taxpayer meeting all the requirements of this paragraph must notify the county assessor, or the assessor who has the powers of the county assessor pursuant to section 273.063, in writing, as soon as possible after signing the lease agreement and occupying the buildings as his homestead.

Subd. 8. HOMESTEAD OWNED BY FAMILY FARM CORPORATION OR PARTNERSHIP. (a) Each family farm corporation and each partnership operating a family farm is entitled to class 1 assessment for one homestead occupied by a shareholder or partner thereof who is residing on the land and actively engaged in farming of the land owned by the corporation or partnership. Homestead treatment applies even if legal title to the property is in the name of the corporation or partnership and not in the name of the person residing on it. "Family farm corporation" and "family farm" have the meanings given in section 500.24.

(b) In addition to property specified in paragraph (a), any other residences owned by corporations or partnerships described in paragraph (a) which are located on agricultural land and occupied as homesteads by shareholders or partners who are actively engaged in farming on behalf of the corporation or partnership must also be assessed as class 1 property, but the property eligible is limited to the residence itself and as much of the land surrounding the homestead, not exceeding one acre, as is reasonably necessary for the use of the dwelling as a home, and does not include any other structures that may be located on it.

Subd. 9. HOMESTEAD ESTABLISHED AFTER ASSESSMENT DATE. Any property that was not used for the purpose of a homestead on the assessment date, but which was used for the purpose of a homestead on June 1 of a year, constitutes class 1 to the extent of one-half of the valuation that would have been includable in class 1.

Any taxpayer meeting the requirements of this subdivision must notify the county assessor, or the assessor who has the powers of the county assessor pursuant to section 273.063, in writing, prior to June 15 of the year of occupancy in order to qualify under this subdivision.

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The county assessor and the county auditor may make the necessary changes on their assessment and tax records to provide for proper homestead classification as provided in this subdivision.

The owner of any property qualifying under this subdivision, which has not been accorded the benefits of this subdivision, regardless of whether or not the notification has been timely filed, may be entitled to receive homestead classification by proper application as provided in section 270.07 or 375.192.

The county assessor shall publish in a newspaper of general circulation within the county no later than June 1 of each year a notice informing the public of the requirement to file an application for homestead prior to June 15.

Subd. 10. REAL ESTATE PURCHASED FOR OCCUPANCY AS A HOMESTEAD. Real estate purchased for occupancy as a homestead must be classified as class 1 if the purchaser is prevented from obtaining possession on January 2 next following the purchase by reason of federal or state rent control laws or regulations.

Subd. 11. LIMITATION ON HOMESTEAD CLASSIFICATION. If the assessor has classified a property as both homestead and nonhomestead, the greater of the value attributable to the portion of the property classified as class 1a, 1b, or 2a or the value of the first tier of assessment percentages provided under section 273.13, subdivision 22, paragraph (a) or (b) or subdivision 23, paragraph (a) is entitled to homestead treatment, except as provided in subdivision 26 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 in section 273.13, subdivisions 22 and 23, and the reductions in tax provided under sections 273.135 and 273.1391 apply to the value of both the homestead and the nonhomestead portions of the property.

Subd. 12. HOMESTEAD OF MEMBER OF U.S. ARMED FORCES. Real estate actually occupied and used for the purpose of a homestead by a member of the armed forces of the United States, or by a member of his immediate family shall, notwithstanding the absence of the person, while on active duty with the armed forces of the United States or his family under such conditions, be classified as a homestead provided that absence of the owner is solely by reason of service in the armed forces, and that he intends to return as soon as discharged or relieved from service, and claims it as his homestead. Every person who, for the purpose of obtaining or aiding another in obtaining any benefit under this subdivision, shall knowingly make or submit to any assessor any affidavit or other statement which is false in any material matter shall be guilty of a felony.

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Sec. 45. Minnesota Statutes 1984, section 273.13, subdivision 7a, is amended to read:

Subd. 7a. **PERCENTAGE OF MARKET VALUE.** Except as otherwise provided for the purpose of determining tax limitations established by statute or by charter, class 3b 2a and class 3e 1a property shall be figured at 33 1/3 percent and 40 percent of the market value thereof, respectively.

Sec. 46. Minnesota Statutes 1984, section 273.13, subdivision 15a, is amended to read:

Subd. 15a. **GENERAL FUND, REPLACEMENT OF REVENUE.** (1) Payment from the general fund shall be made, as provided herein, for the purpose of replacing revenue lost as a result of the reduction of property taxes provided in subdivisions 6, 7, and 14a 22 and 23.

(2) Each county auditor shall certify, not later than May 1 of each year to the commissioner of revenue the amount of reduction resulting from subdivisions 6, 7, and 14a 22 and 23 in his county. This certification 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 such certifications to determine their accuracy. He may make such changes in the certification as he may deem necessary or return a certification to the county auditor for corrections.

(3) Based on current year tax data reported in the abstracts of tax lists, the commissioner of revenue shall annually determine the taxing district distribution of the amounts certified under clause (2). The commissioner of revenue shall pay to each taxing district, other than school districts, its total payment for the year in equal installments on or before July 15, August 15, September 15, October 15, November 15, and December 15 of each year.

Sec. 47. Minnesota Statutes 1984, section 273.13, is amended by adding a subdivision to read:

Subd. 22. **CLASS 1.** (a) Except as provided in subdivision 23, real estate which is residential and used for homestead purposes is class 1. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first \$64,000 of market value of class 1a property must be assessed at 18 percent of its market value. The homestead value of class 1a property that exceeds \$64,000 must be assessed at 28 percent of its value.

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

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(1) 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

(2) any person, hereinafter referred to as "veteran," who:

(i) served in the active military or naval service of the United States; and

(ii) 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

(iii) 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

(3) any person who:

(i) is permanently and totally disabled and

(ii) receives 90 percent or more of his or her total income from

(A) aid from any state as a result of that disability; or

(B) supplemental security income for the disabled; or

(C) workers' compensation based on a finding of total and permanent disability; or

(D) 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

(E) aid under the Federal Railroad Retirement Act of 1937, United States Code Annotated, title 45, section 228b(a)5; or

(F) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability.

Property is classified and assessed pursuant to clause (1) only if the commissioner of human services certifies to the assessor that the owner of the property satisfies the requirements of this subdivision. The commissioner of human services shall provide a copy of the certification to the commissioner of revenue.

Class 1b property is valued and assessed as follows: in the case of agricultural land, including a manufactured home, used for a homestead, the first \$32,000 of market value shall be valued and assessed at five percent, the next

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\$32,000 of market value shall be valued and assessed at 14 percent, and the remaining market value shall be valued and assessed at 18 percent; and in the case of all other real estate and manufactured homes, the first \$32,000 of market value shall be valued and assessed at five percent, the next \$32,000 of market value shall be valued and assessed at 18 percent, and the remaining market value shall be valued and assessed at 28 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 18 percent rates; and for all other real estate and manufactured homes, 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 18 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.

(c) Class 1c property is commercial use real property that abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 200 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner. It must be assessed at 12 percent of market value with the following limitation: the area of the property must not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property up to a total of 800 feet and 500 feet in depth, measured away from the lakeshore.

(d) The tax to be paid on class 1a or class 1b property, less any reduction received pursuant to sections 273.123 and 473H.10, shall be reduced by 54 percent of the tax imposed on the first \$68,000 of market value. The amount of the reduction shall not exceed \$700.

Sec. 48. Minnesota Statutes 1984, section 273.13, is amended by adding a subdivision to read:

Subd. 23. CLASS 2. (a) Class 2a property is agricultural land that is homesteaded, together with the house and garage. The first \$64,000 of market value of an agricultural homestead is valued at 14 percent. The remaining value of class 2a property is assessed at 18 percent of market value.

Noncontinuous land shall constitute class 2a only if the homestead is classified as class 2a and the detached land is located in the same township or city or not farther than two townships or cities or combination thereof from the homestead.

Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified class 2a. If agricultural land is classified class 2a, any other dwellings on the land used for

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purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a and is entitled to the homestead credit.

The tax to be paid on class 2a property, less any reduction received pursuant to sections 124.2137, 273.123, and 473H.10 shall be reduced by 54 percent of the tax. The amount of the reduction shall not exceed \$700.

(b) Class 2b property is real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products. It is assessed at 18 percent of market value.

(c) Class 2c Property is real estate that is nonhomestead agricultural land. It is assessed at 18 percent of market value.

Agricultural land as used in this section 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. 49. Minnesota Statutes 1984, section 273.13, is amended by adding a subdivision to read:

Subd. 24. CLASS 3. (a) Commercial and industrial property is class 3a. It is assessed at 28 percent of the first \$60,000 of market value and 43 percent for the market value over \$60,000. In the case of state-assessed commercial or industrial property owned by one person or entity, only one parcel may qualify for the 28 percent assessment. In the case of other commercial or industrial property owned by one person or entity, only one parcel in each county may qualify for the 28 percent assessment.

(b) Employment property defined in section 273.1313, during the period provided in section 273.1313, shall constitute class 3b 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 \$60,000 of market value shall be valued and assessed at 28 percent and the remainder shall be assessed and valued at 38.5 percent, unless the governing

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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).

(c) 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 3c and shall be valued and assessed at 40 percent of market value.

Sec. 50. Minnesota Statutes 1984, section 273.13, is amended by adding a subdivision to read:

Subd. 25. CLASS 4. (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. Class 4a property is assessed at 34 percent of market value.

(b) Class 4b is tools, implements, and machinery of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, which are fixtures. Class 4b property is assessed at 33-1/3 percent of market value.

Sec. 51. Minnesota Statutes 1984, section 273.13, is amended by adding a subdivision to read:

Subd. 26. CLASS 5. (a) Residential real estate containing less than four units, other than seasonal residential, recreational, and homesteads, is class 5a. Class 5a shall also include post-secondary student housing not to exceed one acre of land which is owned by a nonprofit corporation organized under chapter 317 and is used exclusively by a sorority or fraternity organization for housing. Class 5a property is assessed at 28 percent of market value.

(b) Structures of five stories or more and constructed with materials meeting the requirements for type I or II construction as defined in the state building code, if at least 90 percent of the structure is used or to be used as apartment housing, is class 5b. Class 5b property is assessed at 25 percent of market value. The 25 percent assessment ratio applies to these structures for a period of 40 years from the date of completion of original construction, or the date of initial though partial use, whichever is earlier.

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Sec. 52. Minnesota Statutes 1984, section 273.13, is amended by adding a subdivision to read:

Subd. 27. CLASS 6. (a) Except as provided in subdivision 22, real property devoted to temporary and seasonal residential occupancy for recreation purposes is class 6a.

Class 6a property also includes real property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 200 days in the year preceding the year of assessment. For this purpose, property is devoted to commercial use on a specific day if it is used, or offered for use, and a fee is charged for the use. Class 6a shall also include commercial use real property used exclusively for recreational purposes in conjunction with class 6a property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 200 days in the year preceding the year of assessment and is located within two miles of the class 6a property with which it is used. Class 6a property and the remainder of class 1 resorts is assessed at 21 percent.

(b) Class 6b is real property up to a maximum of one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this subdivision, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1954, as amended through December 31, 1984. For purposes of this subdivision, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or nonintoxicating malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity. Class 6b property is assessed at 21 percent of market value.

Sec. 53. Minnesota Statutes 1984, section 273.13, is amended by adding a subdivision to read:

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Subd. 28. CLASS 7. (a) Class 7a is a structure that is 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. Class 7a property must, 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.

(b) Class 7b is 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

(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. Class 7b property must, 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.

(c) Class 7c is 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; and

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

Class 7c property must be assessed at ten percent of its market value for 15 years from the date of the completion of the original construction or for the original term of the loan except that if (1) construction of the structure had been commenced after December 31, 1983; and (2) the project had been approved by the governing body of the municipality in which it is located after June 30, 1983; and (3) financing of the project had been approved by a federal or state agency after June 30, 1983, it must be assessed at 20 percent.

The 20 percent and ten percent assessment ratios apply to the properties described in paragraphs (a), (b), and (c) only in proportion to occupancy of the structure by elderly or handicapped persons or low and moderate income families as defined in the applicable laws unless construction of the structure had been commenced prior to January 1, 1984; or the project had been approved by the governing body of the municipality in which it is located prior to June 30, 1983;

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or financing of the project had been approved by a federal or state agency prior to June 30, 1983.

For all properties described in paragraphs (a), (b), and (c), the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

The provisions of paragraphs (a) and (c) apply only to nonprofit and limited dividend entities.

(d) Class 7d property is a parcel of land, not to exceed one acre, and its improvements or a parcel of unimproved land, not to exceed one acre, if it is owned by a neighborhood real estate trust and at least 60 percent of the dwelling units, if any, on all land owned by the trust are leased to or occupied by lower income families. Class 7d land and improvements, if any, shall be assessed at 20 percent of the market value. This paragraph shall not apply to any portion of the land or improvements used for nonresidential purposes. For purposes of this paragraph, a lower income family is a family with an income that does not exceed 65 percent of the median family income for the area as determined by the U.S. Secretary of Housing and Urban Development. For purposes of this paragraph, "neighborhood real estate trust" means an entity which is certified by the governing body of the municipality in which it is located to have the following characteristics: (1) it is a nonprofit corporation organized under chapter 317; (2) it has as its principal purpose providing housing for lower income families in a specific geographic community designated in its articles or bylaws; (3) it limits membership with voting rights to residents of the designated community; and (4) it has a board of directors consisting of at least seven directors, 60 percent of whom are members with voting rights and, to the extent feasible, 25 percent of whom are elected by resident members of buildings owned by the trust.

Sec. 54. Minnesota Statutes 1984, section 273.13, is amended by adding a subdivision to read:

Subd. 29. CLASS 8. Distribution lines, and the attachments and appurtenances to them, used primarily for supplying electricity to farmers at retail, as described in section 273.38 is class 8 and is assessed at five percent of market value.

Sec. 55. Minnesota Statutes 1984, section 273.13, is amended by adding a subdivision to read:

Subd. 30. CLASS 9. (a) Unmined iron ore is class 9a and is assessed at 50 percent of market value.

(b) Class 9b consists of all low-grade iron-bearing formations as defined in section 273.14. Class 9b shall be assessed at the following percentages of its value: If the tonnage recovery is less than 50 percent and not less than 49 percent, the assessed value shall be 48-1/2 percent of the value; if the tonnage

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recovery is less than 49 percent and not less than 48 percent, the assessed value shall be 47 percent of the value; and for each subsequent reduction of one percent in tonnage recovery, the percentage of assessed value to value shall be reduced an additional 1-1/2 percent of the value, but the assessed value shall never be less than 30 percent of the value. The land, exclusive of the formations, shall be assessed as otherwise provided by law. The commissioner of revenue may estimate the reasonable market value of the iron ore on any parcel of land which at the assessment date is considered uneconomical to mine.

Sec. 56. Minnesota Statutes 1984, section 273.13, is amended by adding a subdivision to read:

Subd. 31. CLASS 10. All property not included in any other class is class 10 property and is assessed at 43 percent of market value.

Sec. 57. Minnesota Statutes 1984, section 273.1311, is amended to read:
273.1311 FLEXIBLE HOMESTEAD BRACKETS.

The maximum amount of the market value of the homestead brackets shall be adjusted as provided in this section.

For taxes payable in ~~1985~~ 1987 and subsequent years, the commissioner shall adjust the brackets used in the preceding assessment by the estimated percentage increase in the statewide average assessors' estimated market value, as equalized by the state board of equalization, of a residential home for the current assessment over the previous assessment. The revised bracket shall be rounded to the nearest \$500 \$1,000, except that the brackets applicable to class 1b property shall be rounded to the nearest \$500. The commissioner of revenue shall determine and announce the revised bracket on December 15 of each year preceding the assessment date.

Sec. 58. Minnesota Statutes 1984, section 273.1313, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** (a) As used in this section, the following terms have the meanings given them.

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

(c) "Employment property" means taxable property, excluding land but including buildings, structures, fixtures, and improvements that satisfy each of the following conditions:

(1) The property is located within an enterprise zone designated according to section 273.1312.

(2) The property is commercial or industrial property which is not used in a trade or business which either is described in section 103(b)(6)(O) of the

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Internal Revenue Code of 1954, as amended through January 15, 1983 December 31, 1984, or is property of a public utility.

(d) "Market value" of a parcel of employment property means the value of the taxable property as annually determined pursuant to section 273.12, less (i) the market value of all property existing at the time of application for classification, as last assessed prior to the time of application, and (ii) any increase in the market value of the property referred to in clause (i) as assessed in each year after the employment property is first placed in service. In each year, any change in the values of the employment property and the other property on the land shall be deemed to be proportionate unless caused by a capital improvement or loss.

(e) "Municipality" means any home rule charter or statutory city or county, but a county may not exercise the powers granted in this section with reference to property situated within a city.

(f) Notwithstanding the provisions of paragraphs (c) and (d) "employment property" and "market value" includes in the case of taxable real property located in an enterprise zone designated under section 273.1312, subdivision 4, paragraph (c), clause (3), the entire value of the commercial and industrial property, including land, used in a trade or business which is not used in a trade or business which either is described in section 103(b)(0)(ii) of the Internal Revenue Code of 1954, as amended through January 15, 1983 December 31, 1984, or is the property of a public utility. The provisions of this paragraph shall not apply to employment property located in an enterprise zone designated pursuant to section 273.1312, subdivision 4, paragraph (c), clause (3), that is assessed pursuant to the first clause of the first sentence of section 273.13, subdivision 9 24, paragraph (4) (b).

Sec. 59. Minnesota Statutes 1984, section 273.1313, subdivision 2, is amended to read:

Subd. 2. **PROGRAM.** (a) The governing body of any municipality which contains a designated enterprise zone as provided by section 273.1312 shall by resolution establish a program for classification of new property or improvements to existing property as employment property pursuant to the provisions of this section. Applications for classification under the program shall be filed with the municipal clerk or auditor in a form prescribed by the commissioner, with additions as may be prescribed by the municipal governing body. The application shall contain, where appropriate, a legal description of the parcel of land on which the facility is to be situated or improved; a general description of the facility or improvement and its proposed use, the probable time schedule for undertaking any construction or improvement, and information regarding the matters referred to in paragraph (d); the market value and the assessed value of the land and of all other taxable property then situated on it, according to the most recent assessment; and if the property is to be improved or expanded, an

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estimate of the probable cost of the new construction or improvement and the market value of the new or improved facility (excluding land) when completed.

(b) Upon receipt of an application the municipal clerk or auditor, subject to any prior approval required by the resolution establishing the program, shall furnish a copy to the assessor for the property and to the governing body of each school district and other public body authorized to levy taxes on the property, and shall publish a notice in the official newspaper of the time and place of a hearing to be held by the governing body on the application, not less than 30 days after the notice is published, stating that the applicant, the assessor, representatives of the affected taxing authorities, and any taxpayer of the municipality may be heard or may present their views in writing at or before the hearing. The hearing may be adjourned from time to time, but the governing body shall take action on the application by resolution within 30 days after the hearing. If disapproved, the reasons shall be set forth in the resolution, and the applicant may appeal to the commissioner within 30 days thereafter, but only on the ground that the determination is arbitrary, in relation to prior determinations as to classification under the program, or based upon a mistake of law. If approved, the resolution shall include determinations as to the matters set forth in paragraph (d), and the clerk or auditor shall transmit it to the commissioner.

(c) Within 60 days after receipt of an approved application or an appeal from the disapproval of an application, the commissioner shall take action on it. The commissioner shall approve each application approved by the governing body if he finds that it complies with the provisions of this section. If he disapproves the application, or finds grounds exist for appeal of a disapproved application, he shall transmit the finding to the governing body and the applicant. When grounds for appeal have been determined to exist, the governing body shall reconsider and take further action on the application within 30 days after receipt of the commissioner's notice and serve written notice of the action upon the applicant. The applicant, within 30 days after receipt of notice of final disapproval by the commissioner or the governing body, may appeal from the disapproval to a court of competent jurisdiction.

(d) In the case of enterprise zones qualifying pursuant to section 273.1312, subdivision 4, paragraph (c), clause (1), an application shall not be approved unless the governing body finds and determines that the construction or improvement of the facility:

- (1) Is reasonably likely to create new employment or prevent a loss of employment in the municipality;
- (2) Is not likely to have the effect of transferring existing employment from one or more other municipalities within the state;
- (3) Is not likely to cause the total market value of employment property within the municipality to exceed five percent of the total market value of all

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taxable property within the municipality; or if it will, the resulting limitation upon the increase of the assessed value of all taxable property within the municipality, considering the amount of additional municipal services likely to be required for the employment property, is not likely to substantially impede the operation or the financial integrity of the municipality or any other public body levying taxes on property in the municipality; and

(4) Will not result in the reduction of the assessed value of existing property within the municipality owned by the applicant, through abandonment, demolition, or otherwise, without provision for the restoration of the existing property within a reasonable time in a manner sufficient to restore the assessed valuation.

(e) In the case of enterprise zones qualifying pursuant to section 273.1312, subdivision 4, paragraph (c), clause (3), an application for assessment as employment property under section 273.13, subdivision 9 24, paragraph (b), or for a tax reduction pursuant to section 273.1314, subdivision 9, may not be approved unless the governing body finds and determines that the construction or improvement of the facility is not likely to have the effect of transferring existing employment from one or more other municipalities within the state.

Sec. 60. Minnesota Statutes 1984, section 273.1313, subdivision 3, is amended to read:

Subd. 3. **CLASSIFICATION.** Property shall be classified as employment property and assessed as provided for class 4d property in section 273.13, subdivision 9 24, paragraph (4) (b), for taxes levied in the year in which the classification is approved and for the four succeeding years after the approval. If the classification is revoked, the revocation is effective for taxes levied in the next year after revocation.

Sec. 61. Minnesota Statutes 1984, section 273.1315, is amended to read:

273.1315 CERTIFICATION OF ~~3CC~~ 1B PROPERTY.

Any property owner seeking classification and assessment of his homestead as class ~~3cc~~ 1b property pursuant to section 273.13, subdivision 7, clause (b) or (c) ~~22~~, paragraph (b), clause (2) or (3), shall file with the commissioner of revenue for each assessment year a ~~3cc~~ 1b homestead declaration, on a form prescribed by the commissioner. The declaration shall contain the following information:

(a) the information necessary to verify that the property owner or his spouse satisfies the requirements of section 273.13, subdivision 7 22, for ~~3cc~~ 1b classification;

(b) the property owner's household income, as defined in section 290A.03, for the previous calendar year; and

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(c) any additional information prescribed by the commissioner.

The declaration shall be filed on or before March 1 of each year to be effective for property taxes payable during the succeeding calendar year. The declaration and any supplementary information received from the property owner pursuant to this section shall be subject to section 290A.17.

The commissioner shall provide to the assessor on or before April 1 a listing of the parcels of property qualifying for ~~3ee~~ 1b classification.

Sec. 62. Minnesota Statutes 1984, section 273.135, subdivision 1, is amended to read:

Subdivision 1. The property tax to be paid in respect to property taxable within a tax relief area on ~~class 3b property, on class 3e property, and on class 3ee~~ homestead property, as otherwise determined by law and regardless of the market value of the property, for all purposes shall be reduced in the amount prescribed by subdivision 2, subject to the limitations contained therein.

Sec. 63. Minnesota Statutes 1984, 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 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 reduction shall not exceed the maximum 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 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 reduction shall not exceed the maximum amounts specified in clause (c).

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

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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 44a 22 or 23, "taconite breakpoint" means the lowest possible net tax for a homestead qualifying for the maximum reduction pursuant to section 273.13, subdivision 7 22, 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 22.

Sec. 64. Minnesota Statutes 1984, section 273.1391, subdivision 1, is amended to read:

273.1391 SUPPLEMENTARY HOMESTEAD PROPERTY TAX RELIEF.

Subdivision 1. The property tax to be paid in respect to property taxable within a tax relief area described in subdivision 2 on ~~class 3b property, on class 3c property, and on class 3ee~~ homestead property, as otherwise determined by law and regardless of the market value of the property, for all purposes shall be reduced in the amount prescribed by subdivision 2, subject to the limitations contained therein.

Sec. 65. Minnesota Statutes 1984, 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 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 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 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

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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 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 maximums specified in clause (c).

(c) (1) The maximum reduction of the net tax up to the taconite breakpoint is \$200.10 for taxes payable in 1985. This maximum amount shall increase by \$15 multiplied by the quantity one minus the homestead credit equivalency percentage per year for taxes payable in 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~~ 22 or 23, "taconite breakpoint" means the lowest possible net tax for a homestead qualifying for the maximum reduction pursuant to section 273.13, subdivision 7 22, 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 22.

Sec. 66. Minnesota Statutes 1984, section 273.1392, is amended to read:
273.1392 PAYMENT; AIDS TO SCHOOL DISTRICTS.

The amounts of homestead credit under section 273.13, subdivisions 6, 7, and ~~14a~~ 22 and 23; wetlands credit and reimbursement under section 273.115; native prairie credit and reimbursement under section 273.116; disaster or emergency reimbursement under section 273.123; attached machinery aid under section 273.138; ~~reimbursement under section 273.139~~; and metropolitan agricultural preserve reduction under section 473H.10, shall be certified to the department of education by the department of revenue. ~~The amounts so certified shall be paid according to the schedule for payment of foundation aids pursuant to section 124.11 for fiscal year 1983. Beginning in fiscal year 1984, The amounts so certified shall be paid according to section 124.195, subdivisions 6 and 10.~~

Sec. 67. Minnesota Statutes 1984, section 273.1393, as added by Laws 1985, chapter 300, section 8, is amended to read:

Sec. 8. [273.1393] COMPUTATION OF NET PROPERTY TAXES.

Notwithstanding any other provisions to the contrary, "net" property taxes are determined by subtracting the credits in the order listed from the gross tax:

(1) disaster credit as provided in section 273.123;

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- (2) wetlands credit as provided in section 273.115;
- (3) native prairie credit as provided in section 273.116;
- (4) powerline credit as provided in section 273.42;
- (5) agricultural preserves credit as provided in section 473H.10;
- (6) enterprise zone credit as provided in section 273.1314;
- (7) state school agricultural credit as provided in section 124.2137;
- (8) state paid homestead credit as provided in section 273.13, subdivisions 6 and 7 22 and 23;
- (9) taconite homestead credit as provided in section 273.135;
- (10) supplemental homestead credit as provided in section 273.1391.

The combination of all property tax credits must not exceed the gross tax amount.

Sec. 68. [273.165] TAXATION OF SEPARATE MINERAL INTERESTS AND UNMINED IRON ORE.

Subdivision 1. MINERAL INTEREST. "Mineral interest," for the purpose of this subdivision, means an interest in any minerals, including but not limited to gas, coal, oil, or other similar interest in real estate, which is owned separately and apart from the fee title to the surface of such real property. Mineral interests which are filed for record in the offices of either the county recorder or registrar of titles, whether or not filed pursuant to sections 93.52 to 93.58, are taxed as provided in this subdivision unless specifically excluded by this subdivision. A tax of 25 cents per acre or portion of an acre of mineral interest is imposed and is payable annually. If an interest is a fractional undivided interest in an area, the tax due on the interest per acre or portion of an acre is equal to the product obtained by multiplying the fractional interest times 25 cents, computed to the nearest cent. However, the minimum annual tax on any mineral interest is \$2. No such tax on mineral interests is imposed on the following: (1) mineral interests valued and taxed under other laws relating to the taxation of minerals, gas, coal, oil, or other similar interests; or (2) mineral interests which are exempt from taxation pursuant to constitutional or related statutory provisions. Taxes received under this subdivision must be apportioned to the taxing districts included in the area taxed in the same proportion as the surface interest mill rate of a taxing district bears to the total mill rate applicable to surface interests in the area taxed. The tax imposed by this subdivision is not included within any limitations as to rate or amount of taxes which may be imposed in an area to which the tax imposed by this subdivision applies. The tax imposed by this subdivision does not cause the amount of other taxes levied or to be levied in the area, which are subject to any such limitation, to be reduced in

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any amount. Twenty percent of the revenues received from the tax imposed by this subdivision must be distributed under the provisions of section 116J.64.

Subd. 2. IRON ORE. Unmined iron ore included in class 9 must be assessed with and as a part of the real estate in which it is located, but at the rate established in section 273.13, subdivision 30. The real estate in which iron ore is located, other than the ore, must be classified and assessed in accordance with the provisions of the appropriate classes. In assessing any tract or lot of real estate in which iron ore is known to exist, the assessable value of the ore exclusive of the land in which it is located, and the assessable value of the land exclusive of the ore must be determined and set down separately and the aggregate of the two must be assessed against the tract or lot.

Sec. 69. Minnesota Statutes 1984, section 273.38, is amended to read:

273.38 PERCENTAGE OF ASSESSMENTS; EXCEPTIONS.

The commissioner of revenue shall assess at five percent of market value distribution lines, and the attachments and appurtenances thereto, used primarily for supplying electricity to farmers at retail, and which shall be taxed at the average rate of taxes levied for all purposes throughout the county, and which shall be entered, certified and credited as provided in section 273.42. It is further provided that the distribution lines and the attachments and appurtenances thereto of cooperative associations organized under the provisions of Laws 1923, Chapter 326, and laws amendatory thereof and supplemental thereto, and engaged in the electrical heat, light and power business, upon a mutual, non-profit and cooperative plan, shall be assessed and taxed as provided in sections 273.40 and 273.41.

Sec. 70. Minnesota Statutes 1984, section 273.42, subdivision 2, is amended to read:

Subd. 2. Owners of land defined as class 3, 3b, 3e, 3ee, 3d or 3f 1a, 1b, 2a, 2c, 4a, 5a, or 6a, pursuant to section 273.13 listed on records of the county auditor or county treasurer over which runs a high voltage transmission line as defined in section 116C.52, subdivision 3, except a high voltage transmission line the construction of which was commenced prior to July 1, 1974, shall receive a property tax credit in an amount determined by multiplying a fraction, the numerator of which is the length of high voltage transmission line which runs over that parcel and the denominator of which is the total length of that particular line running over all property within the city or township by ten percent of the transmission line tax revenue derived from the tax on that portion of the line within the city or township pursuant to section 273.36. In the case of property owners in unorganized townships, the property tax credit shall be determined by multiplying a fraction, the numerator of which is the length of the qualifying high voltage transmission line which runs over the parcel and the denominator of which is the total length of the qualifying high voltage trans-

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mission line running over all property within all the unorganized townships within the county, by the total utility property tax credit fund amount available within the county for that year pursuant to section 273.42, subdivision 1. Where a right-of-way width is shared by more than one property owner, the numerator shall be adjusted by multiplying the length of line on the parcel by the proportion of the total width on the parcel owned by that property owner. The amount of credit for which the property qualifies shall not exceed 20 percent of the total gross tax on the parcel prior to deduction of the state paid agricultural credit and the state paid homestead credit, provided that, if the property containing the right of way is included in a parcel which exceeds 40 acres, the total gross tax on the parcel shall be multiplied by a fraction, the numerator of which is the sum of the number of acres in each quarter-quarter section or portion thereof which contains a right of way and the denominator of which is the total number of acres in the parcel set forth on the tax statement, and the maximum credit shall be 20 percent of the product of that computation, prior to deduction of those credits. The auditor of the county in which the affected parcel is located shall calculate the amount of the credit due for each parcel and transmit that information to the county treasurer. The county auditor, in computing the credits received pursuant to sections 273.13 and 273.135, shall reduce the gross tax by the amount of the credit received pursuant to this section, unless the amount of the credit would be less than \$10.

If, after the county auditor has computed the credit to those qualifying property owners in unorganized townships, there is money remaining in the utility property tax credit fund, then that excess amount in the fund shall be returned to the general school fund of the county.

Sec. 71. Minnesota Statutes 1984, section 274.19, subdivision 1, is amended to read:

Subdivision 1. Each manufactured home ~~constituting class 2a property~~ shall be valued each year by the assessor and be assessed with reference to its value on January 2 of that year. Notice of the value shall be mailed to the person to be assessed at least ten days before the meeting of the local board of review or equalization. The notice shall contain the amount of valuation in terms of market value, the assessor's office address, and the date, place, and time set for the meeting of the local board of review or equalization and the county board of equalization.

Sec. 72. Minnesota Statutes 1984, section 274.19, subdivision 2, is amended to read:

Subd. 2. On or before May 1, the assessor shall return to the county auditor his assessment books relating to the assessment of ~~class 2a property~~ manufactured homes. After receiving the assessment books, the county auditor shall determine the tax to be due by applying the rate of levy of the preceding

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year and shall transmit a list of the taxes to the county treasurer not later than May 30.

Sec. 73. Minnesota Statutes 1984, section 274.19, subdivision 3, is amended to read:

Subd. 3. Not later than July 15 in the year of assessment the county treasurer shall mail to the taxpayer a statement of tax due on class 2a property a manufactured home. The taxes shall be due on the last day of August. Taxes remaining unpaid after the due date shall be deemed delinquent, and a penalty of eight percent shall be assessed and collected as part of the unpaid taxes. On September 30 the county treasurer shall make a list of taxes remaining unpaid and shall certify the list immediately to the clerk of district court, who shall issue warrants to the sheriff for collection.

Sec. 74. Minnesota Statutes 1984, section 274.19, subdivision 4, is amended to read:

Subd. 4. Any person who claims that his class 2a property manufactured home has been unfairly or unequally assessed, or that such property 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 filing a petition for such determination, in the office of the clerk of the district court on or before the first day of September of the year in which such tax becomes payable. A petition for determination under this section may be transferred by the district court to the tax court.

Sec. 75. Minnesota Statutes 1984, section 274.19, subdivision 6, is amended to read:

Subd. 6. If the local board of review or equalization or the county board of equalization change the assessor's valuation of class 2a property a manufactured home, the change shall be transmitted to the county auditor, who shall immediately recompute the tax and advise the treasurer of the corrected tax. If the property is entitled to homestead classification and ~~tax credit pursuant to section 273.13, subdivision 16,~~ the auditor shall also take appropriate action to reflect the reduction in tax.

Sec. 76. Minnesota Statutes 1984, section 274.19, subdivision 7, is amended to read:

Subd. 7. The tax assessed on class 2a property manufactured homes shall be deemed to be a personal property tax and laws relating to assessment, review, and collection of personal property taxes shall be applicable to this tax, if not inconsistent with provisions in Laws 1975, Chapter 376 this section.

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Sec. 77. Minnesota Statutes 1984, section 274.19, is amended by adding a subdivision to read:

Subd. 8. MANUFACTURED HOMES; SECTIONAL STRUCTURES. (a) For purposes of this section, a "manufactured home" means a structure transportable in one or more sections, which is built on a permanent chassis, and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and contains the plumbing, heating, air-conditioning, and electrical systems therein, including any accessory structure which is an addition or supplement to the manufactured home and, when installed, becomes a part of the manufactured home.

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

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

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

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

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

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

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

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

(d) Sectional structures must be valued and assessed as an improvement to real property if the owner of the structure holds title to the land upon which it is located or is a qualifying lessee of the land under the provisions of this section.

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For purposes of this paragraph "sectional structure" means a building or structural unit which has been in whole or substantial part manufactured or constructed at an off site location to be wholly or partially assembled on site alone or with other units and attached to a permanent foundation.

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

Sec. 78. Minnesota Statutes 1984, section 275.50, subdivision 5, is amended to read:

Subd. 5. Notwithstanding any other law to the contrary for taxes levied in 1983 payable in 1984 and subsequent years, "special levies" means those portions of ad valorem taxes levied by governmental subdivisions to:

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

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

(c) pay the costs to a governmental subdivision for their minimum required share of any program otherwise authorized by law for which matching funds have been appropriated by the state of Minnesota or the United States, excluding the administrative costs of public assistance programs, to the extent of the increase in levy over the amount levied for the local share of the program for the taxes payable year 1971. This clause shall apply only to those programs or projects for which matching funds have been designated by the state of Minnesota or the United States on or before September 1, of the previous year and only when the receipt of these matching funds is contingent upon the initiation or

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implementation of the project or program during the year in which the taxes are payable or those programs or projects approved by the commissioner;

(d) pay the costs not reimbursed by the state or federal government, of payments made to or on behalf of recipients of aid under any public assistance program authorized by law, and the costs of purchase or delivery of social services. Except for the costs of general assistance as defined in section 256D.02, subdivision 4, general assistance medical care under section 256D.03 and the costs of hospital care pursuant to section 261.21, the aggregate amounts levied pursuant to this clause are subject to a maximum increase of 18 percent over the amount levied for these purposes in the previous year;

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

(f) pay the costs of principal and interest on certificates of indebtedness, except tax anticipation or aid anticipation certificates of indebtedness, issued for any corporate purpose except current expenses or funding an insufficiency in receipts from taxes or other sources or funding extraordinary expenditures resulting from a public emergency; and to pay the cost for certificates of indebtedness issued pursuant to sections 298.28 and 298.282;

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

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

(i) pay the amounts required to compensate for a decrease in manufactured homes property tax receipts to the extent that the governmental subdivision's portion of the total levy in the current levy year, pursuant to section 273.13 274.19, subdivision 3 8, as amended, is less than the distribution of the manufactured homes tax to the governmental subdivision pursuant to Minnesota Statutes 1969, section 273.13, subdivision 3, in calendar year 1971;

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

(k) pay amounts required to correct for an error of omission in the levy certified to the appropriate county auditor or auditors by the governing body of a city or town with statutory city powers in a levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable

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statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.50 to 275.56 in the preceding levy year;

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

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

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

(2) The amount determined by dividing the overall levy limitation established pursuant to sections 275.50 to 275.56, and exclusive of special levies and special assessments, by the total taxable value of the governmental subdivision, and then multiplying this quotient times the total increase in assessed value of private industrial and nonresidential commercial development within the governmental subdivision. For the purpose of this clause, the increase in the assessed value of private industrial and nonresidential commercial development is calculated as the increase in assessed value over the assessed value of the real estate parcels subject to such private development as most recently determined before the building permit was issued. In the fourth levy year subsequent to the levy year in which the building permit was issued, the increase in assessed value of the real estate parcels subject to such private development shall no longer be included in determining the special levy.

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

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

(o) pay amounts required by law to be paid to pay the interest on and to reduce the unfunded accrued liability of public pension funds in accordance with the actuarial standards and guidelines specified in sections 356.215 and 356.216 reduced by 106 percent of the amount levied for that purpose in 1976, payable in 1977. For the purpose of this special levy, the estimated receipts expected from the state of Minnesota pursuant to sections 69.011 to 69.031 or any other state aid expressly intended for the support of public pension funds shall be considered as a deduction in determining the required levy for the normal costs of the public pension funds. No amount of these aids shall be considered as a deduction in determining the governmental subdivision's required levy for the reduction of the unfunded accrued liability of public pension funds;

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

(q) pay the costs of financial assistance to local governmental units and certain administrative, engineering, and legal expenses pursuant to Laws 1979, chapter 253, section 3;

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

(s) pay the total operating cost of a county jail as authorized in section 641.01. If the county government utilizes this special levy, then any amount levied by the county government in the previous year for operating its county jail and included in its previous year's levy limitation computed pursuant to section 275.51 shall be deducted from the current levy limitation;

(t) pay the costs of implementing section 18.023, including sanitation and reforestation; and

(u) pay the estimated cost for the following calendar year of the county's share of funding the Minnesota cooperative soil survey.

Sec. 79. Minnesota Statutes 1984, 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 from the

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parcel of real property for which a particular tax statement is prepared. The dollar amounts due the 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, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The 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 manufactured homes and sectional structures taxed as personal 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 manufactured homes and sectional structures taxed as personal 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 22 and 23 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. 80. Minnesota Statutes 1984, section 278.01, subdivision 2, is amended to read:

Subd. 2. **HOMESTEADS.** Any person having any estate, right, title or interest in or lien upon any parcel which is classified as homestead under the provisions of section 273.13, subdivisions 6, 6a, 7, 7b, 10 or 12 22 or 23, who claims that said parcel has been assessed at a valuation which exceeds by ten percent or more the valuation which the parcel would have if it were valued at the average assessment/sales ratio for real property in the same class, in that portion of the county in which that parcel is located, for which the commissioner is able to establish and publish a sales ratio study as determined by the applicable real estate assessment/sales ratio study published by the commissioner of revenue,

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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 treasurer and the county attorney and filing the same, with proof of such service, in the office of the clerk of the district court before the 16th day of May of the year in which such tax becomes payable. 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.

Sec. 81. Minnesota Statutes 1984, section 278.05, subdivision 5, is amended to read:

Subd. 5. Any time after the filing of the petition and before the trial of the issues raised thereby, when the defense or claim presented is that the property has been partially, unfairly, or unequally assessed, or that the parcel has been assessed at a valuation greater than its real or actual value, or that a parcel which is classified as homestead under the provisions of section 273.13, subdivisions ~~6, 6a, 7, 7b, 10 or 12~~ 22 or 23, has been assessed at a valuation which exceeds by ten percent or more the valuation which the parcel would have if it were valued at the average assessment/sales ratio for real property in the same class in that portion of the county in which the parcel is located, for which the commissioner is able to establish and publish a sales ratio study, the attorney representing the state, county, city or town in the proceedings may serve on the petitioner, or his attorney, and file with the clerk of the district court, an offer to reduce the valuation of any tract or tracts to a valuation set forth in the offer. If, within ten days thereafter, the petitioner, or his attorney, gives notice in writing to the county attorney, or the attorney for the city or town, that the offer is accepted, he may file the offer with proof of notice, and the clerk shall enter judgment accordingly. Otherwise, the offer shall be deemed withdrawn and evidence thereof shall not be given; and, unless a lower valuation than specified in the offer is found by the court, no costs or disbursements shall be allowed to the petitioner, but the costs and disbursements of the state, county, city or town, including interest at six percent on the tax based on the amount of the offer from and after the 16th day of October of the year the taxes are payable, shall be taxed in its favor and included in the judgment and when collected shall be credited to the county revenue fund, unless the taxes were paid in full before the 16th day of October of the year in which the taxes were payable, in which event interest shall not be taxable.

Sec. 82. Minnesota Statutes 1984, section 279.01, subdivision 1, as amended by Laws 1985, chapter 300, section 12, is amended to read:

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

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~~ 3a 1c, 2c, or 6a, and on other commercial use real property classified as class ~~4e~~ 3a, provided that over 60 percent of the gross income earned by the enterprise on the class ~~4e~~ 3a property is earned during the months of May, June, July, and August. Any property owner of such class ~~4e~~ 3a 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 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 \$50, 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 \$100, upon resolution of the county board, 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. 83. Minnesota Statutes 1984, section 279.06, is amended to read:

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279.06 COPY OF LIST AND NOTICE.

Within five days after the filing of such list, the clerk shall return a copy thereof to the county auditor, with a notice prepared and signed by him, and attached thereto, which may be substantially in the following form:

State of Minnesota)
) ss.
County of)

District Court
.....Judicial District.

The state of Minnesota, to all persons, companies, or corporations who have or claim any estate, right, title, or interest in, claim to, or lien upon, any of the several parcels of land described in the list hereto attached:

The list of taxes and penalties on real property for the county of remaining delinquent on the first Monday in January, 19....., has been filed in the office of the clerk of the district court of said county, of which that hereto attached is a copy. Therefore, you, and each of you, are hereby required to file in the office of said clerk, on or before the 20th day after the publication of this notice and list, your answer, in writing, setting forth any objection or defense you may have to the taxes, or any part thereof, upon any parcel of land described in the list, in, to, or on which you have or claim any estate, right, title, interest, claim, or lien, and, in default thereof, judgment will be entered against such parcel of land for the taxes on such list appearing against it, and for all penalties, interest, and costs. Based upon said judgment, the land shall be sold to the state of Minnesota on the second Monday in May, 19... The period of redemption for all lands sold to the state at a tax judgment sale shall be three years from the date of sale to the state of Minnesota if the land is within an incorporated area unless it is: (a) homesteaded land as defined in section 273.13, subdivision 7 22; (b) homesteaded agricultural land as defined in section 273.13, subdivision 6 23, paragraph (a); or (c) seasonal recreational land as defined in section 273.13, subdivision 4 22, paragraph (c) or subdivision 27, paragraph (a), in which event the period of redemption is five years from the date of sale to the state of Minnesota.

The period of redemption for all other lands sold to the state at a tax judgment sale shall be five years from the date of sale.

Inquiries as to the proceedings set forth above can be made to the county auditor of county whose address is

(Signed)
Clerk of the District Court of the County
of
(Here insert list.)

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The list referred to in the notice shall be substantially in the following form:

List of real property for the county of, on which taxes remain delinquent on the first Monday in January, 19....:

Town of (Fairfield),
Township (40), Range (20),

Names (and
Current Filed
Addresses) for
the Taxpayers
and Fee Owners
and in Addition
Those Parties
Who Have Filed
Their Addresses

Pursuant to section 276.041	Subdivision of Section	Section	Tax Parcel Number	Total Tax and Penalty \$ cts.
John Jones (825 Fremont Fairfield, MN 55000)	S.E. 1/4 of S.W. 1/4	10	23101	2.20
Bruce Smith (2059 Hand Fairfield, MN 55000) and Fairfield State Bank (100 Main Street Fairfield, MN 55000)	That part of N.E. 1/4 of S.W. 1/4 desc. as follows: Beg. at the S.E. corner of said N.E. 1/4 of S.W. 1/4; thence N. along the E. line of said N.E. 1/4 of S.W. 1/4 a distance of 600 ft.; thence W. parallel with the S. line of said N.E. 1/4 of S.W. 1/4 a distance of 600 ft.; thence S. parallel with said E. line a distance of 600 ft. to S. line of said N.E. 1/4 of S.W. 1/4; thence E. along said S. line a distance of 600 ft. to the point of beg.	21	33211	3.15

As to platted property, the form of heading shall conform to circumstances and be substantially in the following form:

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City of (Smithtown)
Brown's Addition, or Subdivision

Names (and
Current Filed
Addresses) for
the Taxpayers
and Fee Owners
and in Addition
Those Parties
Who have Filed
Their Addresses

Pursuant to section 276.041	Lot	Block	Tax Parcel Number	Total Tax and Penalty \$ cts
John Jones (825 Fremont Fairfield, MN 55000)	15	9	58243	2.20
Bruce Smith (2059 Hand Fairfield, MN 55000) and Fairfield State Bank (100 Main Street Fairfield, MN 55000)	16	9	58244	3.15

The names, descriptions, and figures employed in parentheses in the above forms are merely for purposes of illustration.

The name of the town, township, range or city, and addition or subdivision, as the case may be, shall be repeated at the head of each column of the printed lists as brought forward from the preceding column.

Errors in the list shall not be deemed to be a material defect to affect the validity of the judgment and sale.

Sec. 84. Minnesota Statutes 1984, section 281.17, is amended to read:
281.17 PERIOD FOR REDEMPTION.

The period of redemption for all lands sold to the state at a tax judgment sale shall be three years from the date of sale to the state of Minnesota if the land is within an incorporated area unless it is: (a) nonagricultural homesteaded land as defined in section 273.13, subdivision 7 22, (b) homesteaded agricultural land as defined in section 273.13, subdivision 6 23, paragraph (a), or (c) seasonal

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recreational land as defined in section 273.13, subdivision 4 27, paragraph (a), or subdivision 22, paragraph (c), in which event the period of redemption is five years from the date of sale to the state of Minnesota.

The period of redemption for all other lands sold to the state at a tax judgment sale shall be five years from the date of sale.

Sec. 85. Minnesota Statutes 1984, section 290A.03, subdivision 6, is amended to read:

Subd. 6. **HOMESTEAD.** "Homestead" means the dwelling occupied by a claimant as his principal residence and so much of the land surrounding it, not exceeding ten acres, as is reasonably necessary for use of the dwelling as a home and any other property used for purposes of a homestead as defined in section 273.13, subdivision 7 22, except for agricultural land assessed as part of a homestead pursuant to section 273.13, subdivision 6 23, "homestead" is limited to 320 acres or, where the farm homestead is rented, one acre. The homestead may be owned or rented and may be a part of a multi-dwelling or multi-purpose building and the land on which it is built. A manufactured home, as defined in section 168.011, subdivision 8, assessed as personal property may be a dwelling for purposes of this subdivision.

Sec. 86. Minnesota Statutes 1984, section 290A.03, subdivision 12, is amended to read:

Subd. 12. **GROSS RENT.** "Gross rent" means rental paid for the right of occupancy, at arms-length, of a homestead, exclusive of charges for any medical services furnished by the landlord as a part of the rental agreement, whether expressly set out in the rental agreement or not. If the landlord and tenant have not dealt with each other at arms-length and the commissioner determines that the gross rent charged was excessive, he may adjust the gross rent to a reasonable amount for purposes of this chapter.

Any amount paid by a claimant residing in property assessed pursuant to section ~~273.133~~ 273.13, subdivisions 3, 4, 5, or 6 for occupancy in that property shall be excluded from gross rent for purposes of this chapter. However, property taxes imputed to the homestead of the claimant or the dwelling unit occupied by the claimant that qualifies for homestead treatment pursuant to section ~~273.133~~ 273.13, subdivisions 3, 4, 5, or 6 shall be included within the term "property taxes payable" as defined in subdivision 13, notwithstanding the fact that ownership is not in the name of the claimant.

Sec. 87. Minnesota Statutes 1984, section 290A.03, subdivision 13, is amended to read:

Subd. 13. **PROPERTY TAXES PAYABLE.** "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead before reductions made pursuant to section

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273.13, subdivisions ~~6, 7 and 14a~~ 22 and 23, but after deductions made pursuant to sections 124.2137, 273.115, 273.116, 273.135, ~~273.139~~, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. No apportionment or reduction of the "property taxes payable" shall be required for the use of a portion of the claimant's homestead for a business purpose if the claimant does not deduct any business depreciation expenses for the use of a portion of the homestead in the determination of federal adjusted gross income. For homesteads which are manufactured homes as defined in section 168.011, subdivision 8, "property taxes payable" shall also include the amount of the gross rent paid in the preceding year for the site on which the homestead is located, which is attributable to the net tax paid on the site. The amount attributable to property taxes shall be determined by multiplying the net tax on the parcel by a fraction, the numerator of which is the gross rent paid for the calendar year for the site and the denominator of which is the gross rent paid for the calendar year for the parcel. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue and his decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year in which the tax is payable and (i) the property must have been classified as homestead property pursuant to section 273.13, subdivisions ~~6, 7, or 14a~~ subdivisions 22 or 23 on or before June 1 of the year in which the "property taxes payable" were levied; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made prior to October 1 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

Sec. 88. Minnesota Statutes 1984, section 290A.03, subdivision 14, is amended to read:

Subd. 14. **NET TAX.** "Net tax" means

(a) the property tax, exclusive of special assessments, interest, and penalties, and after reduction for any state paid property tax credits as required in subdivision 13 except for the reduction pursuant to section 273.13, subdivisions ~~6, 7, and 14a~~ 22 and 23, or

(b) the payments made in lieu of ad valorem taxes, including payments of special assessments imposed in lieu of ad valorem taxes,

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for the calendar year in which the rent was paid. If a portion of the property is occupied as a homestead or is used for other than rental purposes, the net tax shall be the amount of tax reduced by the percentage that the nonrental use comprises of the total square footage of the building. If a portion of the property is used for purposes other than for residential rental and none of the property is occupied as a homestead, the net tax shall be the amount of the tax of the parcel multiplied by a fraction, the numerator of which is the assessed value of the residential rental portion and the denominator of which is the total assessed value of the parcel. If a portion of the property is used for other than rental residential purposes, the county treasurer shall list on the property tax statement the amount of net tax pertaining to the rental residential portion of the property.

The amount of the net tax shall not be reduced by an abatement or a court ordered reduction in the property tax on the property made after the certificate of rent constituting property tax has been provided to the renter.

Sec. 89. Minnesota Statutes 1984, section 290A.04, subdivision 2, is amended to read:

Subd. 2. A claimant whose property taxes payable or rent constituting property taxes are in excess of the percentage of the household income stated below shall pay an amount equal to the percent of income shown for the appropriate household income level and the state refund will be equal to an amount up to the state refund amount shown below.

Household Income	Percent of Income	State Refund
Net loss and		
up to \$2,999	0.5 percent	\$13
3,000 to 3,499	0.6 percent	\$15
3,500 to 3,999	0.6 percent	\$18
4,000 to 4,499	0.7 percent	\$20
4,500 to 4,999	0.7 percent	\$23
5,000 to 5,999	0.8 percent	\$40
6,000 to 6,999	0.9 percent	\$54
7,000 to 7,999	1.0 percent	\$70
8,000 to 8,999	1.1 percent	\$88
9,000 to 9,999	1.2 percent	\$108
10,000 to 10,999	1.3 percent	\$130
11,000 to 11,999	1.4 percent	\$154
12,000 to 12,999	1.5 percent	\$180
13,000 to 13,999	1.5 percent	\$195
14,000 to 14,999	1.5 percent	\$210
15,000 to 15,999	1.5 percent	\$225
16,000 to 16,999	1.5 percent	\$240
17,000 to 17,999	1.5 percent	\$255
18,000 to 18,999	1.5 percent	\$270

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19,000 to 19,999	1.5 percent	\$285
20,000 to 20,999	1.6 percent	\$320
21,000 to 21,999	1.6 percent	\$336
22,000 to 22,999	1.6 percent	\$352
23,000 to 23,999	1.8 percent	\$414
24,000 to 24,999	1.8 percent	\$432
25,000 to 25,999	1.8 percent	\$450
26,000 to 26,499	2.0 percent	\$520
26,500 to 26,999	2.0 percent	\$530
27,000 to 27,499	2.0 percent	\$540
27,500 to 27,999	2.0 percent	\$550
28,000 to 28,499	2.0 percent	\$560
28,500 to 28,999	2.0 percent	\$570
29,000 to 29,499	2.0 percent	\$580
29,500 to 29,999	2.0 percent	\$590
30,000 to 30,499	2.0 percent	\$600
30,500 to 30,999	2.0 percent	\$610
31,000 to 31,499	2.2 percent	\$620
31,500 to 31,999	2.2 percent	\$630
32,000 to 32,499	2.2 percent	\$640
32,500 to 32,999	2.2 percent	\$650
33,000 to 33,999	2.2 percent	\$700
34,000 to 34,999	2.2 percent	\$600
35,000 to 35,999	2.2 percent	\$500
36,000 to 36,999	2.4 percent	\$400
37,000 to 37,999	2.4 percent	\$300
38,000 to 38,999	2.4 percent	\$200
39,000 to 39,999	2.4 percent	\$100

The payment made to a claimant shall be the amount of the state refund calculated pursuant to this subdivision, less the homestead credit given pursuant to section 273.13, subdivisions ~~6, 7 and 14a~~ 22 and 23.

Sec. 90. Minnesota Statutes 1984, section 297A.01, subdivision 14, is amended to read:

Subd. 14. "Handicapped" means a permanent and total disability as defined in section 273.13, subdivision ~~7~~ 22.

Sec. 91. Minnesota Statutes 1984, section 360.301, subdivision 1, is amended to read:

Subdivision 1. The commissioner of finance shall maintain in the state bond fund a separate account, designated as the Minnesota aeronautics bond account, showing all taxes levied for such fund pursuant to this section and all moneys transferred to the fund pursuant to section 360.306 for the payment of Minnesota aeronautics bonds issued under section 360.302. The auditor shall levy each year on all taxable property within the state a tax sufficient, with all moneys then and theretofore transferred under section 360.306, to pay all such

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bonds and interest thereon which are due and to become due within the then ensuing year and to and including July 1 in the second ensuing year. Such tax shall be levied upon all real property used for the purposes of a homestead, as well as other taxable property, notwithstanding the provisions of section 273.13, subdivisions 6 and 7, and shall be and remain subject to no limitation of rate or amount until all such bonds and all interest thereon are fully paid. All proceeds of such taxes are appropriated and shall be credited to the state bond fund, and the principal and interest of state bonds shall be payable from the proceeds of such taxes, and so much thereof as may be necessary is hereby appropriated for such payments; provided that such principal and interest, if any, as may become due at any time when there is not on hand a sufficient amount from the proceeds of such taxes to pay the same, shall be paid out of the general fund in the state treasury, and the amount necessary therefor is hereby appropriated, to be reimbursed from the proceeds of such taxes when received.

Sec. 92. Minnesota Statutes 1984, section 473F.02, subdivision 3, is amended to read:

Subd. 3. "Commercial-industrial property" means the following categories of property, as defined in section 273.13, excluding that portion of such property (a) (1) which may, by law, constitute the tax base for a tax increment pledged pursuant to section 462.585 or 474.10, certification of which was requested prior to August 1, 1979, to the extent and while such tax increment is so pledged; (b) (2) which may, by law, constitute the tax base for tax revenues set aside and paid over for credit to a sinking fund pursuant to direction of the city council in accordance with Laws 1963, chapter 881, as amended, to the extent that such revenues are so treated in any year; or (c) (3) which is exempt from taxation pursuant to section 272.02:

(a) That portion of class 3 property defined in Minnesota Statutes 1971, section 273.13, consisting of stocks of merchandise and furniture and fixtures used therewith; manufacturers' materials and manufactured articles; and tools, implements and machinery, whether fixtures or otherwise.

(b) ~~Class 3h property.~~

(c) ~~Class 3j property.~~

(d) That portion of class 4 property defined in Minnesota Statutes 1971, section 273.13, which is either used or zoned for use for any commercial or industrial purpose, except for such property which is, or, in the case of property under construction, will when completed be used exclusively for residential occupancy and the provision of services to residential occupants thereof. Property shall be considered as used exclusively for residential occupancy only if each of not less than 80 percent of its occupied residential units is, or, in the case of property under construction, will when completed be occupied under an oral or

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written agreement for occupancy over a continuous period of not less than 30 days.

If the classification of property prescribed by section 273.13 is modified by legislative amendment, the references in this subdivision shall be to such successor class or classes of property, or portions thereof, as embrace the kinds of property designated in this subdivision.

Sec. 93. Minnesota Statutes 1984, section 473F.02, subdivision 4, is amended to read:

Subd. 4. "Residential property" means the following categories of property, as defined in section 273.13, excluding that portion of such property exempt from taxation pursuant to section 272.02:

(a) Class ~~3b~~ 1a, 1b, 2a, 4a, 5a, 5b, 7a, 7b, 7c, and 7d property

(b) ~~Class 3e~~ property

(c) ~~Class 3ee~~ property

(d) ~~Class 3f~~ property

(e) And that portion of class 4 3a, 3b, and 10 property used exclusively for residential occupancy.

(f) ~~That property valued and assessed under section 273.13, subdivision 17.~~

Sec. 94. Minnesota Statutes 1984, section 475.754, is amended to read:

475.754 DISASTERS OR PUBLIC EMERGENCIES, CERTIFICATES OF INDEBTEDNESS.

If in any fiscal year the receipts from taxes or other sources are insufficient to meet the expenses incurred or to be incurred in said year by any city however organized, county or town by reason of any natural disaster or other public emergency requiring the making of extraordinary expenditures, the governing body of any such city, county or town may authorize the sale of certificates of indebtedness to mature within three years and to bear interest at a rate not to exceed the amount prescribed in this chapter. The certificates may be issued with or without advertising for bids on such terms and conditions as the governing body may determine and shall be in such form as the state auditor in cooperation with the commissioner of commerce shall prescribe. All certificates and interest thereon shall be payable from taxes levied within existing limitations or from other available revenue. Certificates of indebtedness issued under the provisions of this section shall not be considered bonded indebtedness for the purposes of ~~sections 273.13, subdivisions 6 and 7; and section 275.50, subdivision 5, clause (h).~~ The certificates shall not be included in the net debt of the issuing city, county or town.

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

Sec. 95. Minnesota Statutes 1984, section 475A.06, subdivision 6, is amended to read:

Subd. 6. On or before December 1 in each year the state auditor shall levy on all taxable property within the state whatever tax may be necessary to produce an amount sufficient, with all money then and theretofore credited to the Minnesota state municipal aid bond account, to pay the entire amount of principal and interest then and theretofore due and principal and interest to become due on or before July 1 in the second year thereafter on Minnesota state municipal aid bonds. This tax shall be levied upon all real property used for the purposes of a homestead, as well as other taxable property, notwithstanding the provisions of section 273.13, subdivisions 6 and 7, and shall be subject to no limitation of rate or amount until all such bonds and interest thereon are fully paid. The proceeds of this tax are appropriated and shall be credited to the state bond fund, and the principal of and interest on the bonds are payable from such proceeds, and the whole thereof, or so much as may be necessary, is appropriated for such payments. If at any time there is insufficient money from the proceeds of such taxes to pay the principal and interest when due on Minnesota state municipal aid bonds, such principal and interest shall be paid out of the general fund in the state treasury, and the amount necessary therefor is hereby appropriated.

Sec. 96. Minnesota Statutes 1984, section 514.03, subdivision 3, is amended to read:

Subd. 3. The lien shall extend to all the interest and title of the owner in and to the premises improved, not exceeding 80 acres, except in the case of homesteaded agricultural land as used in section 273.13, subdivision 6 23, where the lien shall be limited to 40 acres.

Sec. 97. Minnesota Statutes 1984, section 583.02, is amended to read:

583.02 DEFINITIONS.

As used in sections 583.01 to 583.12, the term "homestead" means residential or agricultural real estate, a portion or all of which is entitled to receive homestead credit classification under section 273.13, subdivision 15a 22 or 23.

Sec. 98. **REPEALER.**

Minnesota Statutes 1984, sections 273.1105; 273.13, subdivisions 2, 2a, 3, 4, 5a, 6, 6a, 7, 7b, 7c, 7d, 8a, 9, 10, 11, 12, 14a, 16, 17, 17a, 17b, 17c, 17d, 19, 20, and 21; 273.133; and 273.15, are repealed.

Sec. 99. **EFFECTIVE DATE.**

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

This article is effective for taxes levied in 1986, payable in 1987 and thereafter, provided that sections 2, 7, 8, 13, 14, 22, 25 to 27, 29, 91, and 95 are effective for bonds issued after the date of final enactment of this act.

ARTICLE 5 PROPERTY TAX REFUND

Section 1. Minnesota Statutes 1984, section 290A.03, subdivision 3, as amended by Laws 1985, chapter 210, article 2, section 9, is amended to read:

Subd. 3. **INCOME.** (1) "Income" means the sum of the following:

(a) federal adjusted gross income as defined in the Internal Revenue Code of 1954 as amended through ~~December 31, 1983~~ May 25, 1985; and

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

(i) additions to federal adjusted gross income as provided in Minnesota Statutes, section 290.01, subdivision 20a, clauses (1), (2), (4), (9), (10), and (14);

(ii) all nontaxable income;

(iii) recognized net long term capital gains;

(iv) dividends and interest excluded from federal adjusted gross income under sections 116 or 128 of the Internal Revenue Code of 1954;

(v) cash public assistance and relief;

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

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

(viii) workers' compensation;

(ix) unemployment benefits;

(x) nontaxable strike benefits;

(xi) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise; ~~and~~

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(xii) the ordinary income portion of a lump sum distribution under section 402(e) of the Internal Revenue Code of 1954; and

(xiii) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution, simplified employee pension plan, self-employed retirement plan, cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code of 1954; or deferred compensation plan under section 457 of the Internal Revenue Code of 1954.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carryback.

(2) "Income" does not include

(a) amounts excluded pursuant to the Internal Revenue Code, Sections 101(a), 102, 117, and 121;

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

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

(d) relief granted under this chapter;

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

(f) federal adjusted gross income shall be reduced by wage or salary expense which is not allowed as a deduction under provisions of section 280C of the Internal Revenue Code of 1954; or

(g) the first \$2,000 of household income if the claimant was disabled on or before June 1 or attained the age of 65 prior to June 1 of the year following the year for which the taxes were levied or in which the rent was paid.

Sec. 2. Minnesota Statutes 1984, section 290A.04, subdivision 1, is amended to read:

Subdivision 1. A credit refund shall be allowed each claimant in the amount that property taxes payable or rent constituting property taxes exceed the percentage of the household income of the claimant specified in subdivision 2 in the year for which the taxes were levied or in the year in which the rent was paid as specified in subdivision 2. If the amount of property taxes payable or rent constituting property taxes is equal to or less than the percentage of the household income of the claimant specified in subdivision 2 in the year for which

the taxes were levied or in the year in which the rent was paid, the claimant shall not be eligible for a state refund pursuant to this section. For purposes of claiming this ~~credit~~ refund, a claimant who owns his own homestead part of the year and rents part of the year may add his rent constituting property taxes to the qualifying tax on his homestead.

Sec. 3. Minnesota Statutes 1984, section 290A.04, subdivision 2, is amended to read:

Subd. 2. A claimant whose property taxes payable or rent constituting property taxes are in excess of the percentage of the household income stated below shall pay an amount equal to the percent of income shown for the appropriate household income level and along with the percent to be paid by the claimant of the remaining amount of property taxes payable or rent constituting property taxes. The state refund will be equal to ~~an~~ the amount of property taxes payable or rent constituting property taxes that remain, up to the state refund amount shown below.

Household Income	Percent of Income	State Refund	Percent Paid by Claimant	Maximum State Refund
Net loss and up to \$2,999	0.5 1.0 percent	\$13	<u>5 percent</u>	<u>\$1,125</u>
3,000 to 3,499	0.6 <u>1.0</u> percent	\$15	<u>6 percent</u>	<u>\$1,125</u>
3,500 to 3,999	0.6 1.0 percent	\$18	<u>7 percent</u>	<u>\$1,125</u>
4,000 to 4,499	0.7 1.0 percent	\$20	<u>8 percent</u>	<u>\$1,125</u>
4,500 to 4,999	0.7 1.0 percent	\$23	<u>9 percent</u>	<u>\$1,125</u>
5,000 to 5,999	0.8 <u>1.0</u> percent	\$40	<u>10 percent</u>	<u>\$1,125</u>
6,000 to 6,999	0.9 <u>1.0</u> percent	\$54	<u>11 percent</u>	<u>\$1,125</u>
7,000 to 7,999	1.0 percent	\$70	<u>12 percent</u>	<u>\$1,125</u>
8,000 to 8,999	1.1 percent	\$88	<u>13 percent</u>	<u>\$1,125</u>
9,000 to 9,999	1.2 percent	\$108	<u>14 percent</u>	<u>\$1,125</u>
10,000 to 10,999	1.3 percent	\$130	<u>15 percent</u>	<u>\$1,125</u>
11,000 to 11,999	1.4 percent	\$154	<u>16 percent</u>	<u>\$1,125</u>
12,000 to 12,999	1.5 percent	\$180	<u>17 percent</u>	<u>\$1,125</u>
13,000 to 13,999	1.5 percent	\$195	<u>18 percent</u>	<u>\$1,125</u>
14,000 to 14,999	1.5 percent	\$210	<u>19 percent</u>	<u>\$1,125</u>
15,000 to 15,999	1.5 percent	\$225	<u>20 percent</u>	<u>\$1,125</u>
16,000 to 16,999	1.5 percent	\$240	<u>21 percent</u>	<u>\$1,125</u>
17,000 to 17,999	1.5 percent	\$255	<u>22 percent</u>	<u>\$1,125</u>
18,000 to 18,999	1.5 percent	\$270	<u>23 percent</u>	<u>\$1,125</u>
19,000 to 19,999	1.5 percent	\$285	<u>24 percent</u>	<u>\$1,125</u>
20,000 to 20,999	1.6 percent	\$320	<u>25 percent</u>	<u>\$1,125</u>
21,000 to 21,999	1.6 percent	\$336	<u>27 percent</u>	<u>\$1,125</u>
22,000 to 22,999	1.6 percent	\$352	<u>29 percent</u>	<u>\$1,125</u>
23,000 to 23,999	1.8 percent	\$414	<u>31 percent</u>	<u>\$1,125</u>
24,000 to 24,999	1.8 percent	\$432	<u>33 percent</u>	<u>\$1,105</u>
25,000 to 25,999	1.8 percent	\$450	<u>35 percent</u>	<u>\$1,080</u>

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26,000 to 26,499	2.0 percent	\$520		
26,500 to 26,999	2.0 percent	\$530	<u>38 percent</u>	<u>\$1,050</u>
27,000 to 27,499	2.0 percent	\$540		
27,500 to 27,999	2.0 percent	\$550	<u>41 percent</u>	<u>\$1,020</u>
28,000 to 28,499	2.0 percent	\$560		
28,500 to 28,999	2.0 percent	\$570	<u>44 percent</u>	<u>\$ 990</u>
29,000 to 29,499	2.0 percent	\$580		
29,500 to 29,999	2.0 percent	\$590	<u>47 percent</u>	<u>\$ 960</u>
30,000 to 30,499	2.0 percent	\$600		
30,500 to 30,999	2.0 percent	\$610	<u>50 percent</u>	<u>\$ 930</u>
31,000 to 31,499	2.2 percent	\$620		
31,500 to 31,999	2.2 percent	\$630	<u>50 percent</u>	<u>\$ 900</u>
32,000 to 32,499	2.0 percent	\$640		
32,500 to 32,999	2.2 percent	\$650	<u>50 percent</u>	<u>\$800</u>
33,000 to 33,999	2.2 percent	\$700	<u>50 percent</u>	<u>\$700</u>
34,000 to 34,999	2.2 percent	\$600	<u>50 percent</u>	<u>\$600</u>
35,000 to 35,999	2.2 percent	\$500	<u>50 percent</u>	<u>\$500</u>
36,000 to 36,999	2.4 percent	\$400	<u>50 percent</u>	<u>\$400</u>
37,000 to 37,999	2.4 percent	\$300	<u>50 percent</u>	<u>\$300</u>
38,000 to 38,999	2.4 percent	\$200	<u>50 percent</u>	<u>\$200</u>
39,000 to 39,999	2.4 percent	\$100	<u>50 percent</u>	<u>\$100</u>
40,000 and over	2.4 percent		<u>50 percent</u>	<u>-0-</u>

The payment made to a claimant shall be the amount of the state refund calculated pursuant to this subdivision, less the homestead credit given pursuant to section 273.13, subdivisions 6, 7 and 14a. No payment is allowed if the claimant's household income is \$40,000 or more.

Sec. 4. Minnesota Statutes 1984, section 290A.04, subdivision 3, is amended to read:

Subd. 3. The commissioner of revenue shall construct and make available to taxpayers a comprehensive table showing the property taxes to be paid and credit refund allowed at various levels of income and assessment. The table shall follow the schedule of income percentages, maximums and other provisions specified in subdivisions subdivision 2, 2a, and 2b, except that the commissioner may graduate the transition between income brackets. All refunds shall be computed in accordance with tables prepared and issued by the commissioner of revenue.

Sec. 5. Minnesota Statutes 1984, section 290A.06, is amended to read:

290A.06 FILING TIME LIMIT, LATE FILING.

Any claim for property taxes payable shall be filed with the department of revenue on or before August 31 15 of the year in which the property taxes are due and payable. Any claim for rent constituting property taxes shall be filed with the department of revenue on or before August 31 15 of the year following the year in which the rent was paid. The commissioner may extend the time for

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filing these claims for a period not to exceed six months in the case of sickness, absence, or other disability, or when in his judgment other good cause exists.

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

The time limit on redetermination of claims for refund and examination of records shall be governed by sections 290.49, 290.50, and 290.56 and for purposes of computing the time limit as provided in these sections the due date of the property tax refund return shall be the same as the due date contained in section 290.42 for an income tax return covering the year in which the rent was paid or the year preceding the year in which the property taxes are payable.

Sec. 6. Minnesota Statutes 1984, section 290A.19, as amended by Laws 1985, chapter 210, article 1, section 20, is amended to read:

290A.19 OWNER OR MANAGING AGENT TO FURNISH RENT CERTIFICATE; PENALTY.

(a) The owner or managing agent of any property for which rent is paid for occupancy as a homestead shall furnish a certificate of rent constituting property tax to each person who is a renter on December 31, in the form prescribed by the commissioner. If the renter moves prior to December 31, the owner or managing agent shall at his option either provide the certificate to the renter at the time he moves, or mail the certificate to the forwarding address if an address has been provided by the renter. The certificate shall be made available to the renter not later than January 31 of the year following the year in which the rent was paid. Any owner or managing agent who willfully fails to furnish a certificate as provided herein shall be liable to the commissioner for a penalty of \$20 for each act or failure to act. The penalty shall be assessed and collected in the manner provided in chapter 290 for the assessment and collection of income tax.

(b) If the owner or managing agent elects to provide the renter with the certificate at the time he moves, rather than after December 31, the amount of rent constituting property taxes shall be computed as follows:

(i) The net tax shall be reduced by 1/12th for each month remaining in the calendar year.

(ii) In calculating the denominator of the fraction pursuant to section 290A.03, subdivision 11, the gross rent paid through the last month of claimant's

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occupancy shall be substituted for "the gross rent paid for the calendar year for the property in which the unit is located."

(c) The certificate of rent constituting property taxes shall include the address of the property, including the county, and the property tax parcel identification number and any additional information which the commissioner determines is appropriate.

(d) If the owner or managing agent fails to provide the renter with a certificate of rent constituting property taxes, the commissioner shall allocate the net tax on the building to the unit on a square footage basis or other appropriate basis as the commissioner determines. The renter shall supply the commissioner with a statement from the county treasurer which gives the amount of property tax on the parcel, the address and property tax parcel identification number of the property, and the number of units in the building.

(e) Notwithstanding the provisions of section 290A.17, the commissioner shall provide to the commissioner of energy and economic development a copy of all certificates of rent constituting property taxes that have been filed with the department. No certificates of rent constituting property taxes for any county need be given to the commissioner of energy and economic development by the commissioner if a book has been published detailing the property taxes for each parcel in the county for the given year. The copies of the certificates shall be provided by February 1 of the year following the year in which the property tax refund return was filed.

Sec. 7. REPEALER.

Minnesota Statutes 1984, section 290A.04, subdivisions 2a and 2b are repealed.

Sec. 8. EFFECTIVE DATE.

This article is effective for claims based on rent paid in 1985 and thereafter and for property taxes payable in 1986 and thereafter, except that section 6 and the change in section 5 reducing the time to file an initial claim to one year are effective the day after final enactment.

ARTICLE 6

LOCAL GOVERNMENT AIDS

Section 1. Minnesota Statutes 1984, section 477A.011, is amended by adding a subdivision to read:

Subd. 1a. CITY. City means a statutory or home rule charter city.

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

Sec. 2. Minnesota Statutes 1984, section 477A.011, subdivision 3, is amended to read:

Subd. 3. **POPULATION.** Population means the population established by the most recent federal census, by a special census conducted under contract with the United States bureau of the census, by a population estimate made by the metropolitan council, or by a population estimate of the state demographer made pursuant to section 116K.04, subdivision 4, clause (10), whichever is the most recent as to the stated date of the count or estimate. The term "per capita" refers to population as defined by this subdivision.

Sec. 3. Minnesota Statutes 1984, section 477A.011, subdivision 10, is amended to read:

Subd. 10. **MAXIMUM AID AMOUNT.** For the 1984 aid distribution, a municipality's maximum aid amount shall be 106 percent of the amount it was certified to receive in 1983 pursuant to sections 477A.011 to 477A.03, plus any amounts certified in 1983 pursuant to Minnesota Statutes 1982, sections 273.138 and 273.139, including any amount certified by a district as defined by section 273.73, subdivision 9, or which qualifies for exemption pursuant to section 273.78, which lies totally within the municipality, and including any amount which would have been received in 1983 pursuant to section 273.139 by a district as defined by section 273.73, subdivision 9, lying totally within the municipality, for a project approved by the Minnesota housing finance agency or the United States department of housing and urban development prior to March 1, 1983, had the project been completed and subject to taxation based upon full market value for taxes payable in 1983.

For any subsequent calendar year aid distribution, a municipality's city's maximum aid amount shall be 106 percent of the amount received in the previous year pursuant to sections 477A.011 to 477A.03 its previous year aid amount, provided that its previous year aid amount exceeded \$150 per capita. If its previous year aid amount was less than \$150 per capita, its maximum aid amount shall be the lesser of: (a) 112 percent of its previous year aid amount, or (b) \$159 multiplied by the population figure used in determining its previous year aid.

Sec. 4. Minnesota Statutes 1984, section 477A.011, is amended by adding a subdivision to read:

Subd. 12. **PREVIOUS YEAR AID AMOUNT.** For any calendar year aid distribution, a municipality's previous year aid amount means the amount that it was certified to receive for the previous calendar year pursuant to sections 477A.011 to 477A.03.

Sec. 5. Minnesota Statutes 1984, section 477A.011, is amended by adding a subdivision to read:

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

Subd. 13. FISCAL NEED FACTOR. For any calendar year aid distribution, a city's fiscal need factor means the three-year average of the sum of its municipal levy including its fiscal disparities distribution amount, and its local government aid distribution amount, for taxes payable and distribution amounts receivable in the three years immediately preceding the aid distribution year.

The fiscal need factor of any city that issued general obligation bonds in 1982 to pay for the construction or reconstruction of water wells which replaced a municipal water supply found to be an environmental health hazard by the state department of health shall be increased by one-fourth of the amount of the bonds issued.

For any city which received more than \$70 per capita in attached machinery aids in 1983 pursuant to Minnesota Statutes 1982, section 273.138, the local government aid amounts for 1984 and 1985 used in the calculation of the fiscal need factor shall be reduced by the amount of attached machinery aids received in 1983.

Sec. 6. Minnesota Statutes 1984, section 477A.011, is amended by adding a subdivision to read:

Subd. 14. LOCAL EFFORT MILL RATE. For any calendar year aid distribution, a city's local effort mill rate means its fiscal need factor per capita divided by \$16 per capita per mill for the first \$300 of its fiscal need factor per capita; plus its fiscal need factor per capita divided by \$14 per capita per mill on that part of its fiscal need factor per capita, if any, in excess of \$300. In no case shall a city's local effort mill rate be less than eight mills.

Sec. 7. Minnesota Statutes 1984, section 477A.012, is amended to read:

477A.012 COUNTY GOVERNMENT DISTRIBUTIONS.

In each calendar year 1986, every each county government shall receive a distribution equal to 60 percent of the aid amount certified for 1983 pursuant to sections 477A.011 to 477A.03.

Sec. 8. Minnesota Statutes 1984, section 477A.013, is amended to read:

477A.013 MUNICIPAL GOVERNMENT DISTRIBUTIONS.

Subdivision 1. TOWNS. (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 1986, each town which 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 the greater of: (a) 60 percent of the amount received in 1983 pursuant to Minnesota Statutes 1982, sections 273.138, 273.139, and 477A.011 to 477A.03.

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

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 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.

Subd. 3. **AID LIMITATION.** The aid amount determined pursuant to subdivision 2 shall be limited so that it is not greater than the municipality's maximum aid amount; or (b) 106 percent of the amount received in 1985 pursuant to Minnesota Statutes 1984, sections 477A.011 to 477A.03.

Subd. 2. **CITIES.** In calendar year 1986, each city shall receive a local government aid distribution as determined by the following steps.

(1) A preliminary aid amount shall be computed for each city equal to the amount obtained by subtracting its local effort mill rate multiplied by its equalized assessed value from its fiscal need factor, except that its preliminary aid amount may not be less than its previous year aid amount.

For any city which received more than \$70 per capita in attached machinery aids in 1983 pursuant to Minnesota Statutes 1982, section 273.138, an amount equal to the amount of attached machinery aids received in 1983 shall be added to the preliminary aid amount.

(2) For each city, an aid increase amount equal to the amount by which its preliminary aid amount exceeds its previous year aid amount shall be determined. Each city's aid increase amount shall be reduced by a uniform percentage as determined by the commissioner of revenue, to make the sum of the final aid distributions for all cities equal the aid limitation imposed by subdivision 3.

(3) Each city's final aid amount shall be equal to the sum of its aid increase amount, as adjusted, and its previous year aid amount; provided, however, that no city's aid shall exceed its maximum aid amount, and further provided that no city which is a city of the first class shall have a final aid amount which is less than 102 percent of its previous year aid.

Subd. 3. **AID LIMITATION.** The total amount available for distribution to cities pursuant to subdivision 2 shall be \$286,000,000 for calendar year 1986.

Sec. 9. PAYMENT DATE EXCEPTION.

Notwithstanding the provisions of Minnesota Statutes, section 477A.015, any city containing property which qualifies for reductions pursuant to Minnesota Statutes, section 273.1391, subdivision 2, clause (b), may apply to the commis-

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tioner of revenue to have the entire amount of its local government aid distribution paid on July 15, for the calendar year 1985 distribution only. Applications pursuant to this section must be received by the commissioner no later than July 1, 1985.

Sec. 10. **REPEALER.**

Minnesota Statutes 1984, section 477A.0131, is repealed.

Sec. 11. **EFFECTIVE DATE.**

This article is effective for local government aid distributions in calendar year 1986, except for section 9 which is effective the day following final enactment.

ARTICLE 7

HENNEPIN COUNTY PARK RESERVE DISTRICT

Section 1. Laws 1967, chapter 721, section 2, as amended by Laws 1969, chapter 885, section 1; Laws 1971, chapter 954, section 1; Laws 1973, chapter 473, section 1; and Laws 1979, chapter 288, section 1, is amended to read:

Sec. 2. **HENNEPIN COUNTY; PARK RESERVE DISTRICT; TAX LEVY.**

Subdivision 1. LEVY. To provide funds for the purposes of the Hennepin county park reserve district as set forth in its annual budget, in lieu of the levies authorized by any other special law for such purposes, the board of county park district commissioners of Hennepin county upon approval of each annual budget may levy taxes on all the taxable property in the county and park district at a rate not exceeding ~~1.0 mill~~ 1.3 mills on the assessed valuation thereof. Notwithstanding Minnesota Statutes, section 398.16, on or before October 1 of each year, after public hearing, the board of park district commissioners shall adopt a budget for the ensuing year and shall determine the total amount necessary to be raised from ad valorem tax levies to meet its budget. The board of park district commissioners shall submit the budget to the county board. The county board may veto or modify an item contained in the budget. If the county board determines to veto or to modify an item in the budget, it must, within 15 days after the budget was submitted by the district board, state in writing the specific reasons for its objection to the item vetoed or the reason for the modification. The park reserve district board, after consideration of the county board's objections and proposed modifications, may reapprove a vetoed item or the original version of an item with respect to which a modification has been proposed, by a two-thirds majority. If the district board does not reapprove a vetoed item, the item shall be deleted from the budget. If the district board does not reapprove the original version of a modified item, the item shall be included

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in the budget as modified by the county board. After adoption of the final budget and no later than October 1, the superintendent of the park district shall certify to the office of the Hennepin county director of tax and public records exercising the functions of the county auditor the total amount to be raised from ad valorem tax levies to meet its budget for the ensuing year. The director of tax and public records shall add the amount of any levy certified by the district to other tax levies on the property of the county within the district for collection by the director of tax and public records with other taxes. When collected, the director shall make settlement of such taxes with the district in the same manner as other taxes are distributed to the other political subdivisions in Hennepin county. The levy authorized by this section shall be in addition to any other taxes authorized by law.

Subd. 2. BONDS. To provide funds for the acquisition and betterment of park properties and facilities of the district in accordance with plans filed by it under Minnesota Statutes, section 398.19, upon request of the board of park district commissioners by a resolution or resolutions regularly adopted by a majority of all members thereof, the board of county commissioners of Hennepin county may, prior to the effective date of this article, in addition to bonds issued by the county for this purpose before January 1, 1973, by resolution issue and sell general obligation bonds of the county in the manner provided in Minnesota Statutes, sections 475.60 to 475.753, in an aggregate amount not exceeding \$2,500,000. Taxes for the payment of the principal of and interest on such bonds shall be assessed and extended upon all taxable property in the county. Such bonds shall not be subject to the limitations of Minnesota Statutes, sections 475.51 to 475.59, but the maturity years and amounts and interest rates of each series of bonds shall be fixed so that the maximum amount of principal and interest to become due in any year on the bonds authorized by this law and all bonds issued by the county for the purposes of the district before January 1, 1973, shall not exceed an amount equal to three tenths of one mill times the assessed value of all taxable property in the county as last finally equalized before the issuance of the new series. Taxes for the payment of principal and interest on bonds issued after the effective date of this article shall be assessed and extended upon all taxable property in the park district.

Sec. 2. Laws 1979, chapter 288, section 2, subdivision 2, is amended to read:

Subd. 2. Three Two park district commissioners shall be appointed by the park and recreation board of the city of Minneapolis from among its membership board of commissioners of Hennepin county. An appointee must be a resident of the Hennepin county park reserve district in order to qualify and serve as a park district commissioner. Each park district commissioner appointed pursuant to this subdivision shall serve for a four-year term coinciding with his term on the park and recreation board of the city of Minneapolis, and until a successor is appointed and qualifies. If a vacancy occurs among the commission-

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ers appointed pursuant to this subdivision, the ~~park and recreation~~ board of the city of Minneapolis commissioners of Hennepin county shall appoint a successor.

Sec. 3. Laws 1979, chapter 288, section 2, subdivision 3, is amended to read:

Subd. 3. ~~Four~~ Five park district commissioners shall be elected as provided in this subdivision to represent those portions of Hennepin county outside of the city of Minneapolis. One park district commissioner shall be elected without party designation from each of the districts established pursuant to subdivision 4. Elections under this subdivision shall be held at the same time and in the same manner as elections for the office of county commissioner beginning at the 1986 general election. Each park district commissioner elected pursuant to this subdivision shall be a resident of the district he represents and shall serve for a term of four years and until a successor is elected and qualifies, except that the term of office of each park district commissioner elected at the general election held in the year of a federal census shall be only two years and until a successor is elected and qualifies. At the general election following redistricting as required in subdivision 4, the three commissioners from odd-numbered districts shall be elected for four-year terms and the two commissioners from even-numbered districts shall be elected for two-year terms. If a vacancy occurs in the office of any commissioner elected pursuant to this subdivision, the board of park district commissioners shall appoint a successor residing in that district to fill the unexpired term.

Sec. 4. Laws 1979, chapter 288, section 2, subdivision 4, is amended to read:

Subd. 4. ~~By no later than August 1, 1980~~ After September 1, 1985, and after at least 30 days notice and public hearing, the board of park district commissioners of the Hennepin county park reserve district shall divide the territory of Hennepin county outside the city of Minneapolis into ~~four~~ five districts, which constitute the Hennepin county park reserve district. Each district shall be composed of contiguous territory as regular and compact in form as practicable and as nearly equal in population as possible, provided that no district shall vary in population more than ten percent from the average of all the districts, unless compliance with this requirement requires division of a voting precinct. After each federal census and by not later than 120 days before the next ensuing general election, after at least 30 days notice and public hearing, the board of park district commissioners of the Hennepin county park reserve district shall redistrict the territory of the Hennepin county outside the city of Minneapolis park reserve district into new commissioner districts as necessary to comply with the provisions of this subdivision. The districts established pursuant to this subdivision shall remain effective until new districts are established. Any person aggrieved by a districting plan established pursuant to this subdivision may challenge the plan in the same manner as a county commissioner districting

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plan may be challenged pursuant to Minnesota Statutes, section 375.025. The district court in reviewing any challenge to a districting plan under this subdivision shall proceed in the manner prescribed by Minnesota Statutes, section 375.025. Each districting plan established pursuant to this subdivision shall be filed in the office of the director of finance of Hennepin county or any successor office and shall be effective 31 days after its publication in a newspaper of general circulation in the county.

Sec. 5. Laws 1979, chapter 288, section 3, is amended to read:

Sec. 3. **TRANSITION TO ELECTED BOARD.** Notwithstanding any law to the contrary, until January 1, 1983, The park district commissioners of the Hennepin county park reserve district appointed by the Minneapolis park and recreation board shall continue to be appointed and vacancies shall continue to be filled as provided in Laws 1963, Chapter 883, Section 1 serve until September 1, 1985, when their terms expire. After September 1, 1985, the board of park district commissioners shall appoint one commissioner from the residents of the park district to serve at large until January 1, 1987. The board of commissioners of Hennepin county shall appoint two commissioners from the park reserve district to serve at large beginning after September 1, 1985. One appointee shall serve until January 1, 1987, and the other until January 1, 1989. The county board shall designate the terms of the two appointees. On January 1, 1983 1987, the terms of office of all commissioners appointed pursuant to Laws 1963, Chapter 883, Section 1, then serving on the park reserve district board, except the appointee of the county board designated to serve until January 1, 1989, shall expire and the first commissioners appointed or elected as provided in section 2 shall take office, except that the three commissioners from odd-numbered districts shall be elected for four-year terms and the two commissioners from even-numbered districts shall be elected for two-year terms at the 1986 general election. Thereafter the park district commissioners of the Hennepin county park reserve district shall be appointed or elected and vacancies shall be filled as provided in section 2.

Sec. 6. **DEPOSITORIES.**

Notwithstanding Minnesota Statutes, section 398.18, the Hennepin county park reserve district may exercise the powers of a municipality under chapter 118.

Sec. 7. **DISTRICT RENAMING.**

The Hennepin county park reserve district, a local government unit organized and existing under the provisions of Minnesota Statutes, sections 398.01 to 398.36, is renamed the suburban Hennepin regional park district. The district so named is the legal successor in all respects of the Hennepin county park reserve district as originally named and constituted. All bonds, resolutions, contracts, and liabilities of the Hennepin county park reserve district are the

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bonds, resolutions, contracts, and liabilities of the suburban Hennepin regional park district as so renamed and reconstituted.

Sec. 8. EFFECTIVE DATE.

This article is effective the day after approval by the board of park district commissioners of the Hennepin county park reserve district and the board of commissioners of Hennepin county and upon compliance with Minnesota Statutes, section 645.021, provided that this article is effective only if compliance with Minnesota Statutes, section 645.021, is completed by August 1, 1985.

**ARTICLE 8
ECONOMIC DEVELOPMENT**

Section 1. Minnesota Statutes 1984, section 37.17, subdivision 1, is amended to read:

Subdivision 1. **LICENSE, REGULATION.** The society may license and regulate all shows, exhibitions, performances, and privileges on the fairgrounds, revoke any licenses, and prohibit, remove, and summarily stop all exhibitions, performances, or privileges which violate society rules or which are otherwise contrary to law. If the society includes in a contract governing a show or performance on the fairgrounds a condition prohibiting the performer from performing elsewhere in the state, the prohibition may apply only to performances occurring within 100 miles of the fairgrounds and within 30 days of the date of the performance at the fairgrounds.

Sec. 2. Minnesota Statutes 1984, section 116M.03, is amended by adding a subdivision to read:

Subd. 28. QUALIFIED DIVERSIFICATION PROJECT. A qualified economic diversification project means the provision of special assistance under section 116M.07, subdivision 11, paragraph (d) to a business, if the following criteria are satisfied.

(1) If the business is located outside of a distressed county, the following conditions must be satisfied:

(a) the business is principally engaged in manufacturing;

(b) the primary market for the product of the business is national or international in scope;

(c) the business would not locate or expand or continue to expand in Minnesota if special assistance were not provided;

(d) the project will result in the addition of at least 50 permanent employees;

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(e) the total capital investment for the project exceeds \$3,000,000;

(f) the provision of special assistance to the business will result in diversification of the state's economy by expanding the types of products produced or technologies by establishing new markets for Minnesota products or technologies; and

(g) the project will not directly result in a reduction in the employment of other Minnesota businesses.

(2) If the business is located in a distressed county, the following conditions must be satisfied:

(a) The business is principally engaged in manufacturing or in selling of tangible personal property or services in response to orders received by mail or telephone or in providing business services by mail or electronic data transmission.

(b) The business would not locate in the distressed county or an adjacent Minnesota county if special assistance were not provided;

(c) The total capital investment for the project exceeds \$3,000,000 and the business will increase employment by 25 permanent positions or the total capital investment for the project exceeds \$1,000,000 and the business will increase employment by 50 additional positions.

(d) For purposes of this subdivision, "manufacturing" has the meaning given in section 474.16, subdivision 6, except that the provisions of clause (b) do not apply.

Sec. 3. Minnesota Statutes 1984, section 116M.06, subdivision 2, is amended to read:

Subd. 2. **USE OF FUNDS.** The authority may use the energy loan insurance fund as provided in section 116M.11. The authority may use the economic development fund in connection with small business loans, pollution control loans, and farm loans to provide financial assistance to eligible small businesses; it may use the economic development fund in connection with business loans when the loans are made as a part of the special assistance program under section 116M.07, subdivision 11; and the authority may use the energy development fund in connection with energy loans to provide financial assistance to businesses; as follows:

(a) to provide loan guarantees or insurance, in whole or in part, to businesses in connection with business loans, small business loans, energy loans, farm loans, or pollution control loans;

(b) to provide direct loans to businesses in connection with business loans, small business loans, energy loans, farm loans, or pollution control loans;

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(c) to participate in other investment programs as appropriate under the terms of this chapter and chapters 472 and 474;

(d) to purchase loan packages made to businesses by financial institutions in the state in connection with business loans, small business loans, energy loans, farm loans, or pollution control loans;

(e) to enter into or to pay fees on insurance contracts, letters of credit, municipal bond insurance, surety bonds, or similar obligations and other agreements or contracts with financial institutions or providers of similar services;

(f) to guarantee or insure bonds and notes issued by the authority, in whole or in part;

(g) to make interest subsidy payments on behalf of eligible small businesses to be applied to the payment of interest on bonds or notes of the authority equal to the difference in interest payable on loans and the interest payable on bonds or notes of the authority where the proceeds of these bonds or notes are used to make or participate in making these loans;

(h) for any legal purpose or program of the authority, including without limitation the payment of the cost of issuing authority bonds and notes and authority administrative costs and expenses;

(i) to pay tax reimbursements for qualified economic diversification projects under the special assistance program pursuant to section 116M.07, subdivision 11, paragraph (d).

In addition, the authority may use the economic development fund to purchase, lease, or license technology-related products for education or training or to participate in programs where technology-related products are purchased, leased, or licensed.

The authority may create separate accounts within any of the funds for use in accordance with the separate purposes listed in this section and may irrevocably pledge and allocate moneys on deposit in any of the funds to the accounts for the purposes. The authority may make contracts with note and bond holders, trustees for them, financial institutions, or other persons interested in the disposition of moneys in the funds or their accounts with respect to the conditions upon which money in any fund or its accounts is to be held, invested, applied, and disposed of and the use of the fund and its accounts and the termination of accounts. The authority may determine to leverage amounts in accounts to be used to guarantee or insure bonds and notes of the authority or loans to businesses and may covenant as to the rate of leveraging with holders of the authority's bonds and notes or any trustee for them, financial institutions, or other persons. Money in the funds and their accounts shall, consistent with contracts with holders of the authority's bonds and notes or any trustee for them, financial institutions, or other interested persons, be invested in accordance with

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section 116M.08, subdivision 15, and the investment income from them, absent contractual provisions to the contrary, shall be added to and retained in the funds or their accounts if provided by the authority. The repayments to the authority of any direct loans made by the authority from money in the funds or their accounts shall be paid by the authority into the particular fund that was used in conjunction with the loan being repaid, or, as provided by the authority, into an account. The authority may collect fees, initially or from time to time, or both, with respect to any direct loan it extends or any insurance or guarantee it grants. The authority may enter into contracts and security instruments with businesses, with bond and note holders or any trustee for them, or financial institutions or other persons to provide for and secure the repayment to the authority of money provided by the authority from the funds or their accounts for direct loans or which have been paid by the authority from the fund or accounts pursuant to an authority guarantee or insurance.

The state covenants with all holders of the authority's bonds and notes, financial institutions, and other persons interested in the disposition of money in the funds or their accounts, which money the authority has irrevocably pledged and allocated for any authorized purpose described in this subdivision, that the state will not take any action to limit the effect of the pledge and allocation and will not take any action to limit the effect of contracts entered into as authorized in this subdivision with respect to the pledge and allocation and will not limit or alter the rights vested in the authority or the state to administer the application of money pursuant to the pledge and allocation and to perform its obligations under the contracts. The authority may include and recite this covenant of the state in any of its bonds or notes benefitting from the pledge and allocation or contracts or related documents or resolutions.

Sec. 4. Minnesota Statutes 1984, section 116M.06, subdivision 3, is amended to read:

Subd. 3. **ECONOMIC DEVELOPMENT FUNDS; PREFERENCES.**

(a) The following eligible small businesses have preference among all business applicants for financial assistance from the economic development fund:

- (1) businesses located in areas of the state that are experiencing the most severe unemployment rates in the state;
- (2) businesses that are likely to expand and provide additional permanent employment;
- (3) businesses located in border communities that experience a competitive disadvantage due to location;
- (4) businesses that have been unable to obtain traditional financial assistance due to a disadvantageous location, minority ownership, or other factors rather than due to the business having been considered a poor financial risk;

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(5) businesses that utilize state resources, thereby reducing state dependence on outside resources, and that produce products or services consistent with the long-term social and economic needs of the state;

(6) businesses located in designated enterprise zones, as described in section 273.1312, subdivision 4; and

(7) business located in federally designated economically distressed areas.

(b) Except in connection with the issuance of authority bonds or notes, the authority may not invest the funds in a program that does not have financial participation from the private sector, as determined by the authority.

(c) The provisions of this subdivision do not apply to economic diversification projects.

Sec. 5. Minnesota Statutes 1984, section 116M.07, is amended by adding a subdivision to read:

Subd. 7a. HEALTH CARE EQUIPMENT LOANS; AUTHORITY. The authority may make or participate in making health care equipment loans in any amount and may enter into commitments therefor. The loans may be made only from the proceeds of bonds or notes issued pursuant to subdivision 7b. Before making a commitment for a loan, the authority shall forward the application to the commissioner of health for review under subdivision 7c. The authority must not approve or enter into a commitment for a loan unless the application has been approved by the commissioner of health.

Sec. 6. Minnesota Statutes 1984, section 116M.07, is amended by adding a subdivision to read:

Subd. 7b. HEALTH CARE EQUIPMENT LOANS; BONDS AND NOTES. The authority may issue its bonds and notes to provide money for the purposes specified in subdivision 7a. For this purpose, the authority may exercise all of the powers conferred on it by sections 116M.03 and 116M.06 to 116M.08 with respect to business loans, except as limited by subdivisions 7a to 7c. The principal amount of bonds and notes issued and outstanding under this subdivision at any time, computed as specified in section 116M.08, subdivision 11, may not exceed \$95,000,000. This authorization is in addition to the authorization contained in section 116M.08, subdivision 11. The bonds and notes issued to make the loans may not be insured by the authority but shall be insured by a letter of credit or bond insurance issued by a private insurer.

Sec. 7. Minnesota Statutes 1984, section 116M.07, is amended by adding a subdivision to read:

Subd. 7c. HEALTH CARE EQUIPMENT LOANS; ADMINISTRATION. (a) The commissioner of health shall review each loan application

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received from the authority to determine whether the application is an approvable application. An application is approvable if the following criteria are satisfied:

(1) the hospital is owned and operated by a county, district, municipality or nonprofit corporation;

(2) the loan would not be used to refinance existing debt;

(3) the hospital was unable to obtain suitable financing from other sources;

(4) the loan is necessary to establish or maintain patient access to an essential health care service that would not otherwise be available within a reasonable distance from that facility; and

(5) the project to be financed by the loan is cost-effective and efficient.

(b) The commissioner shall determine whether the allocation available for the health care equipment loan program for a period of time specified in a rule is sufficient for all approvable applications received during the period of time. If the allocations are sufficient, the commissioner shall approve all approvable applications. If the allocations are not sufficient, the commissioner shall compare the relative merits of the approvable applications in relation to the criteria in clauses (4) and (5), rank the applications in order of priority, and approve the applications in order of priority to the extent possible within the available allocation.

(c) The commissioner of energy and economic development may charge a reasonable fee under section 16A.128 to an applicant for the costs of the departments of health and energy and economic development in the review of the application. The commissioner of energy and economic development shall transfer to the commissioner of health from the fees collected an amount sufficient to pay the costs of the commissioner of health in the review of applications effective July 1, 1985. The commissioner of health may adopt permanent rules to implement subdivisions 7a to 7c of this section. The commissioner of energy and economic development may adopt permanent rules to implement subdivisions 7a to 7c.

Sec. 8. Minnesota Statutes 1984, section 116M.07, subdivision 11, is amended to read:

Subd. 11. **SPECIAL ASSISTANCE PROGRAM.** (a) The authority may operate a special assistance program and may designate certain businesses as being in need of special assistance. In connection with the special assistance program the authority may borrow money and may issue negotiable bonds and notes in accordance with section 116M.08, subdivisions 11 and 12. Notwithstanding any provision to the contrary in section 116M.08, subdivision 11, the aggregate principal amount of the authority's bonds and notes outstanding at any one time and issued in connection with the special assistance program, excluding the amount satisfied and discharged by payment and deducting amounts held in

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debt service reserve funds and amounts used to make loans guaranteed or insured by the federal government or a department, agency, or instrumentality of the federal government or by a private insurer or guarantor authorized to do business in the state of Minnesota and acceptable to the authority, shall not exceed ~~\$10,000,000~~ \$25,000,000. This authorization is in addition to the authorization contained in section 116M.08, subdivision 11.

(b) No business shall be eligible to receive special assistance unless the authority has first passed a resolution designating the business as being in need of special assistance. The resolution shall include findings that the designation and receipt of the special assistance will be of exceptional benefit to the state of Minnesota in that at least three of the following criteria are met:

(1) in order to expand or remain in Minnesota, the business has demonstrated that it is unable to obtain suitable financing from other sources;

(2) special assistance will enable a business not currently located in Minnesota to locate a facility within Minnesota which directly increases the number of jobs within the state;

(3) the business will create or retain significant numbers of jobs within a community in Minnesota;

(4) the business has a significant potential for growth in jobs or economic activities within Minnesota within the ensuing five-year period; and

(5) the business will maintain a significant level of productivity within Minnesota within the ensuing five-year period.

(c) Special assistance may include:

(1) a business loan;

(2) a small business loan; or

(3) use of moneys in the economic development fund to provide financial assistance to businesses in accordance with section 116M.06, subdivision 2, except that section 116M.06, subdivision 2, clause (g), shall apply only to eligible small businesses.

(d) In the case of a qualified economic diversification project, special assistance may include, in addition:

(1) reimbursement of expenses paid or to be paid by the business for property or sales taxes for a period not to exceed five years; or

(2) use of moneys in the economic development fund to provide interest subsidy payments under section 116M.06, subdivision 2, clause (g) without regard to whether the business is an eligible small business.

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In the case of an economic diversification project, the total amount of special assistance provided to a business may not exceed 20 percent of the total capital investment in the project. If special assistance is provided for a project located in an enterprise zone, the sum of the amount of special assistance and the tax reductions provided under section 273.1314, subdivision 9, may not exceed 30 percent of the total capital investment in the project. The amount of special assistance provided for an economic diversification project may not exceed \$20,000 for each permanent job to be created by the project.

Sec. 9. Minnesota Statutes 1984, section 116M.08, subdivision 11, is amended to read:

Subd. 11. It may borrow money to carry out and effectuate its purposes and may issue its negotiable bonds or notes as evidence of any such borrowing in accordance with sections 462A.08 to 462A.13, 462A.16 and 462A.17, all with the force and effect stated and the incidental powers granted and duties imposed in those sections. The bonds and notes may be issued pursuant to a trust indenture that is substantially identical to a resolution pursuant to which the authority issues bonds and notes as provided in sections 462A.08 to 462A.13, 462A.16, and 462A.17, except that the authority may pledge money and securities to a trustee for the security of the holders of bonds and notes. The authority may refund bonds and notes and may guarantee or insure its bonds and notes in whole or in part with money from the funds or an account created by the authority for that purpose. The aggregate principal amount of the authority's bonds and notes outstanding at any one time, excluding the amount satisfied and discharged by payment or provision for payment in accordance with their terms, and deducting amounts held in debt service reserve funds therefor and amounts used to make loans guaranteed or insured by the federal government or a department, an agency or instrumentality of the federal government or by a private insurer or guarantor authorized to do business in the state of Minnesota and acceptable to the authority, shall not exceed ~~\$30,000,000~~ \$50,000,000 unless authorized by another law.

Sec. 10. [272.026] TAX STATUS OF PROPERTY MANAGED BY A HOUSING REDEVELOPMENT AUTHORITY OR PUBLIC HOUSING AGENCY.

Any property that is under the direct management and control of, but is not owned by, a housing redevelopment authority or public housing agency, and is used in a manner authorized and contemplated by chapter 462, and for which the authority or agency is eligible for assistance payments under federal law, is public property used for essential public and governmental purposes, and the property and the authority or agency is exempt from all taxes and special assessments of the city, the county, the state, or any political subdivision of the state in the same manner as property referred to in section 462.575, subdivision 1.

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Payments in lieu of taxes for the property shall remain as provided in section 272.68 or 462.575, subdivision 3.

Sec. 11. Minnesota Statutes 1984, section 273.1313, is amended by adding a subdivision to read:

Subd. 6. ECONOMIC DIVERSIFICATION PROJECTS. Notwithstanding any provision of sections 273.1312 to 273.1314 to the contrary, a municipality may classify the property of a business provided special assistance as a qualified economic diversification project pursuant to section 116M.07, subdivision 11, clause (d), as employment property under provisions of this section.

Sec. 12. Minnesota Statutes 1984, 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 under section 273.1312 and this section is limited to ~~\$35,600,000~~ \$36,400,000. 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 \$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 \$16,610,940 and \$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, the refundable income tax credits, and the sales tax exemption, as 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 for the zone, the commissioner shall implement a plan to reduce the available tax reductions in the zone to an amount within the sum certified for the zone. 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. Of the \$36,400,000 in tax reductions authorized under this subdivision, an additional

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\$800,000 in tax reductions may be authorized within an enterprise zone located within five municipalities which was designated by the commissioner in 1984.

Sec. 13. Minnesota Statutes 1984, section 273.1314, subdivision 16a, is amended to read:

Subd. 16a. **ZONE BOUNDARY REALIGNMENT.** The commissioner may approve specific applications by a municipality to amend the boundaries of a zone or of an area or areas designated pursuant to section 273.1314, subdivision 9, paragraph (e) at any time. Boundaries of a zone may not be amended to create noncontiguous subdivisions. If the commissioner approves the amended boundaries, the change is effective on the date of approval. Notwithstanding the area limitation under section 273.1312, subdivision 4, paragraph (b), the commissioner may approve a specific application to amend the boundaries of an enterprise zone which is located within five municipalities and was designated in 1984, to increase its area to not more than 800 acres.

Sec. 14. Minnesota Statutes 1984, section 273.74, subdivision 2, is amended to read:

Subd. 2. **CONSULTATIONS; COMMENT AND FILING.** Before formation of a tax increment financing district, the authority shall provide an opportunity to the members of the county boards of commissioners of any county in which any portion of the proposed district is located and the members of the school board of any school district in which any portion of the proposed district is located to meet with the authority. The authority shall present to the members of the county boards of commissioners and the school boards its estimate of the fiscal and economic implications of the proposed tax increment financing district. The members of the county boards of commissioners and the school boards may present their comments at the public hearing on the tax increment financing plan required by subdivision 3. The county auditor shall not certify the original assessed value of a district pursuant to section 273.76, subdivision 1, until the county board of commissioners has presented its written comment on the proposal to the authority, or 30 days has passed from the date of the transmittal by the authority to the board of the information regarding the fiscal and economic implications, whichever occurs first. Upon adoption of the tax increment financing plan, the authority shall file a copy of the same plan with the commissioner of energy and economic development. The authority must also file with the commissioner a copy of the development plan for the project area.

Sec. 15. Minnesota Statutes 1984, section 273.74, is amended by adding a subdivision to read:

Subd. 6. **FINANCIAL REPORTING.** (a) The state auditor shall develop a uniform system of accounting and financial reporting for tax increment financing districts. The system of accounting and financial reporting shall, as nearly as possible:

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

(1) provide for full disclosure of the sources and uses of public funds in the district;

(2) permit comparison and reconciliation with the affected local government's accounts and financial reports;

(3) permit auditing of the funds expended on behalf of a district, including a single district that is part of a multidistrict project or that is funded in part or whole through the use of a development account funded with tax increments from other districts or with other public moneys;

(4) be consistent with generally accepted accounting principles.

(b) The authority must annually submit to the state auditor, on or before July 1, a financial report in compliance with paragraph (a). Copies of the report must also be provided to the county and school district boards and to the governing body of the municipality, if the authority is not the municipality. To the extent necessary to permit compliance with the requirement of financial reporting, the county and any other appropriate local government unit or private entity must provide the necessary records or information to the authority or the state auditor as provided by the system of accounting and financial reporting developed pursuant to paragraph (a).

(c) The annual financial report must also include the following items:

(1) the original assessed value of the district;

(2) the captured assessed value of the district, including the amount of any captured assessed value shared with other taxing districts;

(3) the outstanding principal amount of bonds issued or other loans incurred to finance project costs in the district;

(4) for the reporting period and for the duration of the district, the amount budgeted under the tax increment financing plan, and the actual amount expended for, at least, the following categories:

(A) acquisition of land and buildings through condemnation or purchase;

(B) site improvements or preparation costs;

(C) installation of public utilities or other public improvements;

(D) administrative costs, including the allocated cost of the authority;

(5) for properties sold to developers, the total cost of the property to the authority and the price paid by the developer;

(6) the amount of tax exempt obligations, other than those reported under clause (3), that were issued on behalf of private entities for facilities located in the district.

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(d) The reporting requirements imposed by this subdivision are in lieu of the annual disclosure required by subdivision 5.

Sec. 16. Minnesota Statutes 1984, section 273.75, subdivision 4, is amended to read:

Subd. 4. **LIMITATION ON USE OF TAX INCREMENT.** All revenues derived from tax increment shall be used in accordance with the tax increment financing plan. The revenues shall be used solely for the following purposes: (a) to pay the principal of and interest on bonds issued to finance a project; (b) by a rural development financing authority for the purposes stated in section 362A.01, subdivision 2, by a port authority or municipality exercising the powers of a port authority to finance or otherwise pay the cost of redevelopment pursuant to chapter 458, by a housing and redevelopment authority to finance or otherwise pay public redevelopment costs pursuant to chapter 462, by a municipality to finance or otherwise pay the capital and administration costs of a development district pursuant to chapter 472A, by a municipality or redevelopment agency to finance or otherwise pay premiums for insurance or other security guaranteeing the payment when due of principal of and interest on the bonds pursuant to chapters 462C, 474, or both chapters, or to accumulate and maintain a reserve securing the payment when due of the principal of and interest on the bonds pursuant to chapters 462C, 474, or both chapters, which revenues in the reserve shall not exceed, subsequent to the fifth anniversary of the date of issue of the first bond issue secured by the reserve, an amount equal to 20 percent of the aggregate principal amount of the outstanding and nondefeased bonds secured by the reserve. Revenues derived from tax increment may be used to finance the costs of an interest reduction program operated pursuant to section 462.445, subdivisions 10 to 13, or pursuant to other law granting interest reduction authority and power by reference to those subdivisions only under the following conditions: (a) tax increments may not be collected for a program for a period in excess of 12 years after the date of the first interest rate reduction payment for the program, (b) tax increments may not be used for an interest reduction program, if the proceeds of bonds issued pursuant to section 273.77 after December 31, 1985, have been or will be used to provide financial assistance to the specific project which would receive the benefit of the interest reduction program, and (c) not more than 50 percent of the estimated tax increment derived from a project may be used to finance an interest reduction program for owner-occupied single-family dwellings unless a project is located either in an area which would qualify as a redevelopment district or within a city designated as an enterprise zone pursuant to section 273.1312, subdivision 4, clause (c)(3). These revenues shall not be used to circumvent existing levy limit law. No revenues derived from tax increment shall be used for the construction or renovation of a municipally owned building used primarily and regularly for conducting the business of the municipality; this provision shall not prohibit the use of revenues derived from tax increments for the construction or renovation of a parking structure, a commons area used as a public park or a facility used for

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social, recreational or conference purposes and not primarily for conducting the business of the municipality.

Sec. 17. Minnesota Statutes 1984, section 297A.15, subdivision 5, is amended to read:

Subd. 5. **REFUND; APPROPRIATION.** Notwithstanding the provisions of ~~section~~ sections 297A.02, subdivision 2, and 297A.257 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, or the exemption under section 297A.257 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, or 297A.257. 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. 18. **[297A.257] DISTRESSED COUNTIES; CAPITAL EQUIPMENT EXEMPTION.**

Subdivision 1. **DESIGNATION OF DISTRESSED COUNTIES.** (a) The commissioner of energy and economic development shall annually on June 1 designate those counties which are distressed. A county is distressed if it satisfies either of the following two criteria:

(1) The county has an average unemployment rate of ten percent or more for the one-year period ending on April 30 of the year in which the designation is made; or

(2) the unemployment rate for the entire county was greater than 110 percent of the state average for the 12-month period ending the previous April 30, and 20 percent or more of the county's economy, as determined by the commissioner of economic security, is dependent upon agriculture.

If, as a result of a plant closing, layoffs or another similar event affecting a significant number of employees in the county, the commissioner has reason to believe that the average unemployment in the county will exceed ten percent during the one-year period beginning April 30, the commissioner may designate the county as distressed, notwithstanding clause (1).

(b) The commissioner shall designate a portion of a county containing a city of the first class located outside of the metropolitan area as a distressed county if:

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(1) that portion of the county has an unemployment rate of ten percent or more for the one-year period ending on April 30 of the year in which the designation is made; and

(2) that portion of the county has a population of at least 50,000 as determined by the 1980 federal census.

(c) A county or the portion of a county designated pursuant to this subdivision shall be considered a distressed county for purposes of this section and chapter 116M.

(d) Except as otherwise specifically provided, the determination of whether a county is distressed must be made using the most current data available from the state demographer. The designation of a distressed county is effective for the 12-month period beginning July 1. A county may be designated as distressed as often as it qualifies.

(e) The authority to designate counties as distressed expires on June 30, 1989.

Subd. 2. SALES TAX EXEMPTION. Purchase and use of capital equipment is exempt from the sales and use tax imposed by chapter 297A if the capital equipment is placed in service in connection with the construction of a new or an expansion of an existing manufacturing facility in a distressed county. Purchase or use of equipment for use in an existing plant qualifies under this section and section 297A.01, subdivision 16, as an expansion if either the production capacity of the plant is increased by at least 20 percent as a result or if the total capital investments made within a 12-month period exceed \$25,000,000. Purchases of capital equipment are exempt under this section only to the extent that the purchases of capital equipment for the project during the calendar year exceed \$100,000. The county is a distressed county for purposes of this subdivision if it was designated as a distressed county for the time period during which the contract to purchase the equipment was executed.

Subd. 3. RULEMAKING AUTHORITY. In order to carry out the purposes of this section, the commissioner of energy and economic development may adopt administrative rules under chapter 14. The commissioner may adopt emergency rules effective through December 31, 1986.

Sec. 19. Minnesota Statutes 1984, section 462.445, subdivision 13, is amended to read:

Subd. 13. INTEREST REDUCTION PROGRAM. The authority to authorize payment of interest reduction assistance pursuant to subdivisions 10, 11 and 12 shall expire on January 1, ~~1986~~ 1987. Interest reduction assistance payments authorized prior to January 1, ~~1986~~ 1987 may be paid after January 1, 1986 1987.

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Sec. 20. Minnesota Statutes 1984, section 462A.22, subdivision 1, as amended by Laws 1985, chapter 6, section 1, is amended to read:

Subdivision 1. The aggregate principal amount of bonds and notes which are outstanding at any time, excluding the principal amount of any bonds and notes refunded by the issuance of new bonds or notes, shall not exceed the sum of ~~\$1,620,000,000~~ \$1,990,000,000.

Sec. 21. Minnesota Statutes 1984, section 462C.02, is amended by adding a subdivision to read:

Subd. 10. "Mortgage credit certificate" means any certificate which satisfies the definition of such term as contained in section 25(c)(1) of the Internal Revenue Code of 1954, as amended through July 18, 1984.

Sec. 22. Minnesota Statutes 1984, section 462C.02, is amended by adding a subdivision to read:

Subd. 11. "Qualified mortgage credit certificate program" means any program which satisfies the definition of such term as contained in section 25(c)(2) of the Internal Revenue Code of 1954, as amended through July 18, 1984.

Sec. 23. Minnesota Statutes 1984, section 462C.03, subdivision 1, is amended to read:

Subdivision 1. The housing plan shall at a minimum set forth:

- (a) the housing needs of the city and the data demonstrating those needs;
- (b) the plan of the city to meet identified housing needs, and the specific methods to be used to carry out the plan;
- (c) target areas, if any, of the city for each method;
- (d) The financing a general description of the program or programs to be included in implemented to meet the housing needs identified in the plan;
- (e) The number and qualifications of lenders eligible to participate in the program;
- (f) The estimated amount of mortgage or rehabilitation loans to be made or purchased in each program and the estimated amounts and timing of the sale of revenue bonds required to finance such loans, fund appropriate reserves, and pay costs of issuance;
- (g) (e) methods for monitoring the implementation by participants to insure that the programs will be consistent with the plan and its objectives; and
- (h) (f) the administrative capacity of the city to monitor and supervise housing finance programs;

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- (i) The cost to the city, including administrative costs; and
- (j) An analysis of how the programs will meet the needs of low and moderate income families in the city.

Sec. 24. Minnesota Statutes 1984, section 462C.03, is amended by adding a subdivision to read:

Subd. 1a. In addition to the requirements provided in subdivisions 2 and 3, if applicable, each program to be developed and administered by a city under a housing plan shall, at a minimum, set forth:

- (a) a general description of the program;
- (b) a designation of the geographic location to which the program will be limited;
- (c) in the case of a program for single family housing, the number and qualifications of lenders eligible to participate in the program;
- (d) in the case of a program for single family housing, the estimated amount of mortgage or rehabilitation loans to be made or purchased in the program;
- (e) the estimated amounts and timing of the sale of revenue bonds required to finance the program, including the funding of appropriate reserves, and paying costs of issuance;
- (f) methods for monitoring the implementation by participants to insure that the program will be consistent with the plan and its objectives;
- (g) the portion, if any, of the state ceiling for qualified mortgage bonds needed for the program;
- (h) an analysis of how the program will meet the needs of low and moderate income families; and
- (i) for mortgage credit certificate programs the program shall additionally set forth, or contain as an exhibit, the following:
 - (1) the range of credit certificate rates to be used and how the rates are assigned to certificate recipients;
 - (2) the nonissued bond amount as that term is used in section 25(d)(2)(B) of the Internal Revenue Code of 1954, as amended through July 18, 1984;
 - (3) the form used to elect under section 25(c)(2)(A)(ii) of the Internal Revenue Code of 1954, as amended through July 18, 1984;
 - (4) the plan submitted to the secretary of the treasury pursuant to section 25(d)(3) of the Internal Revenue Code of 1954, as amended through July 18, 1984; and

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(5) how the city will ensure compliance with all of the requirements of section 25 of the Internal Revenue Code of 1954, as amended through July 18, 1984.

Sec. 25. Minnesota Statutes 1984, section 462C.04, subdivision 2, is amended to read:

Subd. 2. A public hearing shall be held on each program after one publication of notice in a newspaper circulating generally in the city, at least 15 days before the hearing, ~~after which the program may be adopted with or without amendment.~~ On or before the day on which notice of the public hearing is published, the city shall submit the program to the metropolitan council, if the city is located in the metropolitan area as defined in section 473.121, subdivision 2, or to the regional development commission for the area in which the city is located, if any, for review and comment. The appropriate reviewing agency shall comment on:

(a) whether the program is consistent with the housing plan of the city;
and

(b) whether the program is consistent with the metropolitan development guide, if the city is located in the metropolitan area, or adopted policies of the regional development commission.

Review of the program may be conducted either by the board of the reviewing agency or by the staff of the agency. Any comment submitted by the reviewing agency to the city must be presented to the body considering the proposed program at the public hearing held on the program.

A member or employee of the reviewing agency shall be permitted to present the comments of the reviewing agency at the public hearing. After conducting the public hearing, the program may be adopted with or without amendment, provided that any amendments must not be inconsistent with the comments, if any, of the reviewing agency and must not contain any material changes from the program submitted to the reviewing agency other than changes in the financial aspects of any proposed issue of bonds or obligations. If any material change other than a change in the financial aspects of a proposed issue of bonds or obligations, or any change which is inconsistent with the comments of the reviewing agency is adopted, the amended program shall be resubmitted to the appropriate reviewing agency for review and comment, and a public hearing shall be held on the amended program after one publication of notice in a newspaper circulating generally in the city at least 15 days before the hearing. The amended program shall be considered after the public hearing in the same manner as consideration of the initial program. Each program shall be submitted to the Minnesota housing finance agency for review and approval. The agency shall determine reject any program that:

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(a) ~~whether the program furthers~~ does not comply with statewide housing policies;

(b) ~~whether the program is capable of implementation without if implemented will cause~~ a material adverse effect on financing programs of the agency, ~~without subjecting~~ will subject the interest on future bonds of the agency to federal income tax under any limitations imposed at the time by federal law;

(c) ~~whether the program provides for administrative and bond issuance costs that are reasonable; and unreasonable; or~~

(d) ~~whether the program complies~~ does not comply with all other requirements of sections 462C.01 to 462C.08.

The agency shall have 30 days from submission to complete its review and shall notify the city of its decision within 30 days. A failure to notify within 30 days constitutes approval ~~reject a program.~~ Submission shall be the date on which a complete document describing the program is submitted to the agency. If the agency rejects a program it shall communicate the fact of that rejection, in writing, to the city with 15 days of the rejection. If the agency fails to reject a program within 30 days of submission, or fails to communicate a rejection, in writing, to the city within 15 days of the rejection, then the agency is precluded from rejecting the program. For purposes of sections 462C.01 to 462C.08, the agency's failure to reject a program is considered an approval of the program. The agency may collect reasonable fees and charges in connection with its review of a city's housing program. The fees and charges shall be limited to the amounts required to pay the actual costs to the agency.

The Minnesota housing finance agency, in cooperation with the metropolitan council and the regional development commissions, shall report annually to the legislature on the number and amounts of bond issues and the number of housing programs established pursuant to sections 462C.01 to 462C.08.

Sec. 26. Minnesota Statutes 1984, section 462C.09, subdivision 2a, is amended to read:

Subd. 2a. **1985 CITY ALLOCATION.** ~~Notwithstanding the allocation provisions of subdivision 2, this subdivision applies to the January 1985 allocations.~~ Unless otherwise authorized by law, a city that intends to issue during the any calendar year 1985 mortgage revenue bonds that are subject to the volume limitation imposed by section 103A(g) of the Internal Revenue Code of 1954, as amended through March 1, 1983, shall by January 2, ~~1985 of that year~~ submit to the Minnesota housing finance agency a program that will use a portion of the state mortgage revenue bond ceiling. The total amount of bonds included in all programs submitted pursuant to this subdivision by a city may not exceed \$10,000,000. Each program shall be accompanied by a certificate from the city that states that the revenue bond issue is feasible. By February 1, the Minnesota housing finance agency shall review each program pursuant to section 462C.04,

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subdivision 2. The Minnesota housing finance agency shall approve all programs that the agency determines are consistent with this chapter, and that meet the following conditions:

(a) all of the loans must be reserved for a period of not less than six months for persons and families whose adjusted family income is below 80 percent of the limits on adjusted gross income provided in section 462C.03, subdivision 2; and

(b) loans must be made only to finance homes that are serviced by municipal water and sewer utilities; provided that if the approval of all programs would result in an allocation to cities in excess of 27-1/2 percent of the state ceiling for the calendar year 1985, reduced by the amount of bonds that are allocated by law to specified cities, the Minnesota housing finance agency shall approve programs that are submitted by a city which meets any of the following three criteria: (1) a city of the first class, or (2) a city that did not receive an allocation under this subdivision or subdivision 2 during the preceding two calendar years, or (3) a group of cities that plan to jointly issue bonds for the program provided further that if approval of all of the programs submitted by cities that meet one or more of the criteria in (1), (2), or (3) would result in a total allocation to cities in excess of the portion of the state ceiling available for allocation, then from among those programs the agency shall select by lot the programs to be approved. If a portion of the state ceiling remains unallocated after the agency has approved all programs submitted by cities that meet one or more of the criteria in (1), (2), or (3), the Minnesota housing finance agency shall select by lot from among the remaining programs the programs to be approved. The Minnesota housing finance agency shall determine if a program meets the conditions in clauses (a) and (b) based solely upon the program with accompanying information submitted to the agency. Approval of a program shall constitute an allocation of a portion of the state ceiling for mortgage revenue bonds equal to the proposed bond issue or issues contained in the program, provided that the allocation for the last selected program that receives an allocation may be equal to or less than the amount of the bond issue or issues proposed in the program.

If a city which received an allocation pursuant to this subdivision, or which has been allocated a portion of the state ceiling by law and has received approval of one or more programs, has not issued bonds by September 1 in an amount equal to the allocation, and the city intends to issue mortgage revenue bonds prior to the end of the calendar year, the city shall by September 1 submit to the Minnesota housing finance agency for each program a letter that states the city's intent to issue the mortgage revenue bonds prior to the end of the calendar year. If the Minnesota housing finance agency does not receive the letter from the city, then the allocation of the state ceiling for that program shall expire on September 1, and the applicable limit for the Minnesota housing finance agency shall be increased by an amount equal to the unused portion of the allocation to the city. A city referred to in subdivision 1, clause (i), shall not be required to

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apply under this subdivision with respect to bonds allocated by law to any such city. Nothing in this subdivision shall prevent any such city from applying for an additional allocation of bonds under this subdivision.

Sec. 27. Minnesota Statutes 1984, section 462C.09, subdivision 3, is amended to read:

Subd. 3. **ADDITIONAL CITY ALLOCATION.** On or before September 1 of each year, the Minnesota housing finance agency shall identify the amount, if any, of its applicable limit for housing mortgage bonds for that calendar year that it does not intend to issue. Any city that intends to issue mortgage revenue bonds prior to the end of the calendar year for which it has not received an allocation of the state ceiling may submit a program for approval on or before September 1 to the Minnesota housing finance agency for a portion of the amount of the Minnesota housing finance agency's applicable limit as provided in subdivision 1 which the agency does not intend to issue. The total amount of bonds included in all programs of any city submitted pursuant to this subdivision shall not exceed \$10,000,000. The program shall be accompanied by the same certificate required by subdivision 2 2a. The Minnesota housing finance agency shall allocate the amount of the state ceiling to be allocated pursuant to this subdivision using the same factors listed in subdivision 2 2a, provided that a program for any city receiving an allocation pursuant to subdivision 2 2a during the calendar year shall be ranked below all other programs if the bonds proposed in the program, when added to the bonds included in programs approved pursuant to subdivision 2 2a, exceed \$10,000,000. A city that submitted a program pursuant to subdivision 2 2a but that did not receive an allocation may renew its application with a letter of intent to issue. Nothing in this subdivision shall prevent any city referred to in subdivision 1, clause (i), from applying for an additional allocation of bonds under this subdivision.

Sec. 28. Minnesota Statutes 1984, section 462C.09, is amended by adding a subdivision to read:

Subd. 6. **CORRECTION AMOUNTS FOR MORTGAGE CREDIT CERTIFICATE PROGRAMS.** A reduction in the state ceiling for qualified mortgage bonds caused by the failure of a mortgage credit certificate program to comply with a federal statute or regulation shall be assessed against the amount of qualified mortgage bonds allocated by law, other than by way of this section, to the city which adopted the program; provided that if no such allocation exists or it is less than the correction amount determined by the secretary of the treasury, then the amount of the correction amount in excess of the allocation shall be assessed against the 27-1/2 percent of the state ceiling allocated to the cities under subdivision 2a.

Sec. 29. [462C.11] **MORTGAGE CREDIT CERTIFICATE PROGRAMS.**

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

Subdivision 1. CITY PROGRAM. A city may include in the housing plan a program to issue and administer mortgage credit certificates, under a qualified mortgage credit certificate program, to assist in the acquisition, qualified rehabilitation, or qualified home improvement of the recipient's principal residence.

Subd. 2. PROGRAM REQUIREMENTS. Mortgage credit certificate programs adopted by the city shall comply with all of the provisions of section 25 of the Internal Revenue Code of 1954, as amended through July 18, 1984.

Subd. 3. CORRECTION AMOUNTS. Correction amounts determined by the secretary of the treasury because of the failure of a mortgage credit certificate program to comply with a federal statute or regulation shall be assessed pursuant to section 28.

Sec. 30. [462C.12] MINNEAPOLIS/ST. PAUL HOUSING FINANCE BOARD; POWERS; JURISDICTION.

Subdivision 1. ESTABLISHMENT OF HOUSING BOARD RATIFIED. The establishment of the Minneapolis/St. Paul housing finance board in accordance with a joint powers agreement entered into between the Minneapolis community development agency and the housing and redevelopment authority of the city of St. Paul, and accepted by the cities of Minneapolis and St. Paul under section 471.59, is ratified and approved.

Subd. 2. POWERS. The board is granted the following powers:

(a) The board may issue obligations and other forms of indebtedness under this section, subject to the terms and conditions set forth in the joint powers agreement, as may be from time to time amended.

(b) The board is authorized to exercise the powers conferred upon the cities of Minneapolis and St. Paul and their designated housing and redevelopment authorities, or the powers of an agency exercising the powers of a housing and redevelopment authority by chapters 462 and 462C and any other general or special law of the state of Minnesota relating to housing or housing finance. The powers which may be exercised by the board include, without limitation, the power to undertake and implement projects, developments, or programs, the power to issue and sell obligations and other forms of indebtedness payable exclusively from the revenues of the programs, projects, or developments undertaken by the board, or any of the powers the Minnesota housing finance agency may exercise under chapter 462A, provided that the obligations and other forms of indebtedness may be sold upon terms and conditions as the board may from time to time determine. The board may exercise the powers conferred by this section only with respect to projects, programs, or developments within the corporate limits of the cities of Minneapolis and St. Paul, except as may be otherwise provided in a joint powers agreement entered into under section 471.59

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between the board and any other city, housing and redevelopment authority, or port authority in the state of Minnesota.

(c) For the purposes of section 462C.09, the board may be authorized by the cities of Minneapolis and St. Paul, or by any other city with which the board enters into a joint powers agreement, to issue revenue bonds or obligations in an amount not to exceed the amount of bonds allocated by general or special law to such cities, or the board may issue mortgage credit certificates in lieu thereof.

Subd. 3. JURISDICTION. Notwithstanding any other provision of law, the territorial jurisdiction of the board shall extend to all of the area within the corporate limits of the cities of Minneapolis and St. Paul and shall for the purposes of any particular project, development, or program undertaken in whole or part for any other city include all of the area within the corporate limits of the city. For the purposes of any provision of law intended to apply within a particular jurisdiction, the provision shall be construed to apply to the entire area within the corporate limits of the cities of Minneapolis and St. Paul, together with the entire area within the corporate limits of any other city with which the board has entered into a joint powers agreement and on whose behalf a project, development, or program is undertaken or implemented, or on whose behalf obligations or other forms of indebtedness are issued by the board.

Subd. 4. POWERS SUPPLEMENTARY. The powers granted by this section are in addition and supplemental to the powers granted by section 471.59, or the law under which a project, development, or program is undertaken or implemented by the board, or under which the board issues obligations or other forms of indebtedness.

Sec. 31. Minnesota Statutes 1984, section 474.16, subdivision 3, is amended to read:

Subd. 3. "Entitlement issuer" means a local issuer with an average annual previous use of \$1,000,000 or more based on the highest annual use in three of the calendar years from 1980 to 1983 provided an allocation under section 474.17.

Sec. 32. Minnesota Statutes 1984, section 474.16, is amended by adding a subdivision to read:

Subd. 6. "Manufacturing project" means properties, real or personal, used in connection with a revenue producing enterprise in connection with assembling, fabricating, manufacturing, mixing, or processing any products of agriculture, forestry, mining, or manufacture. Properties used for storing, warehousing, or distributing qualify under this definition (a) if they are used as part of or in connection with an assembly, fabricating, manufacturing, mixing, or processing facility or (b) if they are used for the storing of agricultural products and are located outside of the metropolitan area, as defined in section 473.121, subdivision 2. Manufacturing project includes properties, real or personal, used

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in connection with research and development activity to develop or improve products, production processes, or materials. For purposes of this subdivision, "a product of manufacture" includes information and directions which dictate the functions to be performed by data processing equipment, commonly called computer software, regardless of whether they are embodied in or recorded on tangible personal property. A project qualifies as a manufacturing project only if 75 percent of the proceeds of the proposed obligations will be used for construction, acquisition, installation, or addition of properties described in this subdivision.

Sec. 33. Minnesota Statutes 1984, section 474.16, is amended by adding a subdivision to read:

Subd. 7. "Pollution control project" means properties, real or personal, used in the abatement or control of noise, air, or water pollution, or in the disposal of solid waste, in connection with a revenue producing enterprise, engaged in or to be engaged in any business or industry. A project qualifies as a pollution control project only:

(a) if 75 percent of the proceeds of the obligations will be used for the construction, acquisition, installation, or addition of properties described in this subdivision; or

(b) if it is not a manufacturing project and 75 percent of the proceeds of the obligations will be used for the construction, acquisition, installation, or addition of properties described in this subdivision and in subdivision 6.

Sec. 34. Minnesota Statutes 1984, section 474.16, is amended by adding a subdivision to read:

Subd. 8. "Waste management project" means a project which is authorized by chapter 115A or 400, or sections 473.801 to 473.834.

Sec. 35. Minnesota Statutes 1984, section 474.16, is amended by adding a subdivision to read:

Subd. 9. "Commercial redevelopment project" means a project as defined in section 474.02, if it is not a manufacturing or pollution control project and one of the following conditions is met:

(a) The project site would qualify as a redevelopment district as defined in section 273.73, subdivision 10. To qualify the project need not be included in a tax increment financing district.

(b) Seventy-five percent of the proceeds of the obligations will be used to acquire and rehabilitate or replace an existing structure which is functionally obsolete or contains structural or other defects justifying substantial renovation or clearance.

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(c) The project will be undertaken and the obligations issued pursuant to a written program administered by the local issuer and the financing provides for a substantial commitment of local public funds.

(d) Substantially all of the proceeds of the obligations will be used to finance facilities with respect to which an urban development action grant has been made under section 119 of the federal Housing and Community Development Act of 1974.

Sec. 36. Minnesota Statutes 1984, section 474.16, is amended by adding a subdivision to read:

Subd. 10. "Written development program" or "program" means a written economic development plan that contains at least substantially all of the following:

(a) a description of the area subject to the plan, which may not exceed 20 percent of the total acreage of the issuer;

(b) a statement of the objectives for the development of the area subject to the plan;

(c) a statement of the development plan for the area subject to the plan, including the property within the area, if any, which is to be acquired by a governmental unit;

(d) a description of the type of specific development reasonably expected to take place within the area subject to the plan; and

(e) a description of the kind and an estimate of the amount of public funds, including local public funds, expected to be spent in connection with the development of the area subject to the plan.

Sec. 37. Minnesota Statutes 1984, section 474.16, is amended by adding a subdivision to read:

Subd. 11. "Substantial commitment of local public funds" means that either of the following two conditions is satisfied.

(a) Under the project financing the governmental unit appropriates, pledges, guarantees, or otherwise provides local public funds to pay part of the cost of financing the obligations, including bond issuance, debt service, loan origination, and carrying expenses, or of the facility financed with the proceeds of the obligations. This condition is satisfied only if at the time the obligations are issued, the issuer reasonably expects that the aggregate value of the local public funds will exceed the lesser of \$1,000,000 or one percent of the face amount of the obligations. No provision may be made for a nonexempt person to reimburse the governmental unit for the local public funds.

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(b) The governmental unit appropriates, pledges, guarantees, or otherwise provides a program contribution of local public funds or governmental services to the program or a facility financed with the proceeds of the obligations. This condition is satisfied only if the issuer reasonably expects at the time the obligations are issued that the aggregate value of the local public funds will exceed \$5,000,000 or five percent of the aggregate face amount of the obligations. The issuer must value the services at the reasonable cost of delivering them. The program contribution must be used for one or more of the following purposes:

(i) reducing the cost of financing the obligations, as described in paragraph (a);

(ii) securing the payment of debt service on obligations issued pursuant to the program;

(iii) financing public improvements under a comprehensive redevelopment or renewal program, if the costs are reasonably allocable to a facility financed with the proceeds of the obligations and if the improvements are made no earlier than three years prior to issuance of the obligations to which the contribution applies or more than one year after issuance; or

(iv) other costs reasonably related to the program.

If the governmental unit is reimbursed by a nonexempt person for any part of the program within five years after the contribution was made, the reimbursement must be applied for one or more of the purposes described in this paragraph.

For purposes of this subdivision, "governmental unit" means the local issuer that issues the obligations for the project or the governmental unit that approves the obligations for purposes of section 103(k)(2) of the Internal Revenue Code of 1954, as amended through December 31, 1984, or both.

Sec. 38. Minnesota Statutes 1984, section 474.16, is amended by adding a subdivision to read:

Subd. 12. "Local public funds" means the funds of a governmental unit except the following:

(a) the proceeds of an obligation subject to a federal limitations act;

(b) payments or property furnished by a nonexempt person to repay or secure the loan of proceeds of an obligation subject to a federal limitations act or other payments made in consideration of the issuance of an obligation subject to a federal limitations act;

(c) payments furnished by a nonexempt person for its right to use in its trade or business a facility financed with the proceeds of obligations subject to a federal limitations act;

(d) tax increments, as defined in section 273.76; or

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(e) tax reductions provided pursuant to sections 273.1312 to 273.1314.

Sec. 39. Minnesota Statutes 1984, section 474.16, is amended by adding a subdivision to read:

Subd. 13. "Nonexempt person" means a person or entity other than an exempt person as defined in section 103(b)(3) of the Internal Revenue Code of 1954, as amended through December 31, 1984.

Sec. 40. Minnesota Statutes 1984, section 474.16, is amended by adding a subdivision to read:

Subd. 14. "Preliminary resolution" means a resolution adopted by the governing body of the issuer or in the case of the iron range resources and rehabilitation board by the commissioner of the board. The resolution must express a preliminary intention of the issuer to issue obligations for a specific project and must identify the proposed project, the proposed site for the project, and the proposed amount of the obligations to be issued. The resolution for a waste management project need not include the site for the project if the resolution identifies a specific process and a deadline for site selection.

Sec. 41. Minnesota Statutes 1984, section 474.16, is amended by adding a subdivision to read:

Subd. 15. "Issuer" means any entity authorized by state law to issue obligations subject to a federal limitation act and specifically includes the higher education coordinating board, the energy and economic development authority, the commissioner of the iron range resources and rehabilitation board, and any local issuer.

Sec. 42. Minnesota Statutes 1984, section 474.17, is amended to read:

474.17 ALLOCATION OF PRIVATE ACTIVITY BONDS.

Subdivision 1. HIGHER EDUCATION COORDINATING BOARD ALLOCATION. \$30,000,000 for calendar year 1984 and \$10,000,000 for calendar year 1985 and \$25,000,000 for each subsequent calendar year of the aggregate limit of bond issuance authority allocated to the state pursuant to a federal limitation act is allocated to the higher education coordinating board for the issuance of obligations pursuant to chapter 136A. On September 1, 1985, any unused portion of the bonding authority allocated to the higher education coordinating board pursuant to this subdivision shall be canceled and the authority shall be allocated pursuant to section 474.19. If the energy and economic development authority determines that pursuant to a federal limitation act, the higher education coordinating board cannot issue obligations whose interest is exempt from inclusion in gross income for purposes of federal income taxation pursuant to section 103(a) of the Internal Revenue Code of 1954, as amended, this allocation shall cancel and the allocation provided in subdivision 3

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shall be increased to \$55,000,000 for calendar year 1984 and to \$65,000,000 for calendar year 1985.

Subd. 2. **IRON RANGE RESOURCES AND REHABILITATION ALLOCATION.** From January 1 to August 31 of each calendar year, \$25,000,000 \$30,000,000 of the aggregate limit of bond issuance authority allocated to the state for any calendar year pursuant to a federal limitation act is allocated to the iron range resources and rehabilitation commissioner. From September 1 to October 31 of each year, the iron range resources and rehabilitation commissioner may retain his allocation or a portion of it only if he has submitted to the energy and economic development authority on or before September 1 a letter which states (a) his intent to issue obligations pursuant to his allocation or a portion of it before the end of the calendar year or within the time period permitted by a federal limitation act and (b) a description of the specific project or projects for which the obligations will be issued, together with an application deposit in the amount of one percent of the amount of the remaining unused allocation or the portion of it pursuant to which he intends to issue obligations. If the iron range resources and rehabilitation commissioner does not submit the required letter of intent and the application deposit, the amount originally allocated to the iron range resources and rehabilitation commissioner or the portion not already used not subject to a letter of intent shall be canceled and subject to reallocation in accordance with section 474.19. If the iron range resources and rehabilitation commissioner returns for reallocation all or any part of his allocation on or before October 31, that portion of his application deposit equal to one percent of the amount returned shall be refunded within 30 days. ~~The iron range resources and rehabilitation commissioner may enter into a joint powers agreement with any other state or municipal entity which has authority to issue obligations subject to a federal limitation act whereby the other entity issues the bonds on behalf of the iron range resources and rehabilitation commissioner.~~

Upon the request of a statutory city located in the taconite tax relief area which received an entitlement allocation under Minnesota Statutes, section 474.18 of \$5,000,000 or more for calendar year 1985, the iron range resources and rehabilitation commissioner shall enter into an agreement with the city whereby the commissioner issues obligations, in an amount requested by the city but not to exceed \$5,000,000, on behalf of the city.

Subd. 3. **ENERGY AND ECONOMIC DEVELOPMENT AUTHORITY ALLOCATION.** From January 1 to August 31 of calendar year 1984, \$40,000,000 and for calendar year 1985 \$60,000,000 of the aggregate limit of bond issuance authority allocated for each calendar year to the state pursuant to a federal limitation act is allocated to the department of energy and economic development authority for use or allocation pursuant to section 116J.58, clause (2) subdivision 4. From September 1 to October ~~After August~~ 31 of each year, the energy and economic development authority or any entity which receives an allocation from the department of energy and economic development authority

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pursuant to section 116J.58, ~~clause (2)~~ subdivision 4, may retain its allocation or a portion of it only if it has submitted to the ~~division~~ department of the energy and economic development ~~authority~~ responsible for administering Laws 1984, chapter 582, on or before September 1 a letter which states (a) its intent to issue obligations pursuant to its allocation or a portion of it before the end of the calendar year or within the time period permitted by a federal limitation act, and (b) a description of the specific project or projects for which the obligations will be issued, together with an application deposit in the amount of one percent of the amount of its remaining unused allocation or the portion of it pursuant to which it intends to issue obligations. If the energy and economic development authority or any entity which receives an allocation from the department of energy and economic development authority pursuant to section 116J.58, ~~clause (2)~~ subdivision 4, does not submit the required letter of intent and the application deposit, the amount originally allocated to the energy and economic development authority or any entity which receives an allocation from the department of energy and economic development authority pursuant to section 116J.58, ~~clause (2)~~ subdivision 4, or the portion not already used and not subject to a letter of intent shall be canceled and subject to reallocation in accordance with section ~~472.09, subdivision 8~~ 474.19. If the energy and economic development authority or any entity which receives an allocation from the energy and economic development authority pursuant to section 116J.58, ~~clause (2)~~ subdivision 4, returns for reallocation all or any part of its allocation on or before October 31, that portion of its application deposit equal to one percent of the amount returned shall be refunded within 30 days.

Subd. 3a. ENTITLEMENT CITIES. From January 1 to August 31 of each calendar year an amount of bond issuance authority shall be allocated to (a) cities of the first class and (b) the largest Minnesota city located in a standard metropolitan statistical area that does not contain a city of the first class, if the city has a population of 25,000 or more. The amount allocated to a first class city shall be an amount equal to \$200 multiplied by the city's population. The amount allocated to each city qualifying under clause (b) is \$5,000,000. After August 31 of each year, a local issuer receiving an allocation under this subdivision may retain all or a portion of its allocation only if it has submitted to the department of energy and economic development by September 1 a letter stating its intent to issue obligations pursuant to its allocation before the end of the calendar year or within the time permitted by a federal limitation act and an application deposit equal to one percent of the amount of the unused allocation for which it intends to issue obligations. The portion of any unused issuance authority for which an application deposit and letter of intent has not been received by the department on September 1, is cancelled and must be reallocated under section 474.19. If a local issuer returns for reallocation all or part of its allocation under this subdivision by October 31, the application deposit for the amount of the returned authority must be refunded to the local issuer.

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For purposes of this subdivision, "city" means a statutory or home rule charter city and "population" means the population determined under section 477A.011, subdivision 3.

Subd. 3b. ENTITLEMENT TRANSFERS. An entitlement issuer may enter into an agreement with another entitlement issuer whereby the recipient entitlement issuer issues bonds pursuant to issuance authority allocated to the original entitlement issuer under section 474.17.

Subd. 4. LOCAL ISSUER POOL ALLOCATION. Any amount of the aggregate limit of bond issuance authority allocated to the state for any calendar year pursuant to a federal limitation act which is not allocated pursuant to subdivisions 1 to 3a shall be allocated among local issuers pursuant to sections 474.18 474.19 to 474.23.

Sec. 43. Minnesota Statutes 1984, section 474.19, is amended to read:

474.19 ALLOCATION OF POOL AMOUNT.

Subdivision 1. POOL AMOUNT. From January 1 to August 31 of each year, 20 percent of the amount determined pursuant to do not qualify as entitlement issuers and shall be allocated as provided in this section. From September 1 to October 31 of any calendar year, any the amounts remaining available for allocation or reallocation pursuant to section 474.18 474.17 or this section shall be allocated among all local issuers and the energy and economic development authority and the iron range resources and rehabilitation commissioner, pursuant to this section. An entitlement issuer, the energy and economic development authority or the iron range resources and rehabilitation commissioner may apply for an allocation pursuant to this section after August 15 and only if the applicant has issued adopted a final resolution authorizing the sale of bonds equal to any allocation received pursuant to section 474.17 or 474.18 or has returned any remaining allocation for reallocation pursuant to this section. A city of the first class may apply for an allocation for a manufacturing project at any time, notwithstanding the preceding sentence.

Subd. 2. APPLICATION. A local issuer that is not An entitlement issuer may apply for an allocation of bond issuance authority pursuant to this section by submitting to the department of energy and economic development authority on or before the 20th 10th or the 25th day of any month from December to September or on or before the tenth of October an application on forms provided by the department of energy and economic development authority, accompanied by (i) a preliminary resolution of the local issuer expressing a preliminary intention to issue obligations adopted in accordance with section 474.01, subdivision 7b, if applicable, which identifies the proposed project and the proposed amount of the obligations to be issued; and (ii) an application deposit in the amount of one percent of the requested allocation. A local issuer may enter into a joint powers agreement with any other state or municipal entity

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which has authority to issue obligations subject to a federal limitation act whereby the other entity issues the bonds on behalf of the local issuer for the project for which an allocation was received by the local issuer. A local issuer may request an allocation for obligations issued prior to the effective date of this subdivision. A local issuer may elect not to submit an application for an allocation of bond issuance authority for a project for which the local issuer previously adopted a preliminary resolution.

After July 31 of any year, an entitlement issuer may also apply for an allocation under this section. Its application need not comply with clause (i).

Subd. 3. **ALLOCATION CRITERIA.** The department of energy and economic development authority shall rank each application on the basis of the number of points awarded to it, with one point being awarded for each of the following criteria satisfied:

(1) The current rate of unemployment for the applicant is at or above 110 percent of the statewide average unemployment rate for the previous year most recently available reporting period, as determined by the department of economic security. The unemployment rate for the applicant shall be the greater of (i) the most recent estimate available for the smallest jurisdiction which wholly includes the jurisdiction of the applicant, as reported by the department of economic security, or (ii) another estimate supplied by the applicant with respect to its jurisdiction, which is documented by the applicant.

(2) The number of individuals employed in the applicant's jurisdiction declined from the second calendar year before the application, to the first calendar year before the application. The estimate of the number of individuals employed for each year shall be based on the same source, and shall be (i) the most recent estimate available for the smallest jurisdiction which wholly includes the applicant, as reported by the department of economic security, or (ii) another estimate supplied by the applicant with respect to its jurisdiction, which is documented by the applicant.

(3) The number of jobs to be created by the project described in the application is at least 1/10 of one percent of the number of individuals employed in the applicant's jurisdiction in the first calendar year before the application as determined in the manner provided in clause (2) The project will provide additional general tax revenue to the taxing jurisdictions in which the project is located beginning not later than three years after issuance and sale of the obligations.

(4) The number of jobs to be created by the project described in the application is at least two jobs for each \$100,000 of issuance authority requested for the project.

(5) As of the date of application the total market value of all taxable property in the applicant's jurisdiction, as based on the most recent certification

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of assessed value to the commissioner of revenue, has either (i) declined in relation to the first calendar year before the certification, or (ii) increased in relation to the first calendar year before the certification at a rate which is not in excess of 90 percent of the rate of increase of the state average market value over the same period.

(6) The estimated market value of the project described in the application is at least one-half of one percent of the total market value of all taxable property in the applicant's jurisdiction as based on the most recent certification of assessed value to the commissioner of revenue. The total capital expenditures for the project exceed by ten percent the amount of the proceeds of the obligations to be issued for the project.

(7) The project is wholly located in an enterprise zone designated pursuant to section 273.1312.

(8) The project site meets the criteria necessary to qualify as a tax increment redevelopment district as defined in section 273.73, subdivision 10. To qualify under this clause the project need not be included in a tax increment financing district.

(9) The project meets one of the following energy conservation criteria: (i) the project is eligible for the additional federal investment tax credits for energy property, (ii) the project involves construction or expansion of a district heating system as defined in section 116J.36, or (iii) the project involves construction of an alternative energy source as described in section 116J.26, clause (a), (b), or (d), or ~~116J.922, subdivision 6 or 7~~ 116M.03, subdivisions 23 and 26.

(10) ~~Ninety percent or more of the proceeds of the proposed obligations will be used for construction, installation, or addition of equipment used primarily to abate or control pollutants to meet or exceed state laws, rules, or standards.~~

(11) The project consists of the renovation, rehabilitation, or reconstruction of an existing building which is (i) located in a historic district designated under section 138.73, or on a site listed in the state registry of historical sites under sections 138.53 to 138.5819; or (ii) designated in the National Register pursuant to United States Code, title 16, section 470a.

(12) ~~Ninety percent or more of the proceeds of the proposed obligations will be used to finance facilities for waste management as defined in section 115A.03, subdivision 36, or solid waste as defined in section 116.06, subdivision 10.~~

(13) ~~(11)~~ Service connections to sewer and water systems are available to the project at the time the application is submitted.

(14) ~~The minority population in the applicant's jurisdiction is at least 110 percent of the statewide average as determined by the affirmative action division of the department of economic security according to the most recent census data.~~

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(12) As provided by a binding agreement with the municipality, at least ten percent of the individuals employed by the principal user or users of the project will be minority or low income individuals.

(15) (13) When the application is submitted either (a) neither the anticipated owner of the project, nor any party of which the owner was a controlling partner or shareholder, or which was a controlling shareholder or partner of the owner, owned or operated a substantially similar business within the state or (b) the project is an expansion of the operations of an existing business which is not likely to have the effect of transferring existing employment from one or more other municipalities within the state to the municipality in which the project is located.

(16) (14) A controlling interest in the project will be owned by one or more women or minority persons.

(17) (15) Seventy-five percent or more of the proceeds of the proposed issue will be used to rehabilitate an existing structure.

(18) At the time of application, the property on which the project is to be located is properly zoned for the proposed use.

(19) The bond issue involves a credit enhancement device providing additional security for bondholders involving commitments or fees to be paid by the issuer other than from bond proceeds. No points shall be awarded for credit enhancement devices financed directly or indirectly by a private, for-profit party which has a financial interest in or is related to any party which has a financial interest in the project.

Subd. 4. **ALLOCATION PROCEDURE.** (a) The department of energy and economic development authority shall allocate available issuance authority to applications by the fifth tenth day of the month succeeding each application deadline specified in subdivision 2 in the following order of priority and available issuance authority may not be allocated to any other project:

(i) applications for manufacturing projects;

(ii) applications for pollution control projects or waste management projects; and

(iii) applications for commercial redevelopment projects.

Within each category of applications available authority shall be assigned on the basis of the numerical rank determined pursuant to this section, but (i) no allocation shall be awarded to an application demonstrating less than four points, (ii) any project which is authorized by chapter 115A, chapter 400, or sections 473.801 to 473.834, shall receive an allocation of issuance authority without regard to its numerical rank to the extent that the amount of issuance authority allocated to the project when added to the issuance authority previously allocated

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during the calendar year pursuant to this clause does not exceed 49 percent of the amount provided in subdivision 1, provided that if obligations for any project described in this clause are not subject to a federal limitation act, no allocation shall be made pursuant to this clause, (iii) if on or before September 1, the energy and economic development authority returns a portion of its allocation for reallocation pursuant to this section, and the iron range resources and rehabilitation commissioner has issued obligations in an amount equal to its allocation or has submitted a letter of intent for any amount not issued, applications from the iron range resources and rehabilitation commissioner which demonstrate four or more points shall receive an allocation up to an amount equal to \$10,000,000 or the amount returned for reallocation by the energy and economic development authority or the amount remaining to be allocated, whichever is less, (iv) if on or before September 1, the iron range resources and rehabilitation commissioner returns a portion of his allocation for reallocation pursuant to this section, and the energy and economic development authority has issued obligations in an amount equal to its allocation or has submitted a letter of intent for any amount not issued, applications from the energy and economic development authority which demonstrate four or more points shall receive an allocation up to an amount equal to \$10,000,000 or the amount returned for reallocation by the iron range resources and rehabilitation commissioner or the amount remaining to be allocated, whichever is less, and (v). In the case of an application for issuance authority that includes more than one project to be financed by one issue of obligations, the points assigned to the application shall be computed on the basis of the weighted average of points for the projects. The projects must all be of the same category of projects to be submitted as a multiproject application. If two or more applications have the same numerical rank, the allocation of issuance authority as between the applications shall be by lot unless otherwise agreed by the respective local issuers. If an application is rejected, the department of energy and economic development authority shall return the application deposit to the applicant within 30 days.

(b)(i) From January 1 through October 31, no more than 35 percent of the total amount of issuance authority available for allocation during the calendar year pursuant to this section may be allocated to pollution control and waste management projects.

(ii) From January 1 through October 31, no more than 20 percent of the total amount of issuance authority available for allocation during the calendar year pursuant to this section may be allocated to commercial redevelopment projects. This amount is increased to 30 percent of the total available authority for the next month's allocation if the following two conditions occur. (A) On or after June 30 the total amount of issuance authority available under this section which has not been allocated or has been allocated to but was returned by an issuer exceeds 45 percent of the total amount of issuance authority available for allocation under this section for the calendar year. (B) The entire amount of

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issuance authority available under this subparagraph for commercial redevelopment projects has been allocated.

Subd. 5. **LETTER OF INTENT.** A local issuer which has received an allocation pursuant to this section prior to September 1 and which intends to issue obligations pursuant to it after August 31 of the year in which the allocation was received, shall submit to the department of energy and economic development authority on or before September 1 a letter stating its intent to issue bonds before the end of the calendar year or within the time period permitted by a federal limitation act. If the letter of intent is not submitted to the department of energy and economic development authority, the one percent application deposit shall be returned to the local issuer, the issuance authority shall be canceled, and the issuance authority previously allocated to the local issuer will be available for reallocation pursuant to this section. If a local issuer returns for reallocation all or any part of its allocation on or before October 31, that portion of its application deposit equal to one percent of the amount returned shall be refunded within 30 days.

Subd. 6. **FINAL ALLOCATION.** From November 1 to December 31 of each year any amount determined pursuant to section 474.17, which is not both previously allocated and subject to a preliminary resolution for a specific project, whether or not committed pursuant to a letter of intent, is available for allocation or reallocation and shall be allocated among local issuers based on a ranking of points for criteria as set forth in subdivisions 3 and 4. No minimum number of points shall be required for allocation. If two or more applications receive an equal number of points, allocation among them shall be made by lot unless otherwise agreed by the respective applicants. Applications for an allocation under this subdivision must be submitted on or before the tenth day prior to the following allocation dates: November 5, December 5, and December 20. An application for this allocation shall be submitted by October 20, shall must include evidence of passage of a preliminary resolution giving approval to a specific project and stating state that it is the intent of the applicant that the obligations will be issued by the end of the year or within the time period permitted by a federal limitation act, and shall must be accompanied by an application deposit in the amount of one percent of the requested allocation. The department of energy and economic development authority shall notify applicants of their allocation on or before November 5 the fifth day after the allocation date.

Any amounts of authority which may become available for reallocation after November 5 shall be allocated among issuers which filed an application by October 20, pursuant to the criteria stated in subdivision 3.

Authority may be allocated under this subdivision to any project, notwithstanding the percentage limits and other restrictions contained in subdivision 4. Applications must be ranked and authority allocated first according to the order of priority and ranking of points under subdivisions 3 and 4. The remaining

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authority must be allocated according to the ranking of points under subdivision 3. If two or more applications receive an equal number of points, allocations among them must be made by lot unless otherwise agreed by the respective applicants.

If issuance authority remains or becomes available following the final December 20th allocation, the department of energy and economic development must allocate the available authority to the higher education coordinating board.

Subd. 7. **RETURN OF ALLOCATION.** If prior to December 20 of any year, an issuer determines that it will not issue obligations pursuant to authority allocated to it pursuant to this section or section ~~459.35 or 462.556~~ 474.17 by the end of that year or within the time period permitted by a federal limitation act, the issuer may notify the department of energy and economic development authority and such amount will be available for reallocation pursuant to this subdivision. In such case, the department of energy and economic development authority shall refund to the issuer within 30 days that portion of any application deposit equal to one-third of one percent of the amount returned for reallocation. The amounts available for reallocation shall be allocated on or before December 31 of each year among issuers which have submitted an application by December 10, and which have certified that the project to which the application relates qualifies for carryover treatment of allocated authority according to the terms of a federal limitation act, such that obligations may be issued pursuant to such allocation of authority after the end of the year, without expiration of such authority. If there is insufficient authority for allocation among applications received pursuant to this subdivision, allocation among them shall be made by lot unless otherwise agreed by the respective applicants pursuant to subdivision 6.

Sec. 44. Minnesota Statutes 1984, section 474.20, is amended to read:
474.20 NOTICES REQUIRED.

Subdivision 1. **NOTICE OF ISSUE.** Any issuer of obligations subject to limitation under a federal limitation act shall give a notice of issue stating the date of issuance of the obligations, the allocation under which the obligations are issued, and the principal amount of the obligations to the department of energy and economic development authority within five days after the obligations are issued. If obligations are to be issued as a series of obligations, the notice of issue must be filed within five days after each of the series of obligations is issued. If the notice of issue is not filed within five days after the obligations are issued or within five days after each of the series of obligations are issued that are a part of obligations to be issued as a series of obligations, the obligations shall be void unless this provision is waived by the department of energy and economic development authority. Within 30 days after receipt of the notice, the department of energy and economic development authority shall refund a portion of any application deposit equal to one percent of the principal amount of the obligations issued.

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Subd. 2. **NOTICE OF AVAILABLE AUTHORITY.** The department of energy and economic development authority shall as soon as possible after the fifth day of each month publish in the State Register a notice of the amount of authority available for allocation or reallocation in the following month as of the fifth day of the month during which the notice is published, after allocation of authority pursuant to section 474.19.

Sec. 45. Minnesota Statutes 1984, section 474.22, is amended to read:

474.22 LEGISLATIVE REVIEW.

On March 1, 1986, the department of energy and economic development authority shall deliver a comprehensive report to the secretary of the senate and the clerk of the house which provides detailed information concerning the allocation of issuing authority pursuant to sections 474.16 to 474.20.

Sec. 46. Minnesota Statutes 1984, section 474.23, is amended to read:

474.23 ADDITIONAL CONDITIONS.

Subdivision 1. PROJECTS NOT INCLUDED. If a federal limitation act as defined in section 474.16, subdivision 5, is adopted, Action under chapter 474 with respect to any project which is to be financed by obligations which are subject to volume limitation of a federal limitation act shall be subject to the following conditions:

(a) No municipality or redevelopment agency shall undertake any project, except a project referred to in section 474.02, subdivision 1f, unless its governing body finds that the project would not be undertaken but for the availability of industrial development bond financing.

(b) Notwithstanding any provision of this chapter, the term "project" shall not include: an airplane; a private luxury box; a facility primarily used for gambling; or a store the principal business of which is the sale of alcoholic beverages for consumption off premises.

(c) ~~No more than ten percent of the proceeds of revenue bonds may be used to finance movable equipment not constituting a fixture. No more than 25 percent of the proceeds of revenue bonds may be used to finance the acquisition of land, and not more than \$10,000,000 in revenue bonds which are industrial development bonds subject to the exemption described in section 103(b)(6) of the Internal Revenue Code of 1954, as amended through December 31, 1983, may be issued with respect to any one building which is used for commercial, office or industrial purposes, without regard to ownership of condominium units within the building.~~

Subd. 2. WAREHOUSE PROJECTS PROHIBITED. Notwithstanding any provision of this chapter, proceeds of obligations which are subject to volume limitation of a federal limitation act may not be used for the financing of

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a warehouse project. For the purposes of this section, "warehouse project" means any building or structure that is used primarily for the self storage by an individual of goods, wares, or merchandise for compensation. "Warehouse project" does not include a safe deposit box or a storage area on the grounds of, and maintained primarily for the convenience of the occupants of, residential housing structures.

This section takes effect 90 days after the federal limitation act is signed by the president or passed over his veto.

Sec. 47. [474.26] APPROPRIATION.

The amount necessary to pay the return or refund of application deposits required by sections 474.17 and 474.19 is annually appropriated to the department of energy and economic development from the general fund.

Sec. 48. RATIFICATION.

All actions of the department taken in allocating bond issuance authority under the 1984 federal limitations act are ratified, confirmed, and approved.

Sec. 49. Minnesota Statutes 1984, section 475.52, subdivision 6, is amended to read:

Subd. 6. **CERTAIN PURPOSES.** Any municipality may issue bonds for paying judgments against it; for refunding outstanding bonds; or for funding floating indebtedness; or for funding all or part of the municipality's current and future unfunded liability for a pension or retirement fund or plan referred to in section 356.20, subdivision 2, as those liabilities are most recently computed pursuant to sections 356.215 and 356.216 by purchasing one or more insurance policies or annuity contracts to pay all or a specified part of the liability within the period required by law. The board of trustees or directors of a pension fund or relief association referred to in section 69.77 or chapter 422A must consent and must be a party to any contract made under this section with respect to the fund held by it for the benefit of and in trust for its members.

Sec. 50. Minnesota Statutes 1984, section 475.54, subdivision 1, is amended to read:

Subdivision 1. Except as provided in subdivision 3 or 5a, or as expressly authorized in another law, all obligations authorized under this chapter of each issue shall mature serially or be subject to mandatory sinking fund redemption in annual or semiannual installments, the first installment shall mature not later than three years from the date of the obligations and the last installment shall mature not more later than 30 years from such the date of the issue. No amount of principal of any obligations the issue payable in any calendar year shall exceed five times the amount of the smallest amount payable in any preceding calendar year ending three years or more after date of the issue date.

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

Sec. 51. Minnesota Statutes 1984, section 475.54, is amended by adding a subdivision to read:

Subd. 5a. Any obligation may be issued giving its owner the right to tender, or the municipality to demand tender of, the obligation to the municipality or another person designated by it, for purchase at a specified time or times, if the municipality has first entered into an agreement with a suitable financial institution obligating the financial institution to provide funds on a timely basis for purchase of bonds tendered. The obligation shall not be deemed to mature on any tender date, within the meaning of subdivision 1, and the purchase of a tendered obligation shall not be deemed a payment or discharge of the obligation by the municipality. Obligations tendered for purchase may be remarketed by or on behalf of the municipality or any other purchaser. The municipality may enter into agreements deemed appropriate to provide for the purchase and remarketing of tendered obligations, including provisions under which undelivered obligations may be deemed tendered for purchase and new obligations may be substituted for them, provisions for the payment of charges of tender agents, remarketing agents, and financial institutions extending lines of credit or letters of credit assuring repurchase, and for reimbursement of advances under letters of credit, which charges and reimbursements may be paid from the proceeds of the obligations or from tax and other revenues appropriated for the payment and security of the obligations, and similar or related provisions.

Sec. 52. Minnesota Statutes 1984, section 475.56, is amended to read:

475.56 INTEREST RATE.

(a) Any municipality issuing obligations under any law may issue obligations bearing interest at a single rate or at rates varying from year to year which may be lower or higher in later years than in earlier years. Such higher rate for any period prior to maturity may be represented in part by separate coupons designated as additional coupons, extra coupons, or B coupons, but the highest aggregate rate of interest contracted to be so paid for any period shall not exceed the maximum rate authorized by law. Such higher rate may also be represented in part by the issuance of additional obligations of the same series, over and above but not exceeding two percent of the amount otherwise authorized to be issued, and the amount of such additional obligations shall not be included in the amount required by section 475.59 to be stated in any bond resolution, notice, or ballot, or in the sale price required by section 475.60 or any other law to be paid; but if the principal amount of the entire series exceeds its cash sale price, such excess shall not, when added to the total amount of interest payable on all obligations of the series to their stated maturity dates, cause the average annual rate of such interest to exceed the maximum rate authorized by law. This section does not authorize a provision in any such obligations for the payment of a higher rate of interest after maturity than before.

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

(b) Any obligation of an issue of obligations otherwise subject to section 475.55, subdivision 1, may bear interest at a rate varying periodically at the time or times and on the terms, including convertibility to a fixed rate of interest, determined by the governing body of the municipality, but the rate of interest for any period shall not exceed the maximum rate of interest for the obligations determined in accordance with section 475.55, subdivision 1. For purposes of section 475.61, subdivisions 1 and 3, the interest payable on variable rate obligations for their term shall be determined as if their rate of interest is the maximum rate permitted for the obligations under section 475.55, subdivision 1, or the lesser maximum rate of interest payable on the obligations in accordance with their terms, but if the interest rate is subsequently converted to a fixed rate the levy may be modified to provide at least five percent in excess of amounts necessary to pay principal of and interest at the fixed rate on the obligations when due. For purposes of computing debt service or interest pursuant to section 475.67, subdivision 12, interest throughout the term of bonds issued pursuant to this subdivision is deemed to accrue at the rate of interest first borne by the bonds. The provisions of this paragraph do not apply to obligations issued by a statutory or home rule charter city with a population of less than 10,000, as defined in section 477A.011, subdivision 3, or to obligations that are not rated A or better, or an equivalent subsequently established rating, by Standard and Poor's Corporation, Moody's Investors Service or other similar nationally-recognized rating agency.

Sec. 53. Minnesota Statutes 1984, section 475.58, subdivision 1, is amended to read:

Subdivision 1. **APPROVAL BY MAJORITY OF ELECTORS; EXCEPTIONS.** Obligations authorized by law or charter may be issued by any municipality upon obtaining the approval of a majority of the electors voting on the question of issuing the obligations, but an election shall not be required to authorize obligations issued:

- (1) to pay any unpaid judgment against the municipality;
- (2) for refunding obligations;
- (3) for an improvement, which obligation is payable wholly or partly from the proceeds of special assessments levied upon property specially benefited by the improvement, or of taxes levied upon the increased value of property within a district for the development of which the improvement is undertaken, including obligations which are the general obligations of the municipality, if the municipality is entitled to reimbursement in whole or in part from the proceeds of such special assessments or taxes and not less than 20 percent of the cost of the improvement is to be assessed against benefited property or is estimated to be received from such taxes within the district;
- (4) payable wholly from the income of revenue producing conveniences;

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(5) under the provisions of a home rule charter which permits the issuance of obligations of the municipality without election; ~~and~~

(6) under the provisions of a law which permits the issuance of obligations of a municipality without an election; and

(7) to fund pension or retirement fund liabilities pursuant to section 475.52, subdivision 6.

Sec. 54. Minnesota Statutes 1984, section 475.60, subdivision 2, is amended to read:

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

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

(2) Obligations sold by an issuer in an amount not exceeding the total sum of \$300,000 in any three month period;

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

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

(5) Obligations issued to fund pension and retirement fund liabilities under section 475.52, subdivision 6, obligations issued with tender options under section 475.54, subdivision 5a, crossover refunding obligations referred to in section 475.67, subdivision 13, and any issue of obligations comprised in whole or in part of obligations bearing interest at a rate or rates which vary periodically referred to in section 475.56.

Sec. 55. Minnesota Statutes 1984, section 475.67, subdivision 8, is amended to read:

Subd. 8. Securities purchased for the escrow account shall be limited to:

(a) general obligations of the United States, securities whose principal and interest payments are guaranteed by the United States, and securities issued by the following agencies of the United States: Banks for Cooperatives, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Land Banks, and the Federal National Mortgage Association; or

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(b) obligations issued or guaranteed by any state or any political subdivision of a state, which at the date of purchase are rated the highest or the next highest rating given by Standard and Poor's Corporation, Moody's Investors Service, or a similar nationally recognized rating agency, but not less than the rating on the refunded bonds immediately prior to the refunding.

Sec. 56. Minnesota Statutes 1984, section 475.67, is amended by adding a subdivision to read:

Subd. 13. Crossover refunding obligations may be issued by a municipality without regard to the limitations in subdivisions 4 to 10. The proceeds of crossover refunding obligations, less any proceeds applied to payment of the costs of their issuance, shall be deposited in a debt service fund irrevocably appropriated to the payment of principal of and interest on the refunding obligations until the date the proceeds are applied to payment of the obligations to be refunded. The debt service fund shall be maintained as an escrow account with a suitable financial institution within or without the state and amounts in it shall be invested in securities described in subdivision 8. Excess proceeds, if any, of the tax levy pursuant to section 475.61, subdivision 1, made with respect to the obligations to be refunded, and any other available amounts, may be deposited in the escrow account. In the resolution authorizing the issuance of crossover refunding obligations, the governing body may pledge to their payment any source of payment of the obligations to be refunded. Subdivisions 11 and 12 shall not apply to any crossover refunding obligations, or the obligations to be refunded. Subject to section 475.61, subdivision 3, in the case of general obligation bonds, taxes shall be levied pursuant to section 475.61 and appropriated to the debt service fund in the amounts needed, together with estimated investment income of the debt service fund and any other revenues available upon discharge of the obligations refunded, to pay when due the principal of and interest on the refunding obligations. The levy so imposed may be reduced by earnings to be received from investments on hand in the debt service fund to the extent the applicable recording officer certifies to the county auditor that the earnings are expected to be received in amounts and at such times as to be sufficient, together with the remaining levy, to satisfy the purpose of the levy requirements under section 475.61.

Sec. 57. Laws 1981, chapter 223, section 4, subdivision 2, is amended to read:

Subd. 2. INSTALLMENT PAYMENTS. Alternatively, the city may accept payment by a promissory note in a principal amount equal to the contract price, repayable in equal periodic installments, including both principal and interest on the declining principal balance, payable on the due dates of bills for utility service furnished by the city and made available to the home from the completion date until the principal and interest are fully paid, and matching as closely as possible the estimated reduction in current home energy cost resulting

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from the project; with such provisions as may be agreed, permitting or restricting prepayment. The installments shall be added to ~~and deemed a part of~~ the charges for municipal utility service to the premises, but shall be deposited when received in a special fund or funds separate from other utility or municipal funds and used only for the payment and security of revenue bonds or notes issued by the city to finance the cost of projects to be paid as provided in this subdivision.

Sec. 58. Laws 1981, chapter 223, section 4, subdivision 3, is amended to read:

Subd. 3. **LIEN FOR COLLECTION OF UNPAID INSTALLMENTS.** The resolutions establishing a home energy conservation program may provide that the payment of note installments may be enforced in the same manner as other utility charges. ~~The and that~~ the installments are a first and prior lien on the property improved as provided in Minnesota Statutes, section 514.67, and if not paid when due shall be entered upon the tax rolls and collected with and as a part of the taxes on the property, with the same interest and penalties, or that the lien is subject to mortgages or other encumbrances of record.

Sec. 59. Laws 1984, chapter 502, article 5, section 19, subdivision 1, is amended to read:

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

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amount certified is less than \$480,000, the excess shall carryforward and may be 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 home rule city or statutory 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 home rule city or statutory 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.

Sec. 60. **APPROPRIATION.**

The sum of \$8,800,000 is appropriated from the general fund to the economic development fund to provide special assistance for qualified economic diversification projects. Of this amount, \$4,400,000 must be used for projects located in distressed counties. Notwithstanding the provisions of Minnesota Statutes, section 16A.28, the amounts appropriated by this section shall not lapse or cancel.

Sec. 61. **LAKEVILLE AND FERGUS FALLS BOND APPLICATION DEPOSIT REFUNDS.**

The department of energy and economic development shall refund to the city of Fergus Falls and the city of Lakeville the application deposits received during calendar year 1984 from the city of Fergus Falls and the city of Lakeville under Minnesota Statutes, section 474.19 and retained by the department. \$46,060 is appropriated from the general fund to the department of energy and economic development to refund the industrial development bond allocation application deposits to the city of Lakeville and the city of Fergus Falls.

Sec. 62. **EMERGENCY RULES.**

The energy and economic development authority may adopt emergency rules under Minnesota Statutes, chapter 14, for purposes of the special assistance program for economic diversification projects under Minnesota Statutes, section 116M.07, subdivision 11.

Sec. 63. **REPEALER.**

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

Minnesota Statutes 1984, sections 462C.09, subdivision 2; 474.16, subdivision 4; 474.18; 474.24; and Laws 1984, chapter 582, section 23, are repealed. Laws 1984, chapter 582, sections 1, 6, and 9 to 22 remain in effect until provided otherwise by other law.

Sec. 64. EFFECTIVE DATE.

Section 15 is effective August 1, 1985. Section 16 is effective for interest reduction programs established after December 31, 1985, and for tax increment financing districts if the authority submits the request for certification of the original assessed value after December 31, 1985. Sections 17 and 18 are effective for sales made after August 1, 1985, and the commissioner of energy and economic development is authorized to designate distressed counties for the period from August 1, 1985 to June 30, 1986, on or before August 1, 1985. Sections 23 to 25 are effective for all plans and programs submitted for review after August 1, 1985. Section 30 is effective the day after compliance by the governing bodies of the cities of Minneapolis and St. Paul with the provisions of Minnesota Statutes, section 645.021, subdivision 3. Sections 31 to 39, and 42 to 44 are effective beginning with the calendar year 1986 allocation of private activity bond issuance authority, provided however, that section 31 and subdivision 3b of section 42 are effective the day following final enactment for purposes of the powers of the commissioner of iron range resources and rehabilitation and for the 1985 allocation permit transfer of issuance authority to any other issuer of private activity bonds. Sections 40, 41, 45 to 56, and 59 are effective the day following final enactment. The amendments contained in section 43 to Minnesota Statutes 1984, section 474.19, subdivisions 2, 6, and 7 are effective August 1, 1985, except that for purposes of the calendar year 1985 allocation under subdivision 6, no minimum number of points is required, allocations among applications with an equal number of points shall be made by lot unless otherwise agreed to by the applicants, and the next to the last paragraph of the amended subdivision 6 does not apply to the calendar year 1985 allocations. The amendments contained in subdivision 1 of section 46 apply to obligations issued pursuant to an allocation of the state ceiling whether issued before or after the effective date of the section, and no obligation is invalid for failure to comply with the provisions of Minnesota Statutes 1984, section 474.23, subdivision 1, paragraph (c). Sections 57 and 58 are effective the day after compliance by the Duluth city council with Minnesota Statutes, section 645.021, subdivision 3.

**ARTICLE 9
JOBS**

Section 1. PURPOSE.

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

The legislature finds that, to maximize productivity of human resources and economic opportunity within the state of Minnesota, it is necessary to streamline and coordinate the state's employment, training, and income maintenance programs and to set new priorities so that state government might better achieve its goal of helping its citizens realize the dignity of a paycheck and achieve economic independence. Further, the legislature finds it necessary to act swiftly and decisively to achieve the dual goal of lowering the unemployment rate among the people of this state and decreasing the income maintenance caseload that is at once a reflection of the difficulties challenging some and a burden that must be borne by all.

Sec. 2. Minnesota Statutes 1984, section 15A.081, subdivision 1, is amended to read:

Subdivision 1. The governor shall set the salary rate within the ranges listed below for positions specified in this subdivision, upon approval of the legislative commission on employee relations and the legislature as provided by section 43A.18, subdivisions 2 and 5:

	Salary Range Effective July 1, 1983
Commissioner of education; Commissioner of finance; Commissioner of transportation; Commissioner of human services; Chancellor, community college system; Chancellor, state university system; Director, vocational technical education; Executive director, state board of investment;	\$57,500-\$70,000
Commissioner of administration; Commissioner of agriculture; Commissioner of commerce; Commissioner of corrections; Commissioner of economic <u>security jobs and training</u> ;	\$50,000-\$60,000
Commissioner of employee relations; Commissioner of energy and economic development; Commissioner of health; Commissioner of labor and industry; Commissioner of natural resources; Commissioner of revenue; Commissioner of public safety; Chairperson, waste management board; Chief administrative law judge; office of administrative hearings;	

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Director, pollution control agency;
 Director, state planning agency;
 Executive director, higher education
 coordinating board;
 Executive director, housing finance agency;
 Executive director, teacher's retirement
 association;
 Executive director, state retirement system;
Coordinator of full productivity and
 opportunity;
 Commissioner of human rights;
 Director, department of public service;
 Commissioner of veterans' affairs;
 Director, bureau of mediation services;
 Commissioner, public utilities commission;
 Member, transportation regulation board;
 Director, zoological gardens.

\$40,000-\$52,500

Sec. 3. Minnesota Statutes 1984, section 86.33, is amended to read:

86.33 APPROVAL OF PROJECT BY GOVERNOR.

Subdivision 1. MANNER OF APPROVAL. All such projects shall be first approved by the governor upon the recommendation of the commissioner of natural resources and after consultation with the legislative advisory commission in the same manner as he consults with such commission in making expenditures from the general contingent fund as provided by section 3.30.

Subd. 2. PROJECT COORDINATION. The commissioner of natural resources shall consult with the full productivity and opportunity coordinator and develop a plan that establishes: a priority for unemployed youths who are economically, socially, physically, or educationally disadvantaged; the ways in which participants will be assisted in gaining ongoing employment or training upon completing the projects; the ways in which exclusive bargaining representatives are to be consulted in regard to the positions and job duties of persons employed in projects; and how the projects are coordinated with other publicly authorized or subsidized programs.

The commissioner shall submit the plan to the full productivity and opportunity coordinator in each even-numbered year, according to standards established by the coordinator for use in developing a biennial statewide employment and training plan.

Subd. 3. REPORTING; CORPS MEMBER STATUS; FEES. The commissioner of natural resources shall cooperate with the full productivity and opportunity coordinator in developing and implementing any evaluation and reporting systems for employment and training programs. All camp staff except camp directors in the young adult program are corps members. Corps members

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are not eligible for unemployment compensation or other benefits except workers' compensation, and they are not employees of the state of Minnesota within the meaning of section 43A.02, subdivision 21. The commissioner may charge a fee for any service performed by the corps.

Sec. 4. Minnesota Statutes 1984, section 116J.035, is amended by adding a subdivision to read:

Subd. 3. PLAN. The commissioner shall prepare a plan that must cover economic development, the community development corporation, and community development program activities, and shall submit the plan to the full productivity and opportunity coordinator in each even-numbered year, according to standards established by the coordinator, for use in developing a biennial statewide employment and training plan.

Sec. 5. Minnesota Statutes 1984, section 116L.03, subdivision 7, is amended to read:

Subd. 7. OFFICES. The commissioner of administration jobs and training shall, upon request, provide office space and support services for the board within the capitol area complex.

Sec. 6. Minnesota Statutes 1984, section 116L.04, is amended by adding a subdivision to read:

Subd. 3. PLAN. The board shall prepare a plan and submit it to the full productivity and opportunity coordinator in each even-numbered year, according to standards established by the coordinator, for use in developing a biennial statewide employment and training plan.

Sec. 7. Minnesota Statutes 1984, section 129A.02, subdivision 2, is amended to read:

Subd. 2. COMMISSIONER. The commissioner is the chief executive officer of the department of jobs and training and is the successor to the powers and duties of the former assistant commissioner of vocational rehabilitation. The commissioner shall be appointed by the governor and serve under the provisions of section 15.06. The commissioner shall be a person having substantial experience in the administration and financing of vocational rehabilitation programs.

Sec. 8. Minnesota Statutes 1984, section 136.63, is amended by adding a subdivision to read:

Subd. 1b. PLAN. Before prescribing a program involving training in semiprofessional and technical fields or adult education, the board shall consult with the full productivity and opportunity coordinator. The board shall prepare a plan and submit it to the full productivity and opportunity coordinator in each

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even-numbered year, according to standards established by the coordinator, for use in developing a biennial statewide employment and training plan.

Sec. 9. Minnesota Statutes 1984, section 136C.06, is amended to read:

136C.06 SOLE STATE AGENCY.

The state board of vocational technical education is the sole state agency to receive and disburse federal funds authorized by the Vocational Education Act of 1963, as amended in the education amendments of 1976, Public Law Number 94-482, and Code of Federal Regulations, title 34, part 400. The state board shall develop and submit the state plan for vocational technical education. The state board shall develop the state plan according to terms of agreement with the state board of education. Before developing and submitting the state plan, the state board shall consult with the full productivity and opportunity coordinator. The state board shall submit the state plan to the full productivity and opportunity coordinator for use in developing a biennial statewide employment and training plan.

Sec. 10. Minnesota Statutes 1984, section 178.03, is amended by adding a subdivision to read:

Subd. 5. COORDINATION AND PLANNING. The commissioner of labor and industry, after consulting with the apprenticeship advisory council and the apprenticeship committees, shall prepare a plan for preparing, recruiting, and placing economically disadvantaged, chronically unemployed, minority, and female individuals in apprenticeship programs. The commissioner shall submit the plan to the full productivity and opportunity coordinator in each even-numbered year, according to standards established by the coordinator, for use in developing a biennial statewide employment and training plan.

Sec. 11. Minnesota Statutes 1984, section 245.87, is amended to read:

245.87 ALLOCATIONS.

For the purposes of section 245.84, subdivision 2, the commissioner shall allocate money appropriated between the metropolitan area, comprising the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington, and the area outside the metropolitan area so that no more than 55 percent of the total fund goes to either area after excluding allocations for migrant day care services, administrative costs and statewide projects. At least ten percent of the total program allocation under section 245.84, subdivision 1 shall be designated for interim financing. The commissioner is further instructed that the allocation in each area be based on a need and population basis.

Sec. 12. Minnesota Statutes 1984, section 248.07, is amended to read:

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

248.07 COMMISSIONER OF HUMAN SERVICES JOBS AND TRAINING, DUTIES.

Subdivision 1. **COOPERATION.** It shall be the duty of the commissioner of human services jobs and training, referred to in sections 248.07, 248.08, and 248.085 as the commissioner, to cooperate with state and local boards and agencies, both public and private, in preventing loss of sight, in alleviating the condition of blind persons and persons of failing sight, in extending and improving the education, advisement, training, placement, and conservation of the blind, and in promoting their personal, economic, social, and civic well being. The commissioner shall create a distinct organizational unit, separate from the vocational rehabilitation unit and with its own actively budget, within the department of jobs and training to provide and coordinate services to the blind.

Subd. 2. **STATISTICS.** The commissioner of human services shall collect statistics of the blind, including their present physical and mental condition, causes of blindness, capacity for education and industrial training, and any further information looking toward the improvement of their condition that may be desired.

Subd. 3. **SPECIAL ATTENTION.** The commissioner of human services shall give special attention to the cases of handicapped youth who are eligible to attend the Minnesota Braille and sight-saving school, the Minnesota school for the deaf, or the public school classes for handicapped children, but are not in attendance thereat, or are not receiving adequate instruction elsewhere. The commissioner shall report all such cases to the school district of the individual's residence and to the state board of education.

Subd. 4. **VOCATIONAL TRAINING.** The commissioner of human services shall endeavor to secure for the adult blind of the state and youths of legal working age such vocational training, labor, and employment as may be adapted to their respective capacity, and shall so far as may be feasible aid such persons in securing any provisions which may be made by the school for the blind or other state agencies for the betterment of their lot. When vocational training under the division of vocational rehabilitation is secured, such aid may take the form of payments for the maintenance of persons in training, under rules to be adopted by the commissioner of human services. Any person who shall be entitled to training under this subdivision shall have the right to choose from available programs such training as in his opinion would be suitable and practical for him.

Subd. 5. **AIDS.** The commissioner of human services shall further be empowered to aid the blind: (1) By home instruction and training; (2) by assisting them in securing tools, appliances, and supplies; (3) by aid in marketing the products of their labors; (4) by care and relief for blind persons who are not capable of self-support; and (5) in any other practicable means of alleviating their condition.

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

Subd. 7. **BLIND, VENDING STANDS AND MACHINES ON GOVERNMENTAL PROPERTY.** Notwithstanding any other law, for the rehabilitation of blind persons the commissioner ~~of human services~~ shall have exclusive authority to establish and to operate vending stands and vending machines in all buildings and properties owned or rented exclusively by any department of the state of Minnesota except the department of natural resources properties operated directly by the Division of State Parks and not subject to private leasing. The merchandise to be dispensed by such vending stands and machines may include soft drinks, (except 3.2 beer), milk, food, candies, tobacco, souvenirs, notions and related items. Such vending stands and vending machines herein authorized shall be operated on the same basis as other vending stands for the blind established and supervised by the commissioner of human services. The commissioner ~~of human services~~ may waive this authority to displace any present private individual concessionaire in any state-owned or rented building or property. With the consent of the governing body of a governmental subdivision of the state, the commissioner may establish and supervise vending stands and vending machines for the blind in any building or property exclusively owned or rented by the governmental subdivision.

Subd. 8. **USE OF REVOLVING FUND, LICENSES FOR OPERATION OF VENDING MACHINES.** The revolving fund created by Laws 1947, Chapter 535, Section 5, is continued as provided in this subdivision and shall be known as the revolving fund for vocational rehabilitation of the blind. It shall be used for the purchase of equipment and supplies for establishing and operating of vending stands by blind persons. All income, receipts, earnings, and federal grants due to the operation thereof shall also be paid into the fund. All equipment, supplies, and expenses for setting up these stands shall be paid for from the fund. Authority is hereby given to the commissioner ~~of human services~~ to use the moneys available in the revolving fund for the establishment, operation and supervision of vending stands by blind persons for the following purposes: (1) purchase, upkeep and replacement of equipment; (2) purchase of initial and replacement stock of supplies and merchandise; (3) expenses incidental to the setting up of new stands and improvement of old stands; (4) purchase of general liability insurance as deemed advisable for any vending stand by the commissioner; (5) reimbursement to individual blind vending operators for reasonable travel and maintenance expenses incurred in attending supervisory meetings as called by the commissioner ~~of human services~~; (6) purchase of fringe benefits for blind vending operators and their employees such as group health insurance, retirement program, vacation or sick leave assistance provided that the purchase of any fringe benefit is approved by a majority vote of blind vending operators licensed pursuant to this subdivision after the commissioner provides to each blind vending operator information on all matters relevant to the fringe benefits. Fringe benefits shall be paid only from assessments of operators for specific benefits, gifts to the fund for fringe benefit purposes, and vending income which is not assignable to an individual stand.

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The commissioner shall issue each license for the operation of a vending stand or vending machine for an indefinite period but he may terminate any license in the manner provided. In granting licenses for new or vacated stands preference on the basis of seniority of experience in operating stands under the control of the commissioner shall be given to capable operators who are deemed competent to handle the enterprise under consideration. Application of this preference shall not prohibit the commissioner from selecting an operator from the community in which the stand is located.

Subd. 9. **TRAINING OF SELECTED APPLICANTS.** Each applicant selected by the commissioner for a license to operate a vending stand or vending machine shall be given training in the operation and conduct of such vending stand or vending machine.

Subd. 10. **REVOCAION OF LICENSES; HEARING.** The commissioner shall not revoke any license except for good cause shown. An opportunity for a fair hearing shall be afforded any operator within 30 days after revocation of license.

Subd. 11. **POLICY CHANGES; NOTICE AND HEARING.** Any major changes in policies made by the commissioner in the conduct of this program will be preceded by a public hearing. Each operator shall be given 30 days notice of such hearing.

Subd. 12. **REIMBURSEMENT OUT OF STATE DISTRIBUTION OF BRAILLE AND TALKING BOOKS.** The commissioner of ~~human services~~ shall obtain reimbursement from other states for the estimated cost of handling of Braille books and talking books for the blind distributed by the department of ~~human services~~ jobs and training to users in such other states and may contract with the appropriate authorities of such states to effect such reimbursement. All money received hereunder shall be paid to the state treasurer and placed in the general fund.

Subd. 13. **REHABILITATION FACILITIES.** From the funds appropriated for vocational rehabilitation of the blind and matching federal funds available for the purpose, the commissioner of ~~human services~~ may make grants, upon such terms as he may determine, to public or nonprofit organizations for the establishment, maintenance or improvement of rehabilitation facilities or sheltered workshops for the blind.

Subd. 14. **TRAINING OF WORKERS FOR REHABILITATION OF BLIND.** From funds provided by the state or the United States for the rehabilitation of blind persons, the commissioner of ~~human services~~ may make provision for:

(1) Specialized supplementary training of professional workers employed by services for the blind, which shall consist of selected courses of study designed to improve worker techniques in providing assistance with adjustment to blind-

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ness, guidance, training and vocational placement services to blind children and adults;

(2) The employment of student trainees enrolled in graduate school programs. Such trainees to be employed on a one-third time basis during the regular school term and on a full time basis during the extra school term. Student trainees shall not be counted against the regular staff complement and shall not exceed eight in number employed concurrently.

Subd. 14a. **RULES.** The commissioner of ~~human~~ services shall, no later than February 1, 1985, adopt rules to set standards for the provision of rehabilitative services to blind and visually handicapped persons. The rules shall, at a minimum, contain program definitions and set standards for basic eligibility, including financial need eligibility and definitions of legal blindness.

The rules shall provide for the development of formal rehabilitation plans for eligible clients and shall govern the provision of direct rehabilitative services to clients, including placement in training programs, and providing tools and equipment. In addition, the rules shall set standards for appeals filed under subdivision 15, and include specific requirements for timely responses by the agency.

Subd. 15. **APPEALS FROM AGENCY ACTION.** An applicant for or recipient of rehabilitation service who is dissatisfied with an agency's action with regard to the furnishing or denial of services may:

(1) File a request for an administrative review and redetermination of that action to be made by a ~~member or members of the supervisory staff of the state agency~~ the commissioner.

(2) ~~When an individual is dissatisfied with the findings of this administrative review, he shall be granted an opportunity for a fair hearing before the state administrator or his designee.~~

(3) If further appeal is deemed necessary by the applicant or recipient, his grievance shall be considered and relief if any recommended by an appeal committee. The committee shall be composed of one person nominated by the applicant or recipient, one person nominated by the agency, and a third person nominated jointly by the applicant or recipient and the agency. If the third person cannot be mutually agreed upon ~~within~~ ten days of the applicant's or recipient's request for a committee hearing, the judge of the district court in the applicant's or recipient's county of residence shall make the third appointment.

Sec. 13. Minnesota Statutes 1984, section 248.08, is amended to read:
248.08 **PAYMENTS BY COMMISSIONER OF HUMAN SERVICES.**

The commissioner of ~~human~~ services is ~~hereby~~ authorized to may defray the necessary expenses of the work from the appropriation for the current

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expenses of the commissioner of ~~human services~~; provided, that in any county of this state ~~now or hereafter~~ having a population of over 150,000, and an assessed valuation of over \$200,000,000, including money and credits, the county board is ~~hereby authorized to~~ may defray part or all of the necessary expenses of maintaining the work within the county from the general revenue fund of the county, not exceeding the total sum of \$3,600, in any one calendar year; and, in carrying on this work, may appoint and employ an assistant to the regular field agent for the blind in the county, who shall work under the direction of the agent in the county. The portion of the salary of the field agent, and of any assistant to be paid by the county, shall be fixed by the county board at its first meeting in January in each year; and such salary of the field agent and assistant shall be paid in the same manner as the salary of other county officers and employees are paid. All necessary expenses of the agent and assistant in carrying on this work in the county, not paid by the commissioner of ~~human services~~, shall be paid by the county board as other claims against the county are paid.

Sec. 14. [248.10] COUNCIL FOR THE BLIND.

Subdivision 1. MEMBERSHIP. The Minnesota council for the blind consists of seven members appointed by the commissioner. At least four of the council members must be blind or visually handicapped. Council members are appointed for four-year terms, except for the members first appointed, of whom three are appointed for a term ending December 31, 1990, two for terms ending December 31, 1989, and two for terms ending December 31, 1988.

Subd. 2. REMOVAL; VACANCIES. The compensation, removal of members, and filling of vacancies on the council are as provided in section 15.0575.

Subd. 3. DUTIES. The council shall:

(1) advise the commissioner on the qualifications for the director of services for the blind;

(2) advise the commissioner on the development of policies, programs, and services affecting the blind and visually impaired, and on the use of appropriate federal money;

(3) advise the commissioner on policies relating to eligibility determinations;

(4) create a public awareness of the special needs and potential of blind and visually impaired persons; and

(5) provide the commissioner with a review of ongoing services, programs, and proposed legislation affecting the blind and visually impaired.

Sec. 15. Minnesota Statutes 1984, section 256.01, subdivision 4, is amended to read:

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

Subd. 4. **DUTIES AS STATE AGENCY.** The state agency shall:

(1) Supervise the administration of assistance to dependent children under Laws 1937, chapter 438, by the county agencies in an integrated program with other service for dependent children maintained under the direction of the state agency;

(2) May subpoena witnesses and administer oaths, make rules and regulations, and take such action as may be necessary, or desirable for carrying out the provisions of Laws 1937, Chapter 438. All rules and regulations made by the state agency shall be binding on the counties and shall be complied with by the respective county agencies;

(3) Establish adequate standards for personnel employed by the counties and the state agency in the administration of Laws 1937, Chapter 438, and make the necessary rules and regulations to maintain such standards;

(4) Prescribe the form of and print and supply to the county agencies blanks for applications, reports, affidavits, and such other forms as it may deem necessary and advisable;

(5) Cooperate with the federal government and its public welfare agencies in any reasonable manner as may be necessary to qualify for federal aid for aid to dependent children and in conformity with the provisions of Laws 1937, Chapter 438, including the making of such reports and such forms and containing such information as the Federal Social Security Board may from time to time require, and comply with such provisions as such board may from time to time find necessary to assure the correctness and verification of such reports; and

(6) May cooperate with other state agencies in establishing reciprocal agreements in instances where a child receiving aid to dependent children moves or contemplates moving into or out of the state, in order that such child may continue to receive supervised aid from the state from which he has moved until he shall have resided for one year in the state to which he has moved; and

(7) On or before October 1 in each even-numbered year make a biennial report to the governor concerning the activities of the agency; ~~and~~

(8) Prepare a plan and submit it to the full productivity and opportunity coordinator in each even-numbered year, according to standards established by the coordinator, for use in developing a biennial statewide employment and training plan; and

(9) Enter into agreements with other departments of the state as necessary to meet all requirements of the federal government.

Sec. 16. Minnesota Statutes 1984, section 256.736, subdivision 1, is amended to read:

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256.736 WORK INCENTIVE PROGRAM EMPLOYMENT AND TRAINING PROGRAMS.

Subdivision 1. **CREATION COMMISSIONER.** There is hereby established a program to help appropriate recipients of aid to families with dependent children become self-supporting members of society. To the extent permitted by law, the commissioner of jobs and training shall administer, on behalf of the commissioner of human services, the aspects of the aid to families with dependent children program, excluding categorical and financial eligibility, that directly relate to:

- (1) recipients' participation in employment and training services;
- (2) requirements for and conditions of participating in employment and training services;
- (3) the design and administration of employment and training services;
and
- (4) the supervision of county boards in carrying out responsibilities related to employment and training services.

The commissioner of jobs and training and the commissioner of human services may implement those programs and authorities, including supported work programs, employment search, and demonstration projects authorized under federal regulations to increase services or federal reimbursement available to provide employment and training services for recipients of aid to families with dependent children. Before a demonstration project is implemented, the conditions under section 256.01, subdivision 2, clause 12, must be met.

Sec. 17. Minnesota Statutes 1984, section 256.736, subdivision 3, is amended to read:

Subd. 3. **OPERATION OF PROGRAM PROGRAMS.** To determine who shall be designated as an appropriate individual for certification to the commissioner of economic security for employment and training services, the commissioner of human services jobs and training shall provide, by rule, standards for county welfare agencies and human services boards consistent with the standards promulgated by the secretary of health and human services. County welfare agencies boards shall certify appropriate individuals to the commissioner of economic security for employment and training services, shall notify the commissioner of human services, and shall require that every individual certified, as a condition of receiving aid to families with dependent children, register for employment services, training, and employment, unless such individual is:

- (1) a child who is under age 16, a child age 16 or 17 who is attending elementary or secondary school or a secondary level vocational or technical school full time, or a full-time student age 18 who is attending a secondary school

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or a secondary level vocational or technical program and who is expected to complete the school or program before reaching age 19;

(2) a person who is ill, incapacitated or of advanced age;

(3) a person so remote from a ~~work incentive project~~ an employment and training service and where transportation is not reasonably available that his effective participation is precluded;

(4) a person whose presence in the home is required because of illness or incapacity of another member of the household;

(5) a parent or other caretaker relative of a child under the age of six who personally provides full-time care for the child;

(6) a parent or other caretaker if another adult relative in the house is registered and has not, without good cause, failed or refused to participate or accept employment; or

(7) a pregnant woman in the last trimester of pregnancy; or

(8) a parent who is not the principal earner if the parent who is the principal earner is not exempt under clauses (1) to ~~(6)~~ (7).

Any individual referred to in ~~clause clauses~~ clauses (5) to (8) shall must be advised of the option to register for employment services, training services, and employment if the individual so desires, and shall must be informed of the child care and other services, if any, which will be available if the individual decides to register.

If, after planning with a recipient, a decision is made that the recipient must register for employment services, training, and employment, the county ~~welfare department board~~ shall give notice in writing to the recipient stating that he or she must register ~~with the commissioner of economic security~~ for participation in a ~~work incentive program~~ an employment and training service and that the recipient has a right to a fair hearing under section 256.045 with respect to the appropriateness of the registration.

Sec. 18. Minnesota Statutes 1984, section 256.736, subdivision 4, is amended to read:

Subd. 4. **CONDITIONS OF CERTIFICATION.** The commissioner of human services shall:

(1) Arrange for or provide any relative or child ~~certified to the commissioner of economic security~~ required to register for employment and training services pursuant to this section with child-care services, transportation, and other necessary family services;

(2) Pay ten percent of the cost of programs of training and employment established by the commissioner of economic security for persons certified hereunder the work incentive program and any other costs that are required of

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that agency by federal regulation for employment and training services for recipients of aid to families with dependent children;

(3) Provide that in determining a recipient's needs any monthly incentive training payment made to the recipient by the department of ~~economic security jobs and training~~ is disregarded and the additional expenses attributable to his participation in a program are taken into account in grant determination to the extent permitted by federal regulations; and

(4) Provide that when it has been certified by the commissioner of ~~economic security jobs and training~~, certification to be binding upon the commissioner of human services, that a relative or child certified under ~~the work incentive an employment and training~~ program to the commissioner of ~~economic security jobs and training~~ has been found by the commissioner, after a hearing conducted in the manner prescribed by section 268.10, subdivision 3, with the right of review in accordance with the provisions of section 268.10, subdivision 8, to have refused without good cause to participate ~~under a work incentive program in appropriate employment and training services~~ or to have refused without good cause to accept a bona fide offer of public or other employment, the ~~county welfare departments board~~ shall provide that:

(a) If the relative makes the refusal, the relative's needs shall not be taken into account in making the grant determination, and aid for any dependent child in the family will be made in the form of protective or vendor payments, except that when protective payments are made, the local agency may continue payments to the relative if a protective payee cannot reasonably be found.

(b) Aid with respect to a dependent child will be denied if a child who makes the refusal is the only child receiving aid in the family.

(c) If there is more than one child receiving aid in the family, aid for the child who makes the refusal will be denied and his or her needs will not be taken into account in making the grant determination.

(d) If the assistance unit's eligibility is based on the nonexempt principal earner's unemployment and the principal earner fails or refuses without good cause to participate or to accept employment, the entire assistance unit is ineligible for benefits under sections 256.72 to 256.87, if the family is subject to requirements of the work incentive program.

Sec. 19. Minnesota Statutes 1984, section 256.736, subdivision 5, is amended to read:

Subd. 5. **EXTENSION OF WORK INCENTIVE EMPLOYMENT AND TRAINING OPPORTUNITIES.** The commissioner of human services shall cooperate with the commissioner of ~~economic security jobs and training~~ to promote extend the availability of training and employment opportunities on a state wide basis.

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Sec. 20. Minnesota Statutes 1984, section 256.736, subdivision 7, is amended to read:

Subd. 7. **COMPLIANCE WITH FEDERAL CHANGES RULEMAKING.** The commissioner of human services is authorized to promulgate such, in cooperation with the commissioner of jobs and training, may make rules and regulations as are necessary to qualify for any federal funds available under this section and to carry out this section.

Sec. 21. Minnesota Statutes 1984, section 256.736, is amended by adding a subdivision to read:

Subd. 8. **SPECIAL NEEDS.** The commissioner of human services shall amend the state plan for aid to families with dependent children to provide, as special needs payments, money for the costs of child care, transportation, tuition, and items associated with education or seeking employment to the extent allowed under federal regulations and state appropriations.

Sec. 22. Minnesota Statutes 1984, section 256.736, is amended by adding a subdivision to read:

Subd. 9. **CHANGES IN STATE PLAN AND RULES; WAIVERS.** The commissioner of human services shall make changes in the state plan and rules or seek any waivers or demonstration authority necessary to minimize barriers to participation in the employment and training services or to employment. Changes must be sought in at least the following areas: allowances, child care, work expenses, the amount and duration of earnings incentives, medical care coverage, limitations on the hours of employment, and administrative standards and procedures. The commissioner shall implement each change as soon as possible. Before implementing any demonstration project or a program that is a result of a waiver, the conditions under section 256.01, subdivision 1, clause (12), must be met, and the chair of the senate health and human services committee and the chair of the house of representatives health and human services committee must be notified.

Sec. 23. Minnesota Statutes 1984, section 256.737, is amended to read:
256.737 COMMUNITY WORK EXPERIENCE PROGRAM.

Subdivision 1. PILOT PROGRAMS. In order that persons receiving aid under this chapter may be assisted in achieving self-sufficiency by enhancing their employability through meaningful work experience and training and the development of job search skills, the commissioner of human services may continue the pilot community work experience demonstration programs that were approved by January 1, 1984. No new pilot community work experience demonstration programs may be established under this subdivision. The commissioner shall: (a) assist counties in the design, implementation, and evaluation of these demonstration programs; (b) promulgate, in accordance with chapter 14,

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emergency rules necessary for the implementation of this section, except that the time restrictions of section 14.35 shall not apply and the rules may be in effect until the termination of the demonstration programs; and (c) seek any federal waivers necessary for proper implementation of this section in accordance with federal law. The commissioner shall prohibit use of participants in the programs to do work that was part or all of the duties or responsibilities of an authorized public employee position established as of January 1, 1983 ~~1985~~. The exclusive bargaining representative shall be notified no less than 14 days in advance of any placement by the community work experience program. Concurrence with respect to job duties of persons placed under the community work experience program shall be obtained from the appropriate exclusive bargaining representative. The appropriate oversight committee shall be given monthly lists of all job placements under a community work experience program.

Projects shall end no later than June 30, 1985 ~~1987~~, and a preliminary report shall be made to the legislature by February 15, 1985 ~~1987~~, on the feasibility of permanent implementation and on the cost effectiveness of each of the demonstration programs.

Subd. 2. ADDITIONAL PROGRAMS. In addition to the pilot programs established in subdivision 1, the commissioner may approve the application of up to eight additional counties to enter into a community work experience program. The programs under this subdivision are governed by subdivision 1 except as in paragraphs (a) and (b).

(a) As a condition to placing a person receiving aid to families with dependent children in a program under this subdivision, the county shall first provide the recipient the opportunity to participate in the following services:

- (1) placement in suitable subsidized or unsubsidized employment; or
- (2) basic educational or vocational or occupational training for an identifiable job opportunity.

(b) If the recipient refuses suitable employment and a training program, the county may require the recipient to participate in a community work experience program as a condition of eligibility.

Sec. 24. Minnesota Statutes 1984, section 256C.24, is amended to read:
256C.24 REGIONAL SERVICE CENTERS.

Subdivision 1. LOCATION. The commissioner of economic security human services shall establish up to eight regional service centers for hearing impaired persons. The centers shall be co-located with existing vocational rehabilitation field offices and be distributed regionally to provide access for hearing impaired persons in all parts of the state. The center shall maintain a current registry of those persons having or suspected of having a hearing impairment who live in that region. A special task of the registry is to assure

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that referrals and follow-up services are completed with respect to persons in the register.

Subd. 2. **RESPONSIBILITIES.** The regional service center shall:

(a) Serve as the central entry point for hearing impaired persons in need of human services and make referrals to the services needed;

(b) Employ staff trained to work with hearing impaired persons;

(c) Provide to all hearing impaired persons interpreter services which are necessary to help them obtain human services;

(d) Serve as the regional interpreter referral center for hearing impaired persons and human services agencies;

(e) Loan equipment and resource materials to hearing impaired persons; and

(f) Cooperate with ~~the department of human services~~ responsible departments and administrative authorities to provide access for hearing impaired persons to services provided by state, county and regional ~~human services~~ agencies.

Subd. 3. **ADVISORY COMMITTEE.** The commissioner of ~~economic security, in consultation with the commissioner of~~ economic security shall appoint an advisory committee of eight persons for each regional service center. Members shall include four persons who are hearing impaired persons or who are the parents of a hearing impaired child and four representatives of county and regional human services, including representatives of private service providers. Members shall serve without payment by the state of per diem or expense. The commissioner of ~~economic security~~ human services shall designate one member as chairperson. The ~~commissioners of economic security and commissioner of~~ commissioners of economic security and commissioner of human services shall assign staff to serve as ex officio members of the committee.

Sec. 25. Minnesota Statutes 1984, section 256C.25, subdivision 1, is amended to read:

Subdivision 1. **ESTABLISHMENT.** The commissioner of ~~economic security~~ human services shall supervise the development and implementation of a statewide interpreter referral service. The commissioner of ~~economic security~~ human services shall contract with appropriate organizations to provide this centralized service.

Sec. 26. Minnesota Statutes 1984, section 256C.26, is amended to read:

256C.26 EMPLOYMENT SERVICES.

The commissioner of ~~economic security~~ jobs and training shall ~~develop and implement a~~ include in the biennial plan submitted to the full productivity and opportunity coordinator a method to deal with the underemployment of

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hearing impaired persons. The plan shall provide for training regarding the nature of hearing handicaps for department staff who consult with prospective employers or who provide job placement services.

Sec. 27. [256C.28] COUNCIL FOR THE HEARING IMPAIRED.

Subdivision 1. MEMBERSHIP. The Minnesota council for the hearing impaired consists of seven members appointed by the commissioner of human services and a member from each advisory council established under section 256C.24, subdivision 3. At least four of the members appointed by the commissioner must be hearing impaired. Council members appointed by the commissioner serve four-year terms, except for the members first appointed, of whom three are appointed for a term ending December 31, 1990, two for terms ending December 31, 1989, and two for terms ending December 31, 1988.

Subd. 2. REMOVAL; VACANCIES. The compensation, removal of members, and filling of vacancies on the council are as provided in section 15.0575.

Subd. 3. DUTIES. The council shall:

(1) advise the commissioner on the development of policies, programs, and services affecting the hearing impaired, and on the use of appropriate federal and state money;

(2) create a public awareness of the special needs and potential of hearing impaired persons; and

(3) provide the commissioner with a review of ongoing services, programs, and proposed legislation affecting the hearing impaired.

Sec. 28. Minnesota Statutes 1984, section 256D.02, subdivision 13, is amended to read:

Subd. 13. "Suitable employment" means an appropriate income producing job including, but not limited to, all ~~public~~ publicly subsidized jobs procured through the ~~work equity program services~~ administered by or coordinated with the commissioner of jobs and training.

Sec. 29. Minnesota Statutes 1984, section 256D.03, subdivision 2, is amended to read:

Subd. 2. After December 31, 1980, state aid shall be paid to local agencies for 75 percent of all general assistance grants up to the standards of section 256D.01, subdivision 4 1a, and according to procedures established by the commissioner.

After December 31, 1986, state aid must be paid to local agencies for 65 percent of work readiness assistance paid under section 256D.051 if the county does not have an approved and operating community investment program.

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Any local agency may, from its own resources, make payments of general assistance: (a) at a standard higher than that established by the commissioner without reference to the standards of section 256D.01, subdivision 1; or, (b) to persons not meeting the eligibility standards set forth in section 256D.05, subdivision 1, but for whom the aid would further the purposes established in the general assistance program in accordance with rules promulgated by the commissioner pursuant to the administrative procedure act.

Sec. 30. Minnesota Statutes 1984, section 256D.09, subdivision 3, is amended to read:

Subd. 3. **EMPLOYMENT PAYMENTS FUNDED BY GRANT DIVERSION.** Notwithstanding the provisions of subdivision 1, the commissioner ~~may of jobs and training shall~~ establish by rule ~~or emergency rule~~ a grant diversion ~~program process~~ payment of all or a part of a recipient's grant ~~or work readiness assistance~~ payment to a private, ~~or nonprofit, or public~~ employer who agrees to employ the recipient ~~in a permanent job or to a public employer who agrees to employ the recipient in a permanent job or an approved community investment program.~~ The commissioner ~~of jobs and training~~ shall design the program to provide, to the extent possible, employment or employment-related training that will enable recipients to become self-supporting. A recipient shall be eligible for general assistance medical care during the term of the grant diversion contract to the extent that medical care coverage is not provided by the employer. Any rule adopted by the commissioner ~~of jobs and training~~:

(a) Shall require the local agencies to administer ~~the and deliver~~ the grant diversion ~~program diversions~~ directly or to ~~delegate administration contract for the delivery of the program to another unit of government according to section 268.871;~~

(b) Shall require that grants ~~or work readiness assistance payments~~ paid to employers be paid pursuant to a written grant diversion contract;

(c) Shall determine the amount of the grant ~~or work readiness assistance payment~~ to be paid to the employer and the term of the grant diversion contract;

(d) Shall establish standards to ensure that recipients hired pursuant to grant diversion contracts do not displace other workers;

(e) Shall provide for the amount of the wage to be paid to the recipient, which shall not be less than the minimum wage ~~for jobs with nonprofit and public employers and shall be the usual and customary wage for comparable jobs with private the employers;~~

(f) Shall ~~provide for require that the minimum number of hours per month the recipient must work, which shall be job provide sufficient hours of work each month to provide a net monthly wage equal to or exceeding the difference between the amount of the grant or work readiness assistance payment retained~~

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by the recipient and 150 percent of the recipient's monthly grant or work readiness assistance payment standard if the recipient were not employed; and (g) May establish other terms and conditions for the operation of the grant diversion program process.

Sec. 31. [256D.113] EMPLOYMENT EXPERIENCE PROGRAM.

Subdivision 1. CREATION AND PURPOSE. A county that does not have an approved community investment program may, in cooperation with the commissioner of jobs and training, establish a locally administered employment experience program for persons receiving work readiness assistance. The purpose of the program is to help recipients achieve self-sufficiency by enhancing their employability through training and work experience.

Subd. 2. COMMISSIONER OF JOBS AND TRAINING. The commissioner of jobs and training shall assist counties in the design, implementation, and evaluation of the employment experience program. The commissioner of jobs and training may make emergency and permanent rules to carry out this section.

Subd. 3. RESPONSIBILITY; COUNTY BOARDS OF COMMISSIONERS. A county may establish an employment experience program and may assign work to the recipient that he or she is able to perform. Work performed through this program must not displace persons currently employed or fill an established vacant position. The county must provide workers' compensation or other comparable protection for an employment experience participant. A participant is not eligible for unemployment compensation, and is not an employee of the state of Minnesota within the meaning of section 43A.02, subdivision 21.

Subd. 4. PARTICIPATION REQUIREMENTS. A county may require a registrant under section 256D.051 to participate in an employment experience program. If possible, the recipient must be placed in other employment and training services, including diversion or training, before placement in an employment experience program. The county may terminate assistance payments provided for by this chapter for a recipient who may be required to participate in an employment experience program but who refuses to participate in an employment experience program or other employment and training services.

Subd. 5. PARTICIPANT REIMBURSEMENT. A participant is required to participate in an employment experience program for no more than the number of hours equal to the work readiness assistance payment divided by the state minimum wage. A county shall provide transportation, child care, and work related expenses according to standards prescribed by the commissioner of jobs and training.

Sec. 32. [267.01] PURPOSE.

Changes or additions are indicated by underlining, deletions by strikethrough.

The legislature finds that changes in the state economy and the structure of federal support have altered the role of state government in the planning, development, and delivery of employment, job training, job creation, income maintenance, and human services programs; that the proliferation of these programs, coupled with the changing characteristics and requirements of people seeking employment, has produced a need for the state to coordinate the delivery of services and programs; that there exists no office with interagency and intergovernmental focus sufficient to develop a plan to achieve full economic productivity and opportunity in Minnesota and effectively coordinate the delivery of services and programs for the purpose of simultaneously reducing unemployment rates and welfare caseloads.

Sec. 33. [267.02] DEFINITIONS.

Subdivision 1. APPLICABILITY. For purposes of sections 267.02 to 267.06, the following terms have the meanings given them.

Subd. 2. COORDINATOR. "Coordinator" means the full productivity and opportunity coordinator.

Subd. 3. EMPLOYMENT AND TRAINING SERVICES. "Employment and training services" means programs, activities, and services related to job training, job placement, and job creation including job service programs, job training partnership act programs, wage subsidies, work incentive programs, work readiness programs, employment search, counseling, community work experience programs, displaced homemaker programs, disadvantaged job training programs, grant diversion, employment experience programs, youth employment programs, conservation corps, apprenticeship programs, community investment programs, supported work programs, community development corporations, economic development programs, and opportunities industrialization centers.

Subd. 4. INCOME MAINTENANCE AND SUPPORT SERVICES. "Income maintenance and support services" means programs through which the state or its subdivisions provide direct financial or in-kind support to unemployed or underemployed persons, including unemployment compensation, aid to families with dependent children, general assistance, work readiness assistance, food stamps, energy assistance, disability determinations, and child care. "Income maintenance and support services" does not include medical assistance, aging services, social services, community social services, mental health services, or services for the emotionally disturbed, the mentally retarded, or residents of nursing homes.

Subd. 5. LOCAL SERVICE UNIT. "Local service unit" means a county, counties operating under a joint powers agreement, one or more counties and one or more cities of the first class operating under a joint powers agreement, or a city of the first class.

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

Subd. 6. PUBLIC ASSISTANCE. "Public assistance" means aid to families with dependent children, general assistance, and work readiness.

Subd. 7. SERVICE PROVIDER. "Service provider" means a public, private, or nonprofit agency that is capable of providing one or more of the services or administering one or more of the programs for which the full productivity and opportunity coordinator has responsibility under this section.

Subd. 8. WAGE SUBSIDIES. "Wage subsidies" means the issuing of payments to employers to offset the costs of wages, fringe benefits, and training for eligible employees under the limitations in sections 268.672 to 268.682, and may be referred to as Minnesota employment and economic development (MEED) wage subsidies.

Sec. 34. [267.03] OFFICE OF FULL PRODUCTIVITY AND OPPORTUNITY; COORDINATOR.

Subdivision 1. FULL PRODUCTIVITY AND OPPORTUNITY COORDINATOR. The governor, with the advice and consent of the senate, shall appoint a full productivity and opportunity coordinator to serve at the pleasure of the governor in the unclassified service. The salary of the coordinator is set under section 15A.081. The coordinator is head of the office of full productivity and opportunity and chairs the full productivity and opportunity council. In addition to the powers granted by this chapter, the coordinator has the powers listed in section 15.06, subdivision 6. The coordinator shall administer sections 267.03 to 267.06.

Subd. 2. POWERS. The coordinator of full productivity and opportunity may:

(1) appoint a deputy, a confidential secretary, and up to two additional employees, in the unclassified service;

(2) appoint other employees under chapter 43A;

(3) make rules under chapter 14;

(4) enter into contracts;

(5) further the objectives of the biennial plan by recommending to the governor interdepartmental transfer of employment and training services or income maintenance and support services, which the commissioner of administration, if so ordered by the governor, shall carry out as provided in section 16B.37, subdivisions 1, 2, and 3, and implement so as not to lead to a reduction of federal money to the state or its political subdivisions;

(6) further the objectives of the biennial plan by recommending to the governor transfer of one or more employment and training services or income maintenance and support services to a certified service provider other than a state agency;

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

(7) initiate emergency wage subsidies, consider the recommendations of the commissioner of jobs and training for the use of the discretionary portion of wage subsidy appropriations, and allocate the discretionary portion of wage subsidy appropriations;

(8) require the commissioners of jobs and training, human services, energy and economic development, and administration, and the state planning director, to furnish technical, administrative, and financial services to the coordinator upon request;

(9) require agencies to submit to the coordinator for approval or disapproval within 20 days any rule that relates to employment and training services or income maintenance and support services before the publication of the notice of intent required by section 14.22 or 14.30, and, if it is disapproved, require that the rule be amended and resubmitted to the coordinator;

(10) establish the standards by which the commissioner of jobs and training shall certify service providers;

(11) decertify service providers after consultation with the commissioner;

(12) contract with another local service unit or certified service provider for employment and training services in that local service unit if the coordinator, after consultation with the commissioner of jobs and training, finds that a local service unit consistently fails to provide service of sufficient quantity and quality to satisfy criteria established for the receipt of state money; and

(13) ratify or disapprove the commissioner of jobs and training's decisions regarding the approval or disapproval of local service unit plans and community investment program plans.

Sec. 35. [267.04] DUTIES AND RESPONSIBILITIES.

Subdivision 1. DUTIES. The coordinator shall:

(1) coordinate the policies and administration of employment and training programs and income maintenance and support services among state agencies;

(2) review the delivery, operating performance, effectiveness, and degree of integration of income maintenance and support services and employment and training services;

(3) consult with the governor on income maintenance, employment, and training; provide assistance to the governor related to income maintenance and employment and training; and recommend to the governor and the legislature improvements in delivery of employment and training services and income maintenance and support services;

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

(4) confer with and advise state agencies and local service units that are responsible for income maintenance and support services and employment and training services;

(5) ensure coordination and cooperation among state and federal agencies, county and local governments, and private service providers serving on a contract basis;

(6) prepare and oversee the implementation of the biennial plan;

(7) review criteria established by state agencies for receipt of state money designated for employment and training services and income maintenance and support services;

(8) monitor and evaluate the performance and effectiveness of local service units' income maintenance and support services and their employment and training services;

(9) report to the legislature regarding changes needed to more adequately serve the needs of those who are unemployed, underemployed, or untrained;

(10) design and monitor the development and administration of the intake, referral, and inventory system;

(11) enhance the delivery of employment and training services and income maintenance and support services by working with the commissioner of administration to coordinate data bases and information systems among state agencies, including the departments of energy and economic development, jobs and training, human services, transportation, natural resources, and public safety, and the state planning agency;

(12) review and make recommendations concerning plans of the commissioner of jobs and training and the commissioner of human services for federally sponsored programs and demonstration projects;

(13) develop standards for plans required of state agencies;

(14) review and approve standards for the local service unit plans established by the commissioner of jobs and training;

(15) recommend to individual service units annual performance objectives that include realistic goals for reducing or managing unemployment rates and welfare caseloads, for use in preparing their local service unit plans;

(16) seek input from representatives of local service units, business, and labor on the delivery and development of employment and training services and income maintenance and support services;

(17) monitor the administration of wage subsidies; and

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(18) develop a method to identify the county that has financial responsibility for a client's public assistance.

Subd. 2. BIENNIAL PLAN. (a) The coordinator shall submit a biennial plan to the governor by July 1 of each even-numbered year. Upon approval by the governor, the plan serves as a basis for the development of the governor's budget proposal for employment and training services, income maintenance and support services. After the legislature has acted, and before July 1 of each odd-numbered year, the coordinator shall revise the biennial plan to incorporate legislative action. Upon approval by the governor, the revised plan governs the administration and delivery of all employment and training services and income maintenance and support services.

(b) The plan must provide at least the following:

(1) a strategy for achieving full productivity and opportunity in Minnesota that specifies priorities among employment and training services, income maintenance and support services, and economic development programs;

(2) unemployment reduction goals;

(3) income maintenance caseload reduction goals;

(4) a review and comment on the state's post-secondary vocational programs as administered by the vocational technical education system and the community colleges;

(5) a strategy for efficient integration of federal, state, local, and private resources;

(6) a strategy to encourage local and private involvement in the full productivity and opportunity program; and

(7) recommendations to maximize the effectiveness of appropriated money.

Subd. 3. INTAKE, REFERRAL, AND INVENTORY SYSTEM. Within 90 days of appointment, the coordinator shall develop guidelines and a timetable for the development of an intake, referral, and inventory system and determine which state agency is responsible for the administration of the system. The goal of the system must be to provide localized, single-point client intake with direct access to a statewide data base. The system must include information on all available public and private programs for employment and training services and income maintenance and support services. The system must be designed to match client needs with employment opportunities, appropriate services, programs, providers, funding sources, and other sources of assistance and to provide for client tracking. The system must be coordinated with other state data bases. Access to the system, within federal and state data practices requirements, must be available in each public income maintenance and employment and training office. The system is not subject to sections 16B.40 to 16B.45. In developing

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the system, the coordinator shall consult with local service units, service providers, employers, and clients.

Subd. 4. DUTIES WITH RESPECT TO COMMUNITY INVESTMENT PROGRAMS. The coordinator shall:

- (1) confer with the commissioners of jobs and training, energy and economic development, human services, education, agriculture, public safety, natural resources, and health, the directors of the state planning agency and of vocational technical education, and representatives of local governments to determine the kinds of activities valuable to the state and local communities and the kinds of jobs that would provide valuable training, skills, and work experience to part-time program employees;
- (2) review and approve standards governing community investment programs;
- (3) monitor the administration and results of community investment programs; and
- (4) arbitrate disputes among local service units, employers, exclusive representatives, or state agencies regarding community investment programs.

COUNCIL.
Sec. 36. [267.05] FULL PRODUCTIVITY AND OPPORTUNITY

Subdivision 1. MEMBERSHIP. The full productivity and opportunity council consists of the coordinator; the commissioners of education, jobs and training, finance, energy and economic development, and human services; the chancellors of the community college and state university systems; the directors of the state planning agency, the job skills partnership, and the vocational technical education system; the president of the University of Minnesota or the president's designee; a representative of organized labor; and a representative of business. The coordinator shall appoint the representatives of organized labor and business.

Subd. 2. DUTIES. The council shall provide information to and advise the coordinator in the preparation of the biennial plan and regarding employment and training services and income maintenance and support services.

Changes or additions are indicated by underlining, deletions by ~~striking out~~.

Sec. 37. [267.06] COOPERATION OF STATE AGENCIES AND COUNTY AND LOCAL GOVERNMENTS.

All state agencies, counties, and units of local government shall cooperate fully with the full productivity and opportunity coordinator to achieve the goals of the biennial plan.

Sec. 38. [268.0111] DEFINITIONS.

Subdivision 1. APPLICABILITY. The definitions in this section apply to chapter 268.

Subd. 2. COMMISSIONER. "Commissioner" means the commissioner of jobs and training.

Subd. 3. COORDINATOR. "Coordinator" means the full productivity and opportunity coordinator.

Subd. 4. EMPLOYMENT AND TRAINING SERVICES. "Employment and training services" means programs, activities, and services related to job training, job placement, and job creation including job service programs, job training partnership act programs, wage subsidies, work incentive programs, work readiness programs, employment search, counseling, community work experience programs, displaced homemaker programs, disadvantaged job training programs, grant diversion, employment experience programs, youth employment programs, conservation corps, apprenticeship programs, community investment programs, supported work programs, community development corporations, economic development programs, and opportunities industrialization centers.

Subd. 5. INCOME MAINTENANCE AND SUPPORT SERVICES. "Income maintenance and support services" means programs through which the state or its subdivisions provide direct financial or in-kind support to unemployed or underemployed persons, including unemployment compensation, aid to families with dependent children, general assistance, work readiness assistance, food stamps, energy assistance, disability determinations, and child care. Income maintenance and support services do not include medical assistance, aging services, social services, community social services, mental health services, or services for the emotionally disturbed, the mentally retarded, or residents of nursing homes.

Subd. 6. LOCAL SERVICE UNIT. "Local service unit" means a county, counties operating under a joint powers agreement, one or more counties and one or more cities of the first class operating under a joint powers agreement, or a city of the first class.

Subd. 7. PUBLIC ASSISTANCE. "Public assistance" means aid to families with dependent children, general assistance, and work readiness.

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

Subd. 8. SERVICE PROVIDER. "Service provider" means a public, private, or nonprofit agency that is capable of providing one or more of the services or administering one or more of the programs for which the full productivity and opportunity coordinator has responsibility under this section.

Subd. 9. WAGE SUBSIDIES. "Wage subsidies" means issuing of payments to employers to offset the costs of wages, fringe benefits, and training for eligible employees under the limitations established in sections 268.672 to 268.682, and may be referred to as Minnesota employment and economic development (MEED) wage subsidies.

Sec. 39. [268.0121] CREATION.

Subdivision 1. PURPOSE. The department of jobs and training has broad responsibility to increase the economic independence of Minnesotans with special effort toward those who are currently unemployed or who face special disadvantages in the labor market. The department shall develop employment policies and link training and employment-related services with temporary income replacement and income maintenance programs, veterans' programs, workers' compensation, vocational and post-secondary education, federal income insurance programs, and economic development programs.

Subd. 2. COMMISSIONER. The governor shall appoint the commissioner of jobs and training with the advice and consent of the senate.

Subd. 3. UNCLASSIFIED POSITIONS. The commissioner may establish positions in the unclassified service in accordance with section 43A.08. The commissioner may appoint and define the duties of other subordinate officers and employees as the commissioner deems necessary to discharge the functions of the department.

Subd. 4. DELEGATION OF POWERS. The commissioner may delegate, in written orders filed with the secretary of state, any powers or duties subject to the commissioner's control to officers and employees in the department. Notwithstanding any other law, the commissioner may delegate the execution of specific contracts or specific types of contracts to the commissioner's deputies, an assistant commissioner, or a program director if the delegation has been approved by the commissioner of administration and filed with the secretary of state.

Subd. 5. RECEIPT OF GIFTS, MONEY. The commissioner may accept gifts, bequests, grants, payments for services, and other public and private money to help finance the activities of the department.

Sec. 40. [268.0122] POWERS AND DUTIES.

Subdivision 1. STATE AGENCY. The commissioner of jobs and training is designated the "state agency" as defined by United States Code, title 29, section 49c, the Wagner-Peyser Act, as amended through December 31, 1984.

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

Subd. 2. SPECIFIC POWERS. The commissioner of jobs and training shall:

(1) administer and supervise all forms of unemployment insurance provided for under federal and state laws that are vested in the commissioner;

(2) administer and supervise all employment and training services assigned to the department of jobs and training under federal or state law;

(3) review and comment on local service unit plans and community investment program plans and, with the concurrence of the coordinator, approve or disapprove the plans;

(4) establish and maintain administrative units necessary to perform administrative functions common to all divisions of the department;

(5) supervise the county boards of commissioners, local service units, and any other units of government designated in federal or state law as responsible for employment and training programs;

(6) establish administrative standards and payment conditions for providers of employment and training services;

(7) act as the agent of, and cooperate with, the federal government in matters of mutual concern, including the administration of any federal funds granted to the state to aid in the performance of functions of the commissioner; and

(8) obtain reports from local service units and service providers for the purpose of evaluating the performance of employment and training services.

Subd. 3. DUTIES AS A STATE AGENCY. The commissioner shall:

(1) administer the unemployment insurance laws and related programs;

(2) administer the aspects of aid to families with dependent children, general assistance, work readiness, and food stamps that relate to employment and training services, subject to the limitations of federal regulations;

(3) administer wage subsidies and recommend to the coordinator the use of the discretionary portion of wage subsidy appropriations;

(4) administer a national system of public employment offices as prescribed by United States Code, title 29, chapter 4B, the Wagner-Peyser Act, and other federal employment and training programs;

(5) cooperate with the federal government and its employment and training agencies in any reasonable manner as necessary to qualify for federal aid for employment and training services and money;

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(6) enter into agreements with other departments of the state and local units of government as necessary;

(7) certify competent service providers and, with the concurrence of the coordinator, decertify service providers that fail to comply with performance criteria according to standards established by the coordinator;

(8) provide consistent, integrated employment and training services across the state;

(9) establish the standards for all employment and training services administered under this chapter;

(10) develop standards for the contents and structure of the county plans;

(11) provide current state and substate labor market information and forecasts, in cooperation with other agencies;

(12) prepare a plan and submit it to the coordinator in each even-numbered year, according to standards established by the coordinator, for use in developing a statewide employment and training plan;

(13) identify underserved populations, unmet service needs, and funding requirements;

(14) consult with the council for the blind on matters pertaining to programs and services for the blind and visually impaired; and

(15) submit to the governor, the coordinator, the commissioners of human services and finance, and the chairs of the senate finance and house appropriations committees a semiannual report that:

(a) reports, by client classification, an unduplicated count of the kinds and number of services furnished through each program administered or supervised by the department or coordinated with it;

(b) reports on the number of job openings listed, developed, available, and obtained by clients;

(c) identifies the number of cooperative agreements in place, the number of individuals being served, and the kinds of service provided them;

(d) evaluates the performance of services, such as wage subsidies, community investments, work readiness, and grant diversions; and

(e) explains the effects of current employment levels, unemployment rates, and program performance on the unemployment insurance fund and general assistance, work readiness, and aid to families with dependent children caseloads and program expenditures.

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

Subd. 4. DEMONSTRATION PROJECTS. The commissioner may conduct and administer demonstration projects to test methods and procedures for providing employment and training services. The demonstration must provide new methods and procedures of administration and must not conflict with the basic purposes, coverage, or benefits provided by law. No demonstration project authorized by this section is effective until the following conditions are met:

(a) a comprehensive plan, including the estimated project costs, is filed with the secretary of the senate and the chief clerk of the house of representatives at least 60 days before its effective date;

(b) any required approval by a federal agency is obtained; and

(c) the comprehensive plan, including the estimated project costs, is approved by the legislative advisory commission and filed with the commissioner of administration.

Subd. 5. RULEMAKING. The commissioner may make emergency and permanent rules to carry out this chapter.

Sec. 41. Minnesota Statutes 1984, section 268.31, is amended to read:

268.31 DEVELOPMENT OF YOUTH EMPLOYMENT OPPORTUNITIES.

To the extent of available funding, the commissioner of economic security jobs and training shall hire establish a program to employ individuals from the ages of 14 years up to 22 years. Available money must be used to support employment under this section for a maximum of 12 weeks, not to exceed 40 hours per week per individual, during the summer for the purpose of placing such individuals in service with the department of economic security and with other departments, agencies and instrumentalities of the state, county, local governments, school districts and with nonprofit organizations and for job related support services not to exceed ten percent of the allocation for eligible youths placed in public or nonprofit sector summer employment. Priority for employment shall be given to those young individuals between the ages of 16 years up to 22 years. The commissioner shall cooperate with the commissioner of human services in determining and implementing the most effective means of disregarding a youth's earnings from family income for purposes of the aid to families with dependent children program, to the extent permitted by the federal government.

Sec. 42. Minnesota Statutes 1984, section 268.32, is amended to read:

268.32 RATE OF PAY.

Persons hired employed pursuant to sections 268.31 to 268.36 shall be compensated at the federal minimum wage rate. Persons hired in a supervisory

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capacity shall be compensated at a rate according to criteria established by the commissioner by rule.

Sec. 43. Minnesota Statutes 1984, section 268.33, is amended to read:

268.33 ELIGIBILITY FOR EMPLOYMENT AND PLACEMENT.

Subdivision 1. The department of economic security commissioner of jobs and training shall ~~promulgate~~ make rules determining the priority and eligibility for employment and placement pursuant to sections 268.31 to 268.36. ~~The department shall have~~ commissioner has emergency powers and permanent rulemaking authority to implement rules for ~~carrying out~~ sections 268.31 to 268.36.

Subd. 2. The department of economic security commissioner of jobs and training shall, for the purposes of sections 268.31 to 268.36, be exempt from complying with any law relating to hiring by departments, agencies or instrumentalities of the state.

Sec. 44. Minnesota Statutes 1984, section 268.34, is amended to read:

268.34 EMPLOYMENT CONTRACTS.

The commissioner may enter into arrangements with existing public and private nonprofit organizations and agencies with experience in administering ~~summer~~ youth employment programs for the purpose of providing employment opportunities in furtherance of sections 268.31 to 268.36 and to advance up to 20 percent of a summer youth employment contract to any participating organization or agency. The department of economic security jobs and training shall retain ultimate responsibility for the administration of this employment program, including ~~but not limited to,~~ approval of summer job opportunities, ~~review eligibility of job applicants therefor,~~ placement of youth in jobs, and the disbursement of funds.

Sec. 45. Minnesota Statutes 1984, section 268.36, is amended to read:

268.36 REPORT TO THE GOVERNOR COORDINATOR AND THE LEGISLATURE.

The commissioner, after consultation with the ~~CETA~~ prime sponsors local service units and providers of employment and training services, shall evaluate the effectiveness of ~~the youth employment program programs,~~ taking into account the extent of ~~other~~ all programs which are providing summer employment opportunities for youth ~~covered under sections 268.31 to 268.36,~~ and shall report to the governor coordinator and the legislature no later than January 15 of each ~~even~~ even-numbered year with an evaluation of ~~the program~~ this and other programs and any recommendations for improvements.

Sec. 46. **[268.65] APPROVED TRAINING.**

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

Subdivision 1. CREATION. The commissioner of jobs and training shall establish a training program for structurally unemployed workers under which individuals may be enrolled in an on-the-job training program, and an additional 1,000 individuals may be enrolled in classroom training, in accordance with this section. Nothing in this section limits or adversely affects the approved training provisions applicable to an individual under section 268.08, subdivision 1, clause (3). An individual approved under this section is eligible for tuition aid under the provisions of chapter 136A. The commissioner shall report to the legislature annually regarding the status of the training program.

Subd. 2. APPROVAL OF TRAINING. An individual's enrollment in a training course must be approved for the purposes of this subdivision if the commissioner finds that:

(1) the individual is not unemployed due to the seasonal nature of the work or a temporary work shortage;

(2) the individual's separation or notice of layoff from most recent employment was caused by job obsolescence, plant shutdown, regional decline in the individual's customary occupation, or industry slowdown, and the individual is unlikely to return to work for that employer or in that occupation within 12 months following separation from employment;

(3) reasonable and suitable work opportunities for which the individual is fitted by training, experience, and physical capabilities do not exist within the local labor market;

(4) the training course is designed to provide preparation for available employment within the local labor market or in an area to which the individual is willing to relocate;

(5) the training is conducted by an agency, educational institution, or employing unit that is approved by the commissioner of education or state board for vocational technical education or higher education coordinating board to conduct training programs; except that an agency, educational institution, or employing unit that is not subject to regulation and approval by one of the agencies in this clause may be approved by the commissioner if it is determined that the institution's curriculum, facilities, staff, and other essentials are adequate to achieve the training objective; and

(6) the training consists of a full course load, as defined by the training provider, necessary to achieve the approved training objective, and the individual is making satisfactory progress in the course. The department may require the training provider to periodically certify to the individual's attendance and progress.

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

Subd. 3. ON-THE-JOB TRAINING. An individual who meets the criteria in subdivision 2 is eligible for participation in a full-time on-the-job training program if:

(1) the on-the-job training position is in an occupation for which the commissioner has determined a demand exists or will exist; in making this determination, the commissioner shall consider labor market information as contained in state and national occupational outlook publications, as well as other generally accepted authoritative sources with verifiable validity;

(2) the employer pays an hourly wage during training of at least the state minimum wage;

(3) the employer guarantees to provide at least 12 consecutive months of employment to the trainee after the completion of training at the prevailing area labor market wage for a trained individual in that occupation;

(4) the employer will not terminate the trainee during the period of training or guaranteed employment except for misconduct or demonstrated substandard performance; and

(5) the employer will not terminate, lay off, or reduce the hours of any employee for the purpose of hiring an individual with money available, and will not hire an individual if another person is on layoff from the same or a substantially equivalent job.

Subd. 4. TRAINING ALLOWANCE. During participation in an approved on-the-job training program, the trainee shall maintain satisfactory progress and attendance. During the period of training specified in the agreement between the commissioner and the employer, individuals participating in an approved on-the-job training program must be paid a training allowance for each week claimed during the benefit year, until benefits are exhausted, equal to the weekly benefit amount calculated under section 268.07, subdivision 2, less the part of the earnings, including holiday pay, in excess of \$100. The training allowance is computed by rounding down to the nearest dollar amount. Notwithstanding any other provision, an individual participating in on-the-job training on a full-time basis is not employed for purposes of benefit eligibility.

Subd. 5. EMPLOYER PENALTY. An employer who enters into an on-the-job training agreement with the commissioner and who terminates the trainee in a manner other than provided in this subdivision shall repay 70 percent of the amount of unemployment insurance benefits paid to the individual while in the training program with that employer if the termination occurs during the training period. If the termination occurs during the 12-month period of guaranteed employment, the employer receives a proportional reduction in the amount it must repay. The commissioner shall use any money collected under this paragraph for job search and relocation expenses of structurally unemployed workers participating in the training program.

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

Sec. 47. [268.66] **FIRST SOURCE AGREEMENTS.**

Subdivision 1. LIST OF VACANCIES. A business or private enterprise receiving grants or loans from the state in amounts over \$200,000 a year shall as part of the grant or loan agree to list any vacant or new positions with the job services of the commissioner of jobs and training or the local service units.

Subd. 2. GRANT AND LOAN AGREEMENTS. The commissioner of energy and economic development shall incorporate the provisions of this section into grant and loan agreements and assist the commissioner of jobs and training and the local service units to promote private sector listings with job services and to evaluate their effect on employers and individuals who are referred.

Sec. 48. Minnesota Statutes 1984, section 268.672, subdivision 6, is amended to read:

Subd. 6. **ELIGIBLE JOB APPLICANT.** "Eligible job applicant" means a person who: (1) has been a resident of this state for at least one month, (2) is unemployed, (3) is not receiving and is not qualified to receive unemployment compensation or workers' compensation, and (4) is determined by the employment administrator to be likely to be available for employment by an eligible employer for the duration of the job.

In addition For the purposes of this subdivision, a farmer who resides in a county qualified under Federal Disaster Relief and or any member of a farm family household who can demonstrate severe household financial need may must be considered unemployed under this subdivision.

Sec. 49. Minnesota Statutes 1984, section 268.672, subdivision 12, is amended to read:

Subd. 12. **ELIGIBLE LOCAL SERVICE DELIVERY AREA UNIT.** "Eligible local service delivery area unit" means an area designated as a local service delivery area by the coordinator unit that is not operating an employment experience program. After February 15, 1986, an eligible local service unit means a local service unit with an approved community investment program and includes a city of the first class in a county with an approved community investment program.

Sec. 50. Minnesota Statutes 1984, section 268.673, subdivision 3, is amended to read:

Subd. 3. **DEPARTMENT OF ECONOMIC SECURITY JOBS AND TRAINING.** The coordinator commissioner shall administer supervise the program within the department of economic security. The commissioner of economic security wage subsidies and shall provide administrative support services technical assistance to the coordinator eligible local service units for the purposes purpose of the program delivering wage subsidies.

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

Sec. 51. Minnesota Statutes 1984, section 268.673, subdivision 4, is amended to read:

Subd. 4. **ENFORCEMENT.** (a) The ~~coordinator~~ commissioner shall ensure that all eligible employers and employment administrators comply compliance with sections ~~268.671~~ 268.672 to ~~268.686~~ 268.682 and all other applicable state and federal laws, including those relating to: (1) affirmative action; (2) occupational health and safety standards; (3) environmental standards; and (4) fair labor practices 268.682.

(b) The ~~coordinator~~ commissioner may:

(1) make public or private investigations within or without this state necessary to determine whether any person has violated or is about to violate sections ~~268.671~~ 268.672 to ~~268.686~~ 268.682, a contract entered into under them, or any rule or order adopted under them, or to aid in the enforcement of sections ~~268.671~~ 268.672 to ~~268.686~~ 268.682 or in rules and forms adopted under them;

(2) require or permit any person to file a written statement under oath or otherwise, as the commissioner determines, as to all the facts and circumstances concerning the matter being investigated; and

(3) ~~publish information contained in any order issued by the coordinator;~~

(4) hold hearings, upon reasonable notice, on any matter arising out of the administration of sections ~~268.671~~ 268.672 to ~~268.686~~; and

(5) ~~conduct investigations and hold hearings for the purpose of compiling information with a view to recommending changes in sections 268.671 to 268.686 to the legislature~~ 268.682.

(c) The attorney general shall assign from his staff one or more assistant attorneys general to the ~~coordinator~~ commissioner and shall conduct all proceedings involving the violation of sections ~~268.671~~ 268.672 to ~~268.686~~ 268.682 and all other enforcement proceedings.

(d) Whenever it appears to the ~~coordinator~~ commissioner that any person has violated a provision of sections ~~268.671~~ 268.672 to ~~268.686~~ 268.682, a contract entered into under them, or a rule or order adopted under them:

(1) He may issue and cause to be served upon the person an order requiring the person to cease and desist from the violation. The order must be calculated to give reasonable notice of the right of the person to request a hearing on it and must state the reasons for the entry of the order. A hearing must be held not later than seven days after a request for the hearing is received by the ~~coordinator~~ commissioner, after which and within 20 days of the date of the hearing the ~~coordinator~~ commissioner shall issue a further order vacating the cease and desist order or making it permanent as the facts require. If no hearing is requested within 30 days of service of the order, the order becomes final and

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remains in effect until it is modified or vacated by the ~~coordinator~~ commissioner. If the person to whom a cease and desist order is issued fails to appear at the hearing after being duly notified, the person shall be deemed in default, and the proceeding may be determined against him upon consideration of the cease and desist order, the allegations of which may be deemed to be true;

(2) He may bring an action in the district court of the appropriate county to enjoin the violation and to enforce compliance with the provisions of sections ~~268.671~~ 268.672 to ~~268.686~~ 268.682, a contract entered into under them, or any rule or order adopted under them, and he may refer the matter to the attorney general. Upon a proper showing, a permanent or temporary injunction, restraining order, or writ of mandamus shall be granted. The court may not require the ~~coordinator~~ commissioner to post a bond.

Any injunction proceeding under the provisions of sections ~~268.671~~ 268.672 to ~~268.686~~ 268.682 may be brought on for hearing and disposition upon an order to show cause returnable upon not more than eight days notice to the defendant. The case has precedence over other cases upon the court calendar and may not be continued without the consent of the state, except upon good cause shown to the court, and then only for a reasonable length of time necessary in the opinion of the court to protect the rights of the defendant.

Sec. 52. Minnesota Statutes 1984, section 268.673, subdivision 5, is amended to read:

Subd. 5. **REPORT.** ~~The coordinator~~ Each eligible local service unit shall report to the ~~legislative advisory commission, the chairpersons of the house and senate governmental operations committees, the chairperson of the health, welfare, and corrections division of the house appropriations committee, the chairperson of the health and human services subcommittee of the senate finance committee, and the governor~~ commissioner and the coordinator on a quarterly basis: (1) the number of persons employed; (2) the number and type of employers under the program; (3) the amount of money spent in each ~~service delivery area~~ eligible local service unit for wages for each type of employment and each type of other expense; (4) the number of persons who have completed participation in the program and their current employment, educational, or training status; ~~(5) the specific allocation of discretionary funds;~~ and ~~(6)~~ (5) any other information requested by the ~~commission~~ commissioner or the ~~governor or deemed pertinent~~ by the coordinator. Each report must include cumulative information, as well as information for each quarter.

Sec. 53. Minnesota Statutes 1984, section 268.673, subdivision 6, is amended to read:

Subd. 6. **RULES.** The commissioner of economic security may adopt rules necessary to implement ~~Laws 1983, chapter 312, article 7.~~ These rules are

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not subject to chapter 14, the Administrative Procedure Act sections 268.672 to 268.682.

Sec. 54. [268.6751] ALLOCATION OF WAGE SUBSIDY MONEY.

Subdivision 1. WAGE SUBSIDIES. Wage subsidy money must be allocated to eligible local service units in the following manner:

(a) The commissioner shall allocate 70 percent of the funds available for allocation to eligible local service units for wage subsidy programs as follows: the proportion of the wage subsidy money available to each eligible local service unit must be based on the number of unemployed persons in the eligible local service unit for the most recent six-month period and the number of work readiness assistance cases and aid to families with dependent children cases in the eligible local service unit for the most recent six-month period.

(b) Thirty percent of the money available for wage subsidy programs must be allocated at the direction and discretion of the coordinator. The commissioner shall distribute the discretionary portion of wage subsidy appropriations at the request of the coordinator. For the biennium ending June 30, 1987, up to 25 percent of the discretionary portion of the wage subsidy appropriation may be used to support the office of full productivity and opportunity and the development of an intake, referral, and inventory system. In allocating the remaining discretionary portion of the wage subsidy appropriation, the coordinator shall give priority to eligible local service units that have:

(1) high numbers of farmers who can demonstrate severe household financial need;

(2) demonstrated success in placing public assistance applicants in private sector jobs;

(3) demonstrated need beyond the allocation distributed under paragraph (a);

(4) maximized use of money through coordination with other programs and state, local, and federal agencies, and through the use of matching money from private and nonprofit sources;

(5) demonstrated need to provide special assistance in order to serve unemployed persons who incur unusual costs such as necessary relocation expenses; or

(6) areas with high unemployment rates.

Subd. 2. EMERGENCY WAGE SUBSIDIES. (a) The coordinator shall monitor local and statewide unemployment rates. Upon determining that an economic emergency exists in one or more local service units, the coordinator may implement an emergency wage subsidy program and recommend to the governor to pursue ways to increase the wage subsidy money available to local

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service units in the affected area or areas from sources other than the appropriation allocated under subdivision 1.

(b) When the unemployment rate for the state of Minnesota equals or exceeds nine percent, the coordinator shall implement a statewide emergency wage subsidy program and shall recommend to the governor to pursue ways to increase money available for wage subsidies.

Sec. 55. Minnesota Statutes 1984, section 268.676, is amended to read:

268.676 ALLOCATION WITHIN SERVICE DELIVERY AREAS ELIGIBLE LOCAL SERVICE UNITS; PRIORITIES.

Subdivision 1. **AMONG JOB APPLICANTS.** Allocation of funds among eligible job applicants within a service delivery area shall be determined by the employment administrator in each service delivery area. The employment administrator eligible local service unit shall give priority to:

(1) applicants living in households with no other income source; and

(2) applicants who would otherwise be eligible to receive whose incomes and resources are less than the standards for eligibility for general assistance;

In service delivery areas where the unemployment rate for the 12-month period ending the most recent March 31 is below the statewide unemployment rate at that time, the employment administrator shall give higher priority to applicants described in clause (2) than to those described in clause (1).

(3) applicants who are eligible for aid to families with dependent children; and

(4) applicants who live in a farm household who demonstrate severe household financial need.

Subd. 2. **AMONG EMPLOYERS.** Allocation of funds among eligible employers within a service area shall be determined by the employment administrator within each service delivery area according to the priorities in sections 268.68 and 268.681. The employment administrator an eligible local service unit shall give priority to funding private sector jobs to the extent that eligible businesses apply for funds. If possible, no more than 40 25 percent of the statewide funds available for wages may be allocated for temporary jobs with eligible government and nonprofit agencies during the biennium.

Subd. 3. **AMONG EMPLOYMENT ADMINISTRATORS.** If the coordinator designates more than one employment administrator in a service delivery, the coordinator shall determine the allocation of funds to be distributed by each employment administrator in the service delivery area.

Sec. 56. Minnesota Statutes 1984, section 268.677, is amended to read:

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268.677 USE OF FUNDS.

Funds appropriated for the purposes of sections 268.671 to 268.686 may be used as follows:

(a) To provide a state contribution for wages and fringe benefits for eligible job applicants for a maximum of 1,040 hours over a maximum period of 26 weeks per job applicant. For eligible job applicants participating in a job training program, the state contribution for wages may be used for a maximum period of 52 weeks per job applicant. The state contribution for wages shall be up to \$4 per hour for each eligible job applicant employed. The state contribution for fringe benefits may be up to \$1 per hour for each eligible job applicant employed. However, the employer may use funds from other sources to provide increased wages to the applicants it employs. At least 75 percent of the funds appropriated for the program must be used to pay wages for eligible job applicants;

(b) To reimburse the commissioner of economic security in an amount not to exceed one percent of the funds appropriated for the actual cost of administering sections 268.671 to 268.686, and to reimburse the employment administrators in an amount not to exceed 4-1/2 percent of the funds appropriated for their actual cost of administering sections 268.671 to 268.686. The commissioner of economic security and the employment administrators shall reallocate funds from other sources to cover the administrative costs of this program whenever possible;

(c) To provide child care services or subsidies to applicants employed under sections 268.671 to 268.686;

(d) To provide workers' compensation coverage to applicants employed by government or nonprofit agencies under sections 268.671 to 268.686;

(e) To provide job search assistance, labor market orientation, job seeking skills, and referral for other services;

(f) To purchase supplies and materials for projects creating permanent improvements to public property in an amount not to exceed one percent of the funds appropriated.

The employment administrator of each service delivery area shall submit to the coordinator a spending plan establishing that funds allocated to the service delivery area will be used in the manner required by sections 268.671 to 268.686. Any funds allocated to the service delivery area for which there is no spending plan approved by the coordinator shall cancel back to the Minnesota emergency employment development account and may be reallocated by the coordinator to other employment administrators. Subdivision 1. To the extent allowable under federal and state law, wage subsidy money must be pooled and used in combination with money from other employment and training services or income maintenance and support services. At least 75 percent of the money appropriat-

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ed for wage subsidies must be used to pay wages for eligible job applicants. For each eligible job applicant employed, the maximum state contribution from any combination of public assistance grant diversion and employment and training services governed under this chapter, including wage subsidies, is \$4 per hour for wages and \$1 per hour for fringe benefits. In addition, wage subsidies are limited as follows:

(a) For each eligible job applicant placed in private or nonprofit employment, the state may subsidize wages for a maximum of 1,040 hours over a period of 26 weeks. Employers are encouraged to use money from other sources to provide increased wages to applicants they employ.

(b) For each eligible job applicant participating in a job training program and placed in private sector employment, the state may subsidize wages for a maximum of 1,040 hours over a period of 52 weeks.

(c) For each eligible job applicant placed in a community investment program, the state may provide wage subsidies for a maximum of 780 hours over a maximum of 26 weeks. For an individual placed in a community investment program, the county share of the wage subsidy shall be 25 percent. Counties may use money from sources other than public assistance and wage subsidies, including private grants, contributions from nonprofit corporations and other units of government, and other state money, to increase the wages or hours of persons employed in community investment programs.

(d) Notwithstanding the limitations of paragraphs (a) and (b), money may be used to provide a state contribution for wages and fringe benefits in private sector jobs for eligible applicants who had previously held temporary jobs with eligible government and nonprofit agencies or who had previously held community investment program jobs for which a state contribution had been made, and who are among the priority groups established in section 268.676, subdivision 1. The use of money under this paragraph shall be for a maximum of 1,040 hours over a maximum period of 26 weeks per job applicant.

Subd. 2. Reimbursement to the commissioner for the costs of administering wage subsidies must not exceed one-half percent of the money appropriated. Reimbursement to an eligible local service unit for the costs of administering wage subsidies must not exceed five percent and for the purchase of supplies and materials necessary to create permanent improvements to public property must not exceed one percent of the money allocated to that local service unit. The commissioner and the eligible local service units shall reallocate money from other sources to cover the costs of administering wage subsidies whenever possible.

Subd. 3. Eligible local service units may use up to 25 percent of their wage subsidy allocations to provide eligible applicants with job search assistance.

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labor market orientation, job seeking skills, necessary child care services, relocation, and transportation, and to subsidize fringe benefits.

Sec. 57. Minnesota Statutes 1984, section 268.678, subdivision 1, is amended to read:

Subdivision 1. **IN GENERAL POWERS.** The employment administrator for each service delivery area has Eligible local service units have the powers and duties given in this section and any additional duties given by the coordinator or the commissioner.

Sec. 58. Minnesota Statutes 1984, section 268.678, subdivision 3, is amended to read:

Subd. 3. **OUTREACH.** Each employment administrator eligible local service unit shall publicize the program availability of wage subsidies within his service delivery its area to seek maximum participation by eligible job applicants and employers.

Sec. 59. Minnesota Statutes 1984, section 268.678, subdivision 4, is amended to read:

Subd. 4. **CONTRACTS.** Each employment administrator eligible local service unit shall may enter into contracts with eligible employers setting forth the terms of their participation in the program as required by sections 268.671 to 268.686 certified service providers to deliver wage subsidies.

Sec. 60. Minnesota Statutes 1984, section 268.678, subdivision 5, is amended to read:

Subd. 5. **SCREENING AND COORDINATION.** Each employment administrator eligible local service unit shall screen provide for the screening of job applicants and employers to achieve the best possible placement of eligible job applicants with eligible employers.

Sec. 61. Minnesota Statutes 1984, section 268.678, subdivision 6, is amended to read:

Subd. 6. **ELIGIBLE JOB APPLICANT PRIORITY LISTS.** Each employment administrator eligible local service unit shall maintain provide for the maintenance of a list of eligible job applicants unable to secure employment under the program at the time of application. The list shall prioritize eligible job applicants and shall be used to fill jobs with eligible employers as they become available.

Sec. 62. Minnesota Statutes 1984, section 268.679, is amended to read:

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268.679 DUTIES OF OTHER AGENCIES COMMISSIONER OF HUMAN SERVICES.

Subd. 3. **DEPARTMENT OF HUMAN SERVICES.** The commissioner of human services shall provide to each employment administrator local service unit lists of currently licensed local day care facilities, updated quarterly, to be available to all persons employed under sections 268.671 to 268.686 who receive wage subsidies.

Sec. 63. Minnesota Statutes 1984, section 268.681, is amended to read:

268.681 BUSINESS EMPLOYMENT.

Subdivision 1. **ELIGIBLE BUSINESSES.** A business employer is an eligible employer if it enters into a written contract, signed and subscribed to under oath, with the employment administrator in its service delivery area an eligible local service unit or its contractor, containing assurances that:

(a) funds received by a business shall be used only as permitted under sections ~~268.671~~ 268.672 to ~~268.686~~ 268.682;

(b) the business has submitted a plan information to the employment administrator eligible local service unit or its contractor (1) describing the duties and proposed compensation of each employee proposed to be hired under the program; and (2) demonstrating that, with the funds provided under sections ~~268.671~~ 268.672 to ~~268.686~~ 268.682, the business is likely to succeed and continue to employ persons hired under the program using wage subsidies;

(c) the business will use funds exclusively for compensation and fringe benefits of eligible job applicants and will provide employees hired with these funds with fringe benefits and other terms and conditions of employment comparable to those provided to other employees of the business who do comparable work;

(d) the funds are necessary to allow the business to begin, or to employ additional people, but not to fill positions which would be filled even in the absence of ~~funds from this program~~ wage subsidies;

(e) the business will cooperate with the ~~coordinator~~ eligible local service unit and the ~~employment administrator commissioner~~ in collecting data to assess the result of ~~the program~~ wage subsidies; and

(f) the business is in compliance with all applicable affirmative action, fair labor, health, safety, and environmental standards.

Subd. 2. **PRIORITIES.** In allocating funds among eligible businesses, the employment administrator eligible local service unit or its contractor shall give priority to businesses which best satisfy the following criteria:

(a) have a high potential for growth and long-term job creation;

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- (b) are labor intensive;
- (c) meet the definition of a small business as defined in section 645.445;
- (d) make high use of local and Minnesota resources;
- (e) are under ownership of women and minorities;
- (f) make high use of new technology;
- (g) produce energy conserving materials or services or are involved in development of renewable sources of energy; and
- (h) have their primary place of business in Minnesota.

Subd. 3. **PAYBACK.** A business receiving funds under this program wage subsidies shall repay 70 percent of the amount initially received for each eligible job applicant employed, if the employee does not continue in the employment of the business beyond the six-month subsidized period. If the employee continues in the employment of the business for one year or longer after the six-month subsidized period, the business need not repay any of the funds received for that employee's wages. If the employee continues in the employment of the business for a period of less than one year after the expiration of the six-month subsidized period, the business shall receive a proportional reduction in the amount it must repay. If an employer dismisses an employee for good cause and works in good faith with the ~~program administrator~~ eligible local service unit or its contractor to employ and train another person referred by the ~~employment administrator~~ eligible local service unit or its contractor, the payback formula shall apply as if the original person had continued in employment.

A repayment schedule shall be negotiated and agreed to by the ~~employment administrator~~ eligible local service unit and the business prior to the disbursement of the funds and is subject to renegotiation. The ~~employment administrator~~ eligible local service unit shall forward payments received under this subdivision to the ~~coordinator~~ commissioner on a monthly basis. The ~~coordinator~~ commissioner shall deposit these payments in the Minnesota ~~emergency employment development wage subsidy~~ account created by subdivision 4.

Subd. 4. **MINNESOTA EMERGENCY EMPLOYMENT DEVELOPMENT WAGE SUBSIDY ACCOUNT.** The Minnesota ~~emergency employment development wage subsidy~~ account is created in the state treasury. All payments from businesses pursuant to subdivision 3 shall be deposited in this account, and all funds in the account are appropriated to the commissioner of ~~economic security~~ for the purpose of making disbursements pursuant to section ~~268.675~~ 268.6751.

Sec. 64. Minnesota Statutes 1984, section 268.682, is amended to read:

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268.682 WORKER DISPLACEMENT PROHIBITED.

Subdivision 1. **LAYOFFS; WORK REDUCTIONS.** An eligible employer may not terminate, lay off, or reduce the working hours of an employee for the purpose of hiring an individual with funds available under sections 268.671 268.672 to 268.686 268.682.

Subd. 2. **HIRING DURING LAYOFFS.** An eligible employer may not hire an individual with funds available under sections 268.671 268.672 to 268.686 268.682 if any other person is on layoff from the same or a substantially equivalent job.

Subd. 3. **EMPLOYER CERTIFICATION.** In order to qualify as an eligible employer, a government or nonprofit agency or business must certify to the ~~employment administrator~~ eligible local service unit that each job created and funded under sections 268.671 268.672 to 268.686 268.682:

(a) will result in an increase in employment opportunities over those which would otherwise be available;

(b) will not result in the displacement of currently employed workers, including partial displacement such as reduction in hours of nonovertime work, wages, or employment benefits; and

(c) will not impair existing contracts for service or result in the substitution of ~~program wage subsidy~~ funds for other funds in connection with work that would otherwise be performed.

Sec. 65. [268.85] SERVICE PRIORITIES.

Subdivision 1. GROUPS WITH SEVERE DISADVANTAGES. To the extent that the state has the authority to establish priority groups to be served through employment and training services, greatest consideration must be given to client groups identified as experiencing the most severe disadvantages to employment. Individuals volunteering for employment, regardless of whether they are required to register, must also be given preference to avoid the effects of long-term unemployment or dependence on public assistance.

Subd. 2. ORDER OF PRIORITY. (a) The priority for services to be provided is:

(1) permanent, unsubsidized, full-time private or nonprofit sector employment and, where possible, in conjunction with targeted jobs tax credits as defined at 26 United States Code, section 44B, as amended by Public Law 98-369;

(2) permanent, subsidized, full-time private sector employment;

(3) permanent, subsidized, full-time nonprofit sector employment;

(4) training;

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(5) relocation; and

(6) part-time, subsidized, nonprofit, or public employment with continued employment assistance.

(b) Individuals receiving any of the priority services in paragraph (a) must be provided with child care, transportation, or other support services as necessary and in relation to their eligibility and the availability of funds.

(c) In delivering employment and training services, local service units shall distribute their available resources in a manner that provides greater incentives to clients in permanent private or nonprofit sector employment than in public sector jobs.

Sec. 66. [268.86] EMPLOYMENT AND TRAINING PROGRAMS.

Subdivision 1. DEVELOPMENT. The commissioner shall develop and administer employment and training services to assist appropriate recipients of public assistance and persons eligible to receive wage subsidies to become economically independent. The services must have as their objective the improvement of clients' opportunities for economic independence through permanent employment. The services must provide sufficient employment and training options to allow local service units to effectively meet the support services, educational, and training needs of their public assistance and wage subsidy clients.

Subd. 2. ADMINISTRATION. Under agreements necessary to comply with federal regulations, the commissioner, on behalf of the commissioner of human services, shall administer employment and training services for applicants for or recipients of aid to families with dependent children and food stamps. The commissioner shall administer employment and training services for general assistance and work readiness recipients in consultation with the commissioner of human services.

Subd. 3. REGISTRATION. The commissioner shall ensure that public assistance recipients are registered within time limits necessary to avoid delaying a recipient's receipt of assistance, denying benefits, or reducing the amount of benefits.

Subd. 4. EMPLOYABILITY PLANS. The commissioner shall require that a public assistance recipient's employment status is appraised within 30 days and that a written employability plan is prepared for appropriate public assistance recipients in consultation with the recipients. The plan must be designed to help the recipient obtain suitable employment, or training and work skills necessary to secure suitable employment, and may include an arrangement with another service provider or agency for specialized employment, education, training, or support services. A copy of the plan must be given to the recipient at the time it is prepared; an additional copy must be given to the local agency for its files.

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Subd. 5. PARTICIPATION. The commissioner shall establish, by rule, the conditions under which individuals participate in services, their rights and responsibilities while participating, and the standards by which the services must be administered, and shall provide fair hearing procedures governing participation.

Subd. 6. COORDINATION. In developing employment and training services, the commissioner shall identify and incorporate, to the extent possible, money from both federal and state income maintenance, employment and training, and educational programs.

Subd. 7. WORK INCENTIVE PROGRAM. In administering the work incentive program under section 256.736, the commissioner shall insure that no later than July 1, 1986, at least 25 percent of all state and federal money appropriated to that program must be spent for direct client services, including child care, transportation, institutional training, and on-the-job training. Seventy-five percent or less of the money must be spent for services provided directly by state or county staff.

Subd. 8. GRANT DIVERSION. The commissioner shall develop grant diversion processes for recipients of aid to families with dependent children and work readiness assistance payments and shall supervise the counties in the administration of the employment and training services to meet the needs and circumstances of public assistance recipients.

Subd. 9. SUPPORTED WORK PROGRAM. The commissioner shall establish a supported work program for recipients of aid to families with dependent children who have received public assistance for more than three years and who are residents of counties that have had more than three percent of their aid to families with dependent children recipients on such assistance for three years or longer. The goals of the supported work program are to help individuals who are making a transition from prolonged economic dependence to independence through employment.

Sec. 67. [268.871] LOCAL DELIVERY.

Subdivision 1. RESPONSIBILITY AND CERTIFICATION. Unless prohibited by federal law or otherwise determined by state law or the coordinator, a local service unit is responsible for the delivery of employment and training services. After February 1, 1986, employment and training services must be delivered by public, nonprofit, or private service providers that are certified to provide the services.

Subd. 2. CONTRACTING PREFERENCE. In contracting, a local service unit must give preference, whenever possible, to existing employment and training providers including the job service, opportunities industrialization centers, displaced homemaker providers, work incentive providers, Minnesota emer-

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agency employment development act providers, post-secondary educational institutions, and job training partnership act programs.

Subd. 3. **ENFORCEMENT.** The local service units shall provide for the enforcement of employment and training requirements for appropriate recipients of public assistance, and must include provisions for enforcing the requirements in any contracts with providers under subdivisions 1 and 2.

Subd. 4. **LOCATION OF STAFF.** (a) In establishing a contract, the county shall agree to co-locate, where feasible, income maintenance and social service staff as necessary to accept applications and determine eligibility, monitor ongoing client eligibility, and authorize services and grants available under programs administered by the county or local service unit that are related to employment and training or the client's successful participation in employment and training activities.

(b) The commissioner shall co-locate, where feasible, sufficient staff to make the services provided through the department of jobs and training and the programs it administers or supervises available to clients being served by the local service unit or the contract agency.

(c) The commissioner has emergency and permanent rulemaking authority to implement this section and shall establish the circumstances under which the requirements for co-location may be waived.

Sec. 68. [268.872] STATE FUNDING OF EMPLOYMENT AND TRAINING PROGRAMS.

Subdivision 1. **AVAILABLE MONEY.** The commissioner and local service units are not required to provide employment and training services that exceed the levels permitted by available federal, state, and local funds subject to the requirements or limitations of each program.

Subd. 2. **MAINTENANCE OF EFFORT.** A local service unit shall certify to the commissioner that it has not reduced funds from other federal, state, and county sources which would, in the absence of this section, have been available for employment and training services and child care services and related administrative costs.

Subd. 3. **ALLOCATION.** The commissioner shall pay administrative aid to local service units for employment and training services according to the formula established by rule. Seventy-five percent of the money must be allocated among local service units based on the number of work readiness assistance recipients and aid to families with dependent children caseloads of individuals not exempt from work requirements as forecast by the commissioner of human services; 25 percent must be allocated in a way that encourages full-time, private-sector job placement, program completion by public assistance recipients,

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and other performance characteristics. This subdivision does not apply to the administrative aid for the work readiness program.

Sec. 69. [268.88] LOCAL SERVICE UNIT PLANS.

(a) Local service units shall prepare and submit to the commissioner by October 15 of each year an annual plan for the subsequent calendar year. The commissioner shall notify each local service unit by December 1 of each year if its plan has been approved or disapproved. The plan must include:

(1) a statement of objectives for the employment and training services the local service unit administers;

(2) the establishment of public assistance caseload reduction goals and the strategies that will be used to achieve these goals;

(3) a statement of whether the goals from the preceding year were met and an explanation if the local service unit failed to meet the goals;

(4) the amount proposed to be allocated to each employment and training service;

(5) the proposed types of employment and training services the local service unit plans to utilize;

(6) a report on the use of wage subsidies, grant diversions, community investment programs, sliding fee day care, and other services administered under this chapter;

(7) an annual update of the community investment program plan according to standards established by the commissioner; and

(8) a performance review of service providers delivering employment and training services.

(b) In counties with a city of the first class, the county and the city shall develop and submit a joint plan. The plan may not be submitted until agreed to by both the city and the county. The plan must provide for the direct allocation of employment and training money to the city and the county unless waived by either. If the county and the city cannot concur on a plan, the coordinator shall resolve their dispute.

(c) The commissioner may withhold the distribution of employment and training money from a local service unit that does not submit a plan to the commissioner by the date set by this section, and shall withhold the distribution of employment and training money from a local service unit whose plan has been disapproved by the coordinator until an acceptable amended plan has been submitted.

(d) For 1985, local service unit plans must be submitted by November 1, 1985 and must include:

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(1) a statement of objectives for the employment and training services the local service unit administers;

(2) the establishment of public assistance caseload reduction goals and the strategies that will be used to achieve these goals;

(3) the amount proposed to be allocated to each employment and training service;

(4) the proposed employment and training services and service providers the local service unit plans to utilize; and

(5) a statement of intent regarding the establishment of either a community investment program or an employment experience program.

If the local service unit provides a statement of intent for the establishment of a community investment program under clause (5), the local service unit must submit a preliminary community investment program plan by February 1, 1986.

Sec. 70. [268.89] JOBS TRAINING PARTNERSHIP ACT; ADMINISTRATION.

Subdivision 1. COORDINATION OF STATE AND FEDERAL PROGRAMS. The commissioner shall act as the governor's agent in administering the federal jobs training partnership act. To the extent permitted under federal regulation, this program must be administered in conjunction with a comprehensive state employment and training strategy and its resources used in coordination with state programs and to further state objectives.

Subd. 2. BIENNIAL PLAN. The commissioner shall recommend to the governor the priorities, performance standards, and special projects that are consistent with the coordinator's biennial plan.

Subd. 3. OTHER PLANS. Strong consideration for income maintenance recipients must be included in the goals, objectives, and criteria of the governor's coordination and special services plan under section 121 of the jobs training partnership act, United States Code, title 29, section 1531. Local service delivery area plans and job service plans must describe methods of complying with the coordination criteria under the governor's coordination and special services plan as required under United States Code, title 29, sections 49g and 1514.

Sec. 71. [268.90] COMMUNITY INVESTMENT PROGRAMS.

Subdivision 1. Community investment programs provide temporary employment to people who are experiencing prolonged unemployment and economic hardship. Community investment programs consist of one or more projects. Community investment programs must be beneficial to the state and the commu-

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nities in which they are located and must provide program employees with training and work experience. The projects must include activities that:

(1) expand or improve services, including education, health, social services, recreation, and safety;

(2) improve or maintain natural resources, including rivers, streams and lakes, forest lands and roads, and soil conservation;

(3) make permanent improvements to lands and buildings; or

(4) weatherize public buildings and private residential dwellings.

Community investment programs may not include job placements that replace work that was part or all of the duties or responsibilities of an authorized public employee position established as of January 1, 1985.

Community investment programs that include other sources of money or authorized programs may provide employment for the groups eligible for the included programs under the terms and conditions of those programs. These programs include the Minnesota conservation corps, Minnesota summer youth program, county emergency jobs program, and the jobs training partnership act.

Subd. 2. EMPLOYMENT CONDITIONS. (a) An eligible nonprofit or public employer may not terminate, lay off, or reduce the regular working hours of an employee for the purpose of hiring an individual with money available under this program. An eligible employer may not hire an individual with money available through this program if any other person is on layoff from the same or a substantially equivalent job.

(b) Community investment program participants are employees of the project employer within the meaning of workers' compensation laws, personal income tax, and the federal insurance contribution act, but not retirement or civil service laws.

(c) Each project and job must comply with all applicable affirmative action, fair labor, health, safety, and environmental standards.

(d) Individuals employed under the community investment program must be paid a wage at the same wage rates as work site or employees doing comparable work in that locality, unless otherwise specified in law.

(e) Recipients of aid to families with dependent children who are eligible on the basis of an unemployed parent may not have available more than 100 hours a month. All employees are limited to 32 hours or four days a week, so that they can continue to seek full-time private sector employment, unless otherwise specified in law.

(f) The commissioner shall establish, by rule, the terms and conditions governing the participation of appropriate public assistance recipients. The rules

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must, at a minimum, establish the procedures by which the minimum and maximum number of work hours and maximum allowable travel distances are determined, the amounts and methods by which work expenses will be paid, and the manner in which support services will be provided. The rules must also provide for periodic reviews of clients continuing employment in community investment programs.

(g) Participation in a community investment program by a recipient of aid to families with dependent children or general assistance is voluntary; however, work readiness registrants may be required to participate.

Subd. 3. COMMISSIONER OF JOBS AND TRAINING. The commissioner shall:

(1) make emergency or permanent rules governing plan content, criteria for approval, and administrative standards;

(2) refer community investment program administrators to the appropriate state agency for technical assistance in developing and administering community investment programs;

(3) establish the method by which community investment programs will be approved or disapproved through the community investment program plan and the annual update component of the county plan;

(4) review and comment on community investment program plans;

(5) institute ongoing methods to monitor and evaluate community investment programs; and

(6) inform the commissioner of human services of the counties that do not have an approved plan.

Subd. 4. COUNTY BOARDS OF COMMISSIONERS. The county boards of commissioners shall:

(1) be encouraged to establish community investment programs that are administered jointly according to section 471.59, or through multicounty human service boards under chapter 402;

(2) develop community investment programs in consultation with the exclusive representatives of their employees;

(3) plan community investment programs by involving nonprofit organizations and other governmental units, community action agencies, community-based organizations, local union representatives, and representatives of client groups;

(4) submit to the commissioner a community investment program plan, before the initiation of a community investment program, for approval according to standards established by the commissioner;

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(5) plan community investment projects that, whenever possible, utilize existing programs that are administered under contract by nonprofit organizations and governmental units, including departments and agencies of cities, counties, towns, school districts, state and federal agencies, park reserve districts, and other special districts;

(6) include in their local service unit plans an annual update to their community investment program plans for approval according to standards established by the commissioner;

(7) submit reports and meet administrative standards established by rule;

(8) monitor the performance of entities under contract to administer individual community investment projects;

(9) enter into contracts with other governmental and private bodies to jointly fund or jointly administer approvable projects when agreements expand the resources available, the scope of people employed, or further recognized public purposes; and

(10) be encouraged to enter into contracts with businesses or individuals for eligible projects under subdivision 1 and charge a fee for the completion of a project.

Subd. 5. STATE FINANCIAL PARTICIPATION. The statutorily established state rates of financial participation or available state appropriations or grants are not affected by their incorporation into a community investment program.

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Sec. 72. [268.91] **CHILD CARE SLIDING FEE PROGRAM.**

Subdivision 1. DEFINITIONS. For the purposes of this section the following terms have the meanings given.

(a) "Child care services" means family day care homes, group day care homes, nursery schools, day nurseries, child day care centers, play groups, head start, parent cooperatives, and in-home child care as defined in the Minnesota plan for social services to families and children.

(b) "Child" means a person 14 years old or younger.

(c) "Commissioner" means the commissioner of jobs and training.

Subd. 2. DUTIES OF COMMISSIONER. The commissioner shall develop standards for county boards to provide child care services to enable eligible families to participate in employment or training programs. The commissioner shall distribute money to counties to reduce the costs of child care for eligible families. The commissioner shall adopt rules to govern the program in accordance with this section. The rules must establish a sliding schedule of fees for parents receiving child care services. The commissioner shall require counties to

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collect and report data that the commissioner deems necessary to evaluate the effectiveness of the program in preventing and reducing participants' dependence on public assistance and in providing other benefits, including improvement in the care provided to children. The commissioner shall report to the full productivity and opportunity coordinator in each even-numbered year on the effectiveness of the program.

Subd. 3. ALLOCATION. (a) By June 1 of each odd-numbered year, the commissioner shall notify all county boards of the allocation and the procedures used for the sliding fee program. Allocations must be made by July 1 of each odd-numbered year. If the appropriation is insufficient to meet the needs in all counties, the amount must be prorated among the counties.

(b) For the purposes of this section, the commissioner shall allocate money appropriated between the metropolitan area, comprising the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington, and the area outside the metropolitan area so that no more than 55 percent of the total appropriation goes to either area after excluding allocations for statewide administrative costs. The commissioner shall allocate 50 percent of the money among counties on the basis of the number of families below the poverty level, as determined from the most recent special census, and 50 percent on the basis of caseloads of aid to families with dependent children for the preceding fiscal year, as determined by the commissioner of human services.

Subd. 4. FINANCIAL ELIGIBILITY. (a) Child care services must be available to families who need child care to find or keep employment or to obtain the training or education necessary to find employment and who:

- (1) receive aid to families with dependent children;
- (2) have household income below the eligibility levels for aid to families with dependent children; or
- (3) have household income within a range established by the commissioner.

(b) Child care services for the families receiving aid to families with dependent children must be made available as in-kind services, to cover any difference between the actual cost and the amount disregarded under the aid to families with dependent children program. Services to families whose incomes are below the threshold of eligibility for aid to families with dependent children, but that are not receiving aid to families with dependent children, must be made available without cost to the families.

(c) Child care services to families with incomes in the commissioner's established range must be made available on a sliding fee basis. The lower limit of the sliding fee range must be the eligibility limit for aid to families with dependent children. The upper limit of the range must be neither less than 70

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percent nor more than 90 percent of the state median income for a family of four, adjusted for family size.

(d) If a disproportionate amount of the available money is provided to any one of the groups described in subdivision 4, paragraph (a), of this section, the county board shall document to the commissioner the reason the group received a disproportionate share.

Subd. 5. EMPLOYMENT OR TRAINING ELIGIBILITY. (a) Persons who are seeking employment and who are eligible for assistance under this section are eligible to receive the equivalent of one month of child care. Employed persons who work at least ten hours a week and receive at least a minimum wage for all hours worked are eligible for child care assistance.

(b) Persons eligible under this section for child care assistance for education or training must receive assistance for the length of the program or 24 months, whichever is shorter. An education or training program with demonstrated effectiveness may be approved by the commissioner of education and accredited by the appropriate agency as an eligible program including high school or an equivalent program, an English competency program, technical or vocational training, or a four-year or associate degree program.

Subd. 6. COUNTY CONTRIBUTION. In addition to payments from parents, the program must be funded by county contributions. Counties shall contribute five percent of the cost of the program in the program's first year and 15 percent in the second and subsequent years. The commissioner may require by rule that a county pay the commissioner the portion of sliding fee allocations paid by the state for which the county is responsible. The county shall advance its portion of sliding fee costs, based upon allocations made by the commissioner for that county for expenditures in the succeeding month. Adjustments of any overestimate or underestimate based on actual expenditures must be made by the commissioner by adjusting the estimate for any succeeding month.

A county shall certify to the commissioner that the county has not reduced allocations from other federal, state, and county sources, which, in the absence of child care sliding fee or wage subsidy money, would have been available for child care services.

Subd. 7. SLIDING FEE SCALE. In setting the sliding fee schedule, the commissioner shall exclude from the amount of income used to determine eligibility an amount for federal and state income and social security taxes attributable to that income level according to federal and state standardized tax tables. The fee schedule must be designed to use any available tax credits and to progress smoothly from appropriated assistance to assistance through tax credits.

Subd. 8. MAXIMUM COUNTY RATE. The county board may limit the subsidy allowed by setting a maximum on the provider child care rate that

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the county shall subsidize. The rate set by any county shall not be lower than 110 percent of the median rate for like care arrangements in that county.

Subd. 9. LIMITS ON USE OF STATE FUNDS. The state's payment is limited to the difference between the fee set by the commissioner and the provider's charge for care. When the provider of child care services charges more than 125 percent of the median charge for similar care arrangements in the geographic area defined by the commissioner of human services for the purpose of ascertaining the median charge, the state's payment is limited to the difference between 125 percent of the median charge for similar care arrangements in the geographic area and the parents' fee.

Subd. 10. EXTENSION OF EMPLOYMENT OPPORTUNITIES. The county board shall insure that child care services available to county residents are well advertised and that everyone who receives or applies for aid to families with dependent children is informed of training and employment opportunities and programs, including child care services.

Subd. 11. ADMINISTRATIVE EXPENSES. A county must not use more than seven percent of its allocation for its administrative expenses under this section.

Sec. 73. [268.95] **INDIVIDUAL ENTERPRISE.**

Subdivision 1. COORDINATION. The commissioner may coordinate state activities related to self-employment enterprises, including home-based businesses, individual self-employment initiatives, and collective and cooperative efforts involving individual entrepreneurs.

Subd. 2. MARKETING. The commissioner may undertake activities to expand the marketing of goods or services produced by the state's independent entrepreneurs.

Subd. 3. TECHNICAL ASSISTANCE. The commissioner may provide or arrange for the provision of information, technical assistance, and support as necessary to help individuals determine whether they wish to become self-employed, to obtain needed training, to develop business plans and financing, and to sustain the initiatives.

Subd. 4. PILOT PROGRAM. The commissioner shall develop a pilot program, in cooperation with the commissioners of energy and economic development and human services, to enable low-income persons to start or expand self-employment opportunities or home-based businesses that are designed to make the individual entrepreneurs economically independent. The commissioner of human services shall seek necessary waivers from federal regulations to allow recipients of aid to families with dependent children to participate and retain eligibility while establishing a business.

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Subd. 5. STUDY. The commissioner shall study the needs of individual entrepreneurs and beginning businesses and recommend to the governor how state programs and resources can provide further assistance.

Sec. 74. POSITIONS ABOLISHED.

Positions in the unclassified service in the department of economic security are abolished.

Sec. 75. REVISOR'S INSTRUCTION.

The revisor of statutes shall change the references "commissioner of economic security" and "department of economic security" wherever they appear in Minnesota Statutes to "commissioner of jobs and training" and "department of jobs and training," in subsequent editions of Minnesota Statutes except as otherwise specified by this article.

Sec. 76. TRANSFER.

The commissioner of finance shall transfer, according to section 15.039, positions and appropriations for existing programs and agencies as required by this act.

Sec. 77. TRANSITION.

Subdivision 1. Except as provided in subdivision 2, wage subsidies are governed by sections 268.672 to 268.684 until September 30, 1985. Between July 1, 1985, and September 30, 1985, the Minnesota emergency employment development coordinator may encumber up to \$4,000,000 of the jobs program appropriation for fiscal year 1986 to pay wage subsidies for eligible applicants placed in private-sector employment.

Subd. 2. The commissioner of jobs and training may deliver wage subsidies for a local service unit that is not prepared to accept responsibility for the delivery of wage subsidies on October 1, 1985, and may do so until the local service unit is prepared to accept responsibility for the delivery of wage subsidies, or until December 31, 1985, whichever comes first.

Subd. 3. In fiscal years 1986 and 1987, money appropriated to the jobs program, or the Minnesota employment and economic development program, is the wage subsidy appropriation.

Subd. 4. Rules adopted by the commissioner of economic security under section 268.673, subdivision 6, remain in effect notwithstanding the repeal of the authority removing those rules from the governance of chapter 14.

Sec. 78. REPEALER.

Subdivision 1. Minnesota Statutes 1984, sections 129A.02, subdivision 4; 245.84, subdivision 2; 256.736, subdivisions 1 and 2; 256D.02, subdivision 8a; 256D.111, subdivision 1a; 256D.112; 268.011; 268.012; 268.013; 268.12, subdi-

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visions 1 and 1a; 268.671; 268.685; 268.80; 268.81; 268.82; 268.83; and 268.84 are repealed.

Subd. 2. Minnesota Statutes 1984, sections 268.672, subdivisions 2, 8, 10, and 11; 268.673, subdivisions 1 and 2; 268.674; 268.675; 268.676, subdivision 3; 268.678, subdivisions 2, 7, and 8; 268.679, subdivisions 1 and 2; 268.68; 268.683; 268.684; and 268.686, are repealed October 1, 1985.

Sec. 79. EFFECTIVE DATES.

Subdivision 1. Sections 1 to 47, 65 to 76, and 78, subdivision 1, are effective August 1, 1985, except that:

(a) departments or agencies whose functions, powers, or duties are transferred to the department of jobs and training or are repealed by this article, or in which positions are abolished by this article, shall exercise those functions, powers, or duties and retain those positions until the commissioner of jobs and training notifies the commissioner of administration that the department of jobs and training is ready to begin operation; and

(b) a new program established by this article is not effective until the full productivity and opportunity coordinator and the commissioner of jobs and training have been appointed and have taken office.

Subd. 2. Sections 48 to 64 and 78, subdivision 2, are effective October 1, 1985.

Subd. 3. Notwithstanding subdivision 1, all sections of this article must be effective by October 1, 1985.

**ARTICLE 10
MINING TAXES**

Section 1. Minnesota Statutes 1984, section 15A.081, subdivision 8, is amended to read:

Subd. 8. EXPENSE ALLOWANCE. Notwithstanding any law to the contrary, positions listed in subdivision 1, constitutional officers, the president of each community college, the commissioner of iron range resources and rehabilitation, and the director of vocational-technical education are authorized an annual expense allowance not to exceed \$1,500 for necessary expenses in the normal performance of their duties for which no other reimbursement is provided. However, expense allowances for the chancellor of the state university system and the president of each state university shall be governed only by section 136.063. The expenditures under this subdivision are subject to any laws and rules relating to budgeting, allotment and encumbrance, preaudit and post-audit. The commis-

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sioner of finance may promulgate rules to assure the proper expenditure of these funds, and to provide for reimbursement.

Sec. 2. Minnesota Statutes 1984, section 16A.128, subdivision 2, is amended to read:

Subd. 2. **NO RULEMAKING.** The kinds of fees that need not be fixed by rule unless specifically required by law are:

- (1) fees based on actual direct costs of a service;
- (2) one-time fees;
- (3) fees that produce insignificant revenues;
- (4) fees billed within or between state agencies; ~~or~~
- (5) fees exempt from commissioner approval; or
- (6) fees for admissions to or use of facilities operated by the iron range resources and rehabilitation board, if the fees are set according to prevailing market conditions to recover operating costs.

Sec. 3. Minnesota Statutes 1984, section 273.136, subdivision 1, is amended to read:

Subdivision 1. Payment from the ~~taconite property tax relief account~~ county shall be made as provided herein for the purpose of replacing revenue lost as a result of the reduction of property taxes provided in section 273.135.

Sec. 4. Minnesota Statutes 1984, section 273.136, subdivision 2, is amended to read:

Subd. 2. The commissioner of revenue shall determine, not later than May 1 of each year, ~~commencing in 1974~~, the amount of reduction resulting from section 273.135 in each county containing a tax relief area as defined by section 273.134, basing his determinations on a review of abstracts of tax lists submitted by the county auditors pursuant to section 275.29. He may make ~~such~~ changes in the abstracts of tax lists as he deems necessary. The commissioner of revenue, after such review, shall submit to the ~~commissioner of finance~~ St. Louis county auditor, on or before June 1, the amount of the first half payment payable hereunder and on or before October 15 the amount of the second half payment.

Sec. 5. Minnesota Statutes 1984, section 273.136, subdivision 3, is amended to read:

Subd. 3. The ~~commissioner of finance~~ St. Louis county auditor shall pay out of the taconite property tax relief account to each county treasurer one-half of the amount certified under subdivision 2 not later than July June 15 and the remaining half not later than November 15 of each year ~~commencing in 1982~~.

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Sec. 6. Minnesota Statutes 1984, section 273.136, subdivision 4, is amended to read:

Subd. 4. The county treasurer shall distribute the funds received by him ~~under subdivision 3~~ as if they had been collected as a part of the property tax reduced by section 273.135.

Sec. 7. Minnesota Statutes 1984, section 298.01, subdivision 1, as amended by Laws 1985, chapter 300, section 20, is amended to read:

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 percent of the valuation of all ores mined or produced before January 1, 1986, 14.5 percent of the valuation of all ores produced after December 31, 1985 and before January 1, 1987, and 14 percent of the valuation of all ores produced after December 31, 1986. Said 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. 8. Minnesota Statutes 1984, section 298.03, is amended to read:

298.03 VALUE OF ORE; HOW ASCERTAINED.

The valuation of iron or other ores for the purposes of determining the amount of tax to be paid under the provisions of section 298.01 shall be ascertained by subtracting from the value of such ore, at the place where the same is brought to the surface of the earth, such value to be determined by the commissioner of revenue:

(1) The reasonable cost of supplies used and labor performed at the mine in separating the ore from the ore body, including hoisting, elevating, or conveying the same to the surface of the earth;

(2) If the ore is taken from an open pit mine, an amount for each ton of ore mined or produced during the year equal to the cost of removing the overburden, divided by the number of tons of ore uncovered, the number of tons of ore uncovered in each case to be determined by the commissioner of revenue;

(3) If the ore is taken from an underground mine, an amount for each ton of ore mined or produced during the year equal to the cost of sinking and constructing shafts and running drifts, divided by the number of tons of ore that can be advantageously taken out through such shafts and drifts, the number of tons of ore that can be advantageously taken out in each case to be determined by the commissioner of revenue;

(4) The amount of royalties paid on the ore mined or produced during the year;

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(5) For persons mining or producing iron ore the mining or production of which is subject to the occupation tax imposed by section 298.01, subdivision 1, the amount of the ad valorem taxes levied and paid for the year against the realty in which the ore is deposited; for all others a percentage of the ad valorem taxes levied and paid for such year against the realty in which the ore is deposited equal to the percentage that the tons mined or produced during such year bears to the total tonnage in the mine;

(6) In the case of taconite, semi-taconite and iron sulphide operations, the tax payable under section 298.24, but not exceeding 25 cents per taxable ton, and that payable under section 298.35, on the concentrates produced in said year and any taxes paid under Laws 1955, Chapters 391, 429, 514, 576 or 540, or any other law imposing on such taconite operations a specific tax for school or other governmental purposes;

(7) The amount or amounts of all the foregoing subtractions shall be ascertained and determined by the commissioner of revenue. Deductions for interest on plant investment shall not exceed the greater of (a) four percent of book value, or (b) the amount actually paid but not exceeding six percent of book value. No subtraction shall be allowed for shrinkage of iron ore.

Sec. 9. Minnesota Statutes 1984, 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~~ four 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.

(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. 10. Minnesota Statutes 1984, section 298.031, subdivision 3, is amended to read:

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Subd. 3. **CREDIT, APPLICATION.** The credit provided by this section shall not be applicable with respect to any mine operated by a mining company or an operating agent

(a) if the net marketable tonnage of iron ores, exclusive of taconite and semi-taconite, produced from all mines operated by such mining company or operating agent exceeds ~~one and one-half~~ three percent of the net marketable tonnage of iron ores or concentrates including taconite and semi-taconite, produced in this state during the year for which the tax is being determined, or

(b) if such mining company or operating agent is also engaged in the manufacture of steel, or

(c) if any company manufacturing steel has an interest, either directly or indirectly, through stock ownership in such mining company or operating agent.

The taxpayer shall have the burden of proving its right to the credit provided by this section.

Sec. 11. Minnesota Statutes 1984, section 298.09, subdivision 4, is amended to read:

Subd. 4. If the amount of tax determined by the commissioner is subsequently found to be erroneous, the commissioner may, at any time within three years from the date the tax is certified as provided in section 298.10, redetermine the amount thereof. No such redetermination shall be made increasing the tax unless the person from whom the additional amount is due is given ten days written notice thereof and an opportunity to be heard thereon. If an order is made increasing the tax, the same proceedings shall be had as provided for occupation taxes originally determined and certified. Any person who has paid an occupation tax may apply to the commissioner within the time herein limited for a redetermination of the tax, and if the commissioner determines that the tax has been overpaid, he shall make and file an order determining the amount of such overpayment, and ~~credit it against occupation taxes otherwise payable by~~ pay a refund of that amount to the person who has overpaid the amount as so determined. If the tax is increased, interest at the rate specified in section 270.75 from the date payment should have been made shall be determined and paid; if the tax is reduced, interest at the rate of six percent per annum from the date of overpayment shall be allowed.

Sec. 12. **[298.2212] INVESTMENT OF FUNDS.**

All funds credited to the iron range resources and rehabilitation board account in the special revenue fund for the purposes of section 298.22 must be invested pursuant to law. The net interest and dividends from the investments are included and become part of the funds available for purposes of section 298.22.

Sec. 13. Minnesota Statutes 1984, section 298.223, is amended to read:

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298.223 TACONITE AREA ENVIRONMENTAL PROTECTION FUND.

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

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

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

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

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

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

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

Funds for the purposes of this section are provided by section 298.28, subdivision 1, clause ~~(10)~~ (9) relating to the taconite environmental protection fund.

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Sec. 14. Minnesota Statutes 1984, section 298.225, as amended by Laws 1985, chapter 300, section 22, is amended to read:

298.225 APPROPRIATION.

Subdivision 1. 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), ~~(7)~~ (6), and ~~(8)~~ (7)(a), shall receive 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 proportionately at the rate of two percent for each 1,000,000 tons, or part of 1,000,000 tons by which the production is less than 42,000,000 tons.

Subd. 2. ~~There is hereby appropriated to the commissioner of revenue~~ The money necessary for funding the difference between the initial distribution made pursuant to section 298.28 and the amount guaranteed in subdivision 1 is appropriated in equal proportions from the initial current year distributions to the taconite environmental protection fund and to the northeast Minnesota economic protection trust pursuant to section 298.28. If the initial distributions to the taconite environmental protection fund and the northeast Minnesota economic protection trust are insufficient to fund the difference, the commissioner of iron range resources and rehabilitation shall make the payments of any remaining difference from the corpus of 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 as directed by the commissioner of revenue.

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 The commissioner of iron range resources and rehabilitation shall make these school bond payments from the corpus of the northeast Minnesota economic protection trust fund to the commissioner of revenue in the amounts needed to make these school bond payments certified by the commissioner of revenue.

Sec. 15. Minnesota Statutes 1984, section 298.24, subdivision 4, is amended 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

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taconite tailings on land. This credit shall be available against taxes paid in 1985, 1986, and 1987. ~~The amount sufficient to commissioner of iron range resources and rehabilitation shall 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 1984, section 298.27, is amended to read:

298.27 COLLECTION AND PAYMENT OF TAX.

The taxes provided by section 298.24 shall be collected and paid in the same manner as provided by law for the payment of the occupation tax, except that directly to each eligible county and the iron range resources and rehabilitation board. ~~The commissioner of revenue shall notify each producer of the amount to be paid each recipient prior to February 8.~~ The report required by section 298.05 shall be filed on or before February 15 together with 1. A remittance equal to 90 percent of the total tax required to be paid hereunder shall be paid on or before April February 15. On or before February 25, the commissioner of revenue county auditor shall make distribution of the payment received by the county in the manner provided by section 298.28. ~~The commissioner of revenue shall determine the amount of tax due on or before March 15.~~ The balance due shall be paid on or before April 15 following the production year, and shall be distributed by the county auditor as provided in section 298.28 by May 15. Reports shall be made and hearings held upon the determination of the tax in accordance with procedures established by the commissioner of revenue. The commissioner of revenue shall have authority to make reasonable regulations as to the form and manner of filing reports necessary for the determination of the tax hereunder, and by such regulations may require the production of such information as may be reasonably necessary or convenient for the determination and apportionment of the tax. All the provisions of the occupation tax law with reference to the assessment, and determination, and collection of the occupation tax, including all provisions for appeals from or review of the orders of the commissioner of revenue relative thereto, but not including provisions for refunds, are hereby made applicable to the taxes imposed by section 298.24 except in so far as inconsistent herewith. If any person subject to section 298.24 shall fail to make the report provided for in this section at the time and in the manner herein provided, the commissioner of revenue shall in such case, upon such information as he may possess or obtain, ascertain the kind and amount of ore mined or produced and thereon find and determine the amount of the tax due from such person. There shall be added to the amount of tax due a penalty for failure to report on or before February 15 1, which penalty shall equal ten percent of the tax imposed and be treated as a part thereof.

If any person responsible for making a partial tax payment at the time and in the manner herein provided fails to do so, there shall be imposed a penalty

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equal to ten percent of the amount so due, which penalty shall be treated as part of the tax due.

In the case of any underpayment of the partial tax payment required herein, there may be added and be treated as part of the tax due a penalty equal to ten percent of the amount so underpaid.

If any portion of the taxes provided for in section 298.24 is not paid before the fifteenth day of April of the year in which due and payable, a penalty of ten percent of such unpaid portion shall immediately accrue, and thereafter one percent per month shall be added to such tax and penalty while such tax remains unpaid.

Sec. 17. Minnesota Statutes 1984, section 298.28, subdivision 1, as amended by Laws 1985, chapter 300, section 23, is amended to read:

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 certification of the commissioner of revenue ~~to the general fund of the state~~, be paid by the commissioner of revenue allocated 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 the county in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. If the mining, quarrying, and concentration, or different steps in either thereof are carried on in more than one taxing district, the commissioner shall apportion equitably the proceeds of the part of the tax going to cities and towns among such subdivisions upon the basis of attributing 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) (a) 12.5 cents per taxable ton, less any amount distributed under clause ~~(8) (7)~~, paragraph (a), ~~to the taconite municipal aid account in the apportionment fund of the state treasury and paragraph (b) of this clause~~, to be distributed as provided in section 298.282.

(b) An amount annually certified by the county auditor of a county containing a taconite tax relief area within which there is an organized township if, as of January 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron ore. The amount will be the portion of a township's certified levy equal to the proportion of (1) the difference between 50 percent of the township's January 2, 1982, assessed value and its current assessed value to

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(2) the sum of its current assessed value plus the difference determined in (1). The county auditor shall extend the township's levy against the sum of the township's current assessed value plus the difference between 50 percent of its January 2, 1982, assessed value and its current assessed value. If the current assessed value of the township exceeds 50 percent of the township's January 2, 1982, assessed value, this clause shall not apply.

(3) 29 cents per taxable ton plus the increase provided in paragraph (c) to qualifying school districts to be distributed, based upon the certification of the commissioner of revenue, 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 distribution must be based on 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 sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, 124A.14, subdivision 5a, and 275.125, comprises of the sum of certified levies for the prior year for all qualifying districts, computed pursuant to sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, 124A.14, subdivision 5a, and 275.125. For purposes of distributions pursuant to this part, certified levies for the prior year computed pursuant to sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, 124A.14, subdivision 5a, and 275.125 shall not include the amount of any increased levy authorized by referendum pursuant to section 124A.03, subdivision 2.

(c) On July 15, 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 124A.03, subdivision 2, 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 second previous school year, less the product

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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 124A.03, subdivision 2, 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 section 124A.02 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~~ iron range resources and rehabilitation 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 40 (9).

(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, based upon certification by the commissioner of revenue, 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) is the basis for the distribution.~~

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

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(5) (a) 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 St. Louis county acting as the counties' fiscal agent, 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 paid 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 paid 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)~~ (7) (a) .20 cent per taxable ton shall be paid 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.

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

(9) ~~(8)~~ the amounts determined under clauses (4)(a), (4)(c), (5), and ~~(8)~~ (7) (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.

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(10) (9) the proceeds of the tax imposed by section 298.24 which remain after the distributions and payments in clauses (1) to (9) (8), as certified by the commissioner of revenue, and parts (a) and (b) of this clause have been made, together with interest earned on all money distributed under this subdivision prior to distribution, 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: 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) 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) 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 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. The commissioner of revenue shall annually on or before October 10 report an estimated distribution amount to each taxing district and 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 or city in the year in which such estimate is made, and payable in the next ensuing calendar year, except that one cent per taxable ton of the amount distributed under clause (4)(c) shall not be deducted in calculating the permissible levy. In any calendar year in which a general property tax levy subject to sections 275.50 to 275.59 has been made, if the taxes distributable to any such county or city are greater than the amount estimated by the commissioner to be paid to any such county or city in such year, the excess of such distribution shall be held in a special fund by the county or city and shall not be expended until the succeeding calendar year, and shall be included in computing the permissible levies under sections 275.50 to 275.59, of such county or city payable in such year. If the amounts distributable to any such county or city

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after final determination by the commissioner of revenue under this section are less than the amounts by which a taxing district's levies were reduced pursuant to this section, such county or city 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 275.50 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 appropriated to such taxing districts shall be made by the commissioner of revenue on or before May 15 annually.

Sec. 18. Minnesota Statutes 1984, section 298.28, subdivision 2, is amended to read:

Subd. 2. In ~~distributing~~ determining the distributions and payments of the proceeds of the tax collected under section 298.24, the commissioner of revenue shall deduct the amount of any credits authorized under section 298.24, subdivision 3, against the tax imposed under subdivision 1 of said section, from the amount which would otherwise have been ~~distributed~~ paid to the iron range resources and rehabilitation board for credit to the northeast Minnesota economic protection trust fund in the apportionment fund in the state treasury under subdivision 1 of this section.

Sec. 19. Minnesota Statutes 1984, section 298.282, subdivision 1, is amended to read:

Subdivision 1. The amount deposited to the ~~credit of the taconite municipal aid account in the apportionment fund of the state treasury~~ with the county as provided in section 298.28, subdivision 1, clause (2) shall be distributed as provided by this section, among the municipalities comprising a tax relief area under section 273.134, as amended hereby, each being herein referred to as a qualifying municipality.

Sec. 20. Minnesota Statutes 1984, section 298.282, subdivision 4, is amended to read:

Subd. 4. ~~On or before August 15, 1972,~~ On or before August September 15 of each year thereafter, the ~~commissioner of finance~~ county auditor shall issue his warrant in favor of the treasurer of each qualifying municipality in the amount determined by the commissioner of revenue to be due and payable to

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such qualifying municipality in such year. ~~In 1975 and subsequent years, such payment shall be made by the commissioner of revenue on or before September 15.~~

Sec. 21. Minnesota Statutes 1984, section 298.282, subdivision 5, is amended to read:

Subd. 5. ~~Commencing in 1977,~~ The commissioner of revenue county auditor shall annually on September 15 make a payment from the taconite municipal aid fund to cities and towns for the purpose of replacing the revenue loss to them resulting from Laws 1975, Chapter 437, Article XI, Section 7. The amount of aid to be paid annually to each city and town is the amount they were entitled to receive for 1975 under the provisions of Minnesota Statutes 1974, Section 298.32.

Sec. 22. Minnesota Statutes 1984, section 298.292, is amended to read:

298.292 **POLICY.**

The legislature is cognizant of the severe economic dislocations and widespread unemployment that result when a single industry on which an area is largely dependent, experiences a drastic reduction in activity. The northeast Minnesota economic protection trust fund is hereby created to be devoted to economic rehabilitation and diversification of industrial enterprises where these conditions ensue as the result of the decline of such a single industry. Priority shall be given to using the northeast Minnesota economic protection trust fund for the following purposes:

(a) projects and programs that are designed to create and maintain productive, permanent, skilled employment, including employment in technologically innovative businesses;

(b) projects and programs to encourage diversification of the economy and to promote the development of minerals, alternative energy sources utilizing indigenous fuels, forestry, small business, and tourism;

(c) projects and programs for which technological and economic feasibility have been demonstrated;

(d) loans, loan guarantees, interest buy-downs and other forms of participation with private sources of financing, but a loan to a private enterprise shall be for a principal amount not to exceed one-half of the cost of the project for which financing is sought, and the rate of interest on a loan shall be no less than eight percent; ~~and~~

(e) funding reserve accounts established to secure the payment when due of the principal of and interest on bonds issued pursuant to section 298.2211; ~~and~~

(f) to pay in periodic payments or in a lump sum payment any or all of the interest on bonds issued pursuant to chapter 474 for the purpose of constructing,

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converting, or retrofitting heating facilities in connection with district heating systems or systems utilizing alternative energy sources.

Money from the trust fund shall be expended only in or for the benefit of the tax relief area defined in section 273.134.

Sec. 23. Minnesota Statutes 1984, section 298.293, is amended to read:

298.293 **EXPENDING FUNDS.**

The funds provided by section 298.28, subdivision 1, clause ~~(10)~~ (9), relating to the northeast Minnesota economic protection trust fund, except money expended pursuant to Laws 1982, Second Special Session, chapter 2, sections 8 to 14, shall be expended only in an amount that does not exceed the sum of the net interest, dividends, and earnings arising from the investment of the trust for the preceding 12 calendar months from the date of the authorization plus, for fiscal year 1983, \$10,000,000 from the corpus of the fund. The funds may be spent only in or for the benefit of those areas that are tax relief areas as defined in section 273.134. If during any year the taconite property tax account under sections 273.134 to 273.136 does not contain sufficient funds to pay the property tax relief specified in Laws 1977, chapter 423, article X, section 4, there is appropriated from this trust fund to the relief account sufficient funds to pay the relief specified in Laws 1977, chapter 423, article X, section 4.

Sec. 24. Minnesota Statutes 1984, section 299.01, subdivision 1, as amended by Laws 1985, chapter 300, section 24, is amended to read:

Subdivision 1. There shall be levied and collected upon all royalty received during each calendar year for permission to explore, mine, take out and remove ore from land in this state, a tax of 15 percent before January 1, 1986, a tax of 14.5 percent after December 31, 1985, and before January 1, 1987, and a tax of 14 percent after December 31, 1986.

Sec. 25. **TRANSFER OF FUNDS.**

The unencumbered balance in the taconite property tax relief account in the apportionment fund in the state treasury on February 15, 1986, is appropriated to the commissioner of finance to be paid on that date to the St. Louis county auditor, to be distributed as provided in sections 273.134 to 273.136.

Sec. 26. Laws 1982, chapter 523, article XXX, section 4, subdivision 1, as amended by Laws 1982, Second Special Session, chapter 2, section 15, is amended to read:

Subdivision 1. Commencing with taxes payable in ~~1983~~ 1986, the commissioner of ~~revenue~~ iron range resources and rehabilitation shall deduct and annually pay to Independent School District 710 an amount equal to four cents per gross ton of taxable iron concentrate produced but not less than \$240,000 annually from the taxes paid pursuant to sections 298.23 to 298.28 by a person,

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corporation, partnership, operator, joint venture or other owner of a taconite plant and taconite properties located within the school district. The deduction shall be made from the amount which would otherwise have been distributed to the northeast Minnesota economic protection trust fund in the apportionment fund in the state treasury under section 298.28, subdivision 1. A sum is annually appropriated to the commissioner from the proceeds of the taxes sufficient to make the payments required by this section.

Sec. 27. EFFECTIVE DATE.

Sections 1, 2, 12, and 22 are effective July 1, 1985. Sections 3 to 6, 13 to 21, and 23 are effective for taxes payable in 1986 and thereafter. Sections 8 to 10 are effective for ores produced in 1985 and thereafter. Section 11 is effective for refunds of overpayments of taxes payable in 1985 and thereafter.

ARTICLE 11
MORTGAGE REGISTRATION AND DEED TAXES

Section 1. Minnesota Statutes 1984, section 287.05, subdivision 1, is amended to read:

Subdivision 1. A tax of 15 cents is imposed upon each \$100, or fraction thereof, of the principal debt or obligation which is or may be secured by any mortgage of real property situated within the state executed, delivered, and recorded or registered; provided, however, that the tax shall be imposed but once upon any mortgage and extension thereof. If the mortgage describes real estate situated outside of this state, the tax shall be imposed upon that proportion of the whole debt secured thereby as the value of the real estate therein described situated in this state bears to the value of the whole of the real estate described therein, ~~as the value is determined by the commissioner of revenue upon application of the mortgagee.~~ The tax imposed by this section shall not apply to a contract for the conveyance of real estate or any interest in real estate recorded or registered on or after January 1, 1984.

Sec. 2. Minnesota Statutes 1984, section 287.08, is amended to read:
287.08 TAX, HOW PAYABLE; RECEIPTS.

The tax imposed by sections 287.01 to 287.12 shall be paid to the treasurer of the county in which the mortgaged land or some part thereof is situated at or before the time of filing the mortgage for record or registration. The treasurer shall endorse his receipt on the mortgage, countersigned by the county auditor, who shall charge the amount to the treasurer and such receipt shall be recorded with the mortgage, and such receipt of the record thereof shall be conclusive proof that the tax has been paid to the amount therein stated and authorize any county recorder to record the mortgage. Its form, in substance, shall be

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"registration tax hereon of dollars paid." If the mortgages be exempt from taxation the endorsement shall be "exempt from registration tax," to be signed in either case by the treasurer as such, and in case of payment to be countersigned by the auditor. In case the treasurer shall be unable to determine whether a claim of exemption should be allowed, the tax shall be paid to the clerk of the district court of the county to abide the order of such court made upon motion of the county attorney, or of the claimant upon notice as required by the court. When any such mortgage covers real property situate in more than one county in this state the whole of such tax shall be paid to the treasurer of the county where the mortgage is first presented for record or registration, and the payment shall be receipted and countersigned as above provided. ~~When the amount of the tax is \$100 or more,~~ The tax shall be divided and paid over by the county treasurer receiving the same, on or before the tenth day of each month after receipt thereof, to the county or counties entitled thereto in the ratio which the market value of the real property covered by the mortgage in each county bears to the market value of all the property described in the mortgage. In making such division and payment the county treasurer shall send therewith a statement giving the description of the property described in the mortgage and the market value of the part thereof situate in each county. For the purpose aforesaid, the treasurer of any county may require the treasurer of any other county to certify to him the market valuation of any tract of land in any such mortgage.

Sec. 3. Minnesota Statutes 1984, section 287.09, is amended to read:

287.09 MORTGAGE ON EXEMPT PROPERTY; PROPERTY NOT DIRECTLY TAXED; RECEIPT; APPORTIONMENT OF TAX.

When any real estate situate in this state and described in any such mortgage is exempt from taxation under the Constitution of the State of Minnesota, Article 10, Section 1, the tax herein provided shall be paid to the treasurer of the county in which such real estate is situate in the same manner as if such real estate was not exempt from taxation. When any real estate situate in this state and described in such mortgage is not exempt from taxation under such section, but is not taxed by direct tax upon the assessed valuation thereof, then the tax herein provided shall be paid to the ~~commissioner of revenue for deposit in the state treasury and credited to the general fund.~~ ~~The receipt thereof shall be endorsed upon the mortgage by the commissioner of revenue and thereupon such mortgage shall be recorded or registered, as to such real estate, in any office in this state.~~ ~~When any such mortgage shall describe any real estate, part of which is not taxed by direct tax upon the assessed valuation thereof and part of which is so taxed or is exempt from taxation, the proportionate amount of the tax to be paid to the commissioner of revenue and to the county treasurer shall be determined in accordance with the proportionate value of the real estate included therein as such valuation shall be determined by the commissioner of revenue upon application of the mortgagee.~~ The amount of the tax payable to the

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commissioner of revenue shall thereupon be paid to him, who shall endorse upon such mortgage that the proportionate amount of the tax payable to him has been paid and the balance of such tax shall be paid to the treasurer of the county where the mortgage is first presented for record or registration and shall be divided and paid to the treasurers of the other counties entitled thereto, as provided by section 287.08 county. Real estate taxed under sections 298.23 to 298.28, relating to taconite and taconite operations or under sections 294.21 to 294.28, relating to railroads transporting taconite or taconite concentrates other than as a common carrier, shall not be considered to be real estate not taxed by direct tax upon the assessed valuation thereof within the meaning of this section.

Sec. 4. Minnesota Statutes 1984, section 287.12, is amended to read:

287.12 TAXES, HOW APPORTIONED.

All taxes paid to the county treasurers treasurer on or after July 1, 1985, under the provisions of sections 287.01 to 287.12 shall be apportioned, 95 percent to the general fund of the state, and five percent credited to the county revenue fund.

On or before the tenth day of each month the county treasurer shall determine and pay to the commissioner of revenue the state's portion of the receipts from the mortgage registration tax during the preceding month. The commissioner shall deposit the receipts in the state treasury to the credit of the general fund treasurer shall report to the county welfare agency on or before the tenth day of each month 95 percent of the receipts attributable to the statutory rate in section 287.05. That amount, in addition to 97 percent of the amount determined under section 287.29, must be shown as a deduction from the report filed with the department of human services as required by section 256.82.

Sec. 5. Minnesota Statutes 1984, section 287.21, subdivision 2, is amended to read:

Subd. 2. The proceeds of the taxes levied and collected under sections 287.21 to 287.36 on or after July 1, 1985, shall be credited to the general county revenue fund.

Sec. 6. Minnesota Statutes 1984, section 287.23, is amended to read:

287.23 REAL ESTATE OUTSIDE STATE.

If any deed, instrument, or writing shall describe any real estate situate outside of this state, the tax imposed by section 287.21 shall be measured upon such proportion of the consideration (exclusive of the value of any lien or encumbrance remaining thereon at the time of sale) as the value of the real estate therein described situate in this state bears to the value of the whole of the real

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estate described therein as ~~determined by the commissioner of revenue upon application of any party to the deed, instrument, or writing.~~

Sec. 7. Minnesota Statutes 1984, section 287.25, is amended to read:

287.25 PAYMENT OF TAX; STAMPS.

The tax imposed by section 287.21 shall be paid by the affixing of a documentary stamp or stamps in the amount of the tax to the document or instrument with respect to which the tax is paid, provided that the ~~commissioner of revenue county board~~ may, in exceptional cases, permit the payment of the tax without the affixing of the documentary stamps and in such cases shall, ~~upon receipt of the tax, direct the treasurer to~~ endorse his a receipt for such tax upon the face of the document or instrument. ~~In such case the commissioner of revenue shall deposit the amount received in payment of the tax with the state treasurer to the credit of the general fund.~~

Sec. 8. Minnesota Statutes 1984, section 287.27, is amended to read:

287.27 STAMPS; PRINTING AND SALE-METERS.

Subdivision 1. ~~The commissioner of revenue shall cause~~ The county board may have documentary stamps to be printed and shall furnish such stamps as may be necessary ~~them~~ to the county treasurers of the state without charge treasurer. Documentary stamps may be purchased only from any the county treasurer and may be used in payment of a tax imposed by section 287.21 or may be resold by the owner at any time not be sold for use in any county other than the county in which the property is located.

Subd. 2. ~~The commissioner may authorize any county treasurer to utilize a tax meter machine approved by the commissioner which shall be provided by the county.~~

~~The commissioner county board~~ may authorize any person to utilize such a tax meter machine upon the filing of a corporate surety bond, in a suitable amount to guarantee the payment of the tax, such amount to be determined by the ~~commissioner county board~~.

~~The commissioner county board~~ may provide rules for the use of such a machine, supervise its operation and provide for the payment of the tax on any deed or document so stamped.

Sec. 9. Minnesota Statutes 1984, section 287.28, is amended to read:

287.28 REFUNDMENTS OR REDEMPTION.

The ~~commissioner of revenue county treasurer~~ may order the refundment in whole or in part of any tax which has been erroneously or unjustly paid and may allow for or redeem such of the stamps, issued under the authority of sections 287.21 to 287.36 as may have been spoiled, destroyed, or rendered useless

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or unfit for the purpose intended or for which the owner may have no use or which through mistake may have been improperly or unnecessarily used. Such order shall be made only upon written application of the taxpayer and ~~shall, if the refundment exceeds \$500, be valid only if approved by the attorney general upon approval of the county board.~~ Refunds therefor shall be paid out of the general fund of the state and moneys therefor are hereby annually appropriated from the general fund for such purpose county.

Sec. 10. Minnesota Statutes 1984, section 287.29, subdivision 1, is amended to read:

Subdivision 1. On or before the tenth day of August 1985, and each month thereafter, the county treasurer shall determine and pay report to the commissioner of revenue county welfare agency the receipts from the sale of documentary stamps attributable to the tax imposed during the preceding month. The report must accompany the report required in section 287.12. The ~~commissioner receipts~~ shall deposit such receipts be deposited in the state county treasury and credited to the credit of the general county revenue fund.

Sec. 11. Minnesota Statutes 1984, section 287.33, is amended to read:

287.33 EXPENSES OF ADMINISTRATION.

Expenses of administration of sections 287.21 to 287.34 to be paid out of ~~appropriations to the commissioner of revenue~~ county funds include fees and expenses incurred by the attorney general and any county attorney in connection with sections 287.21 to 287.34 and all other costs and expenses.

Sec. 12. Minnesota Statutes 1984, section 287.35, is amended to read:

287.35 DOCUMENTARY STAMPS DEFINED.

The term "documentary stamps" means all stamps issued by the ~~commissioner of revenue~~ county for use in payment of the taxes imposed by sections 287.21 to 287.36.

Sec. 13. **REPEALER.**

Minnesota Statutes 1984, sections 287.27, 287.29, subdivision 3, and 287.32 are repealed.

Sec. 14. **EFFECTIVE DATE.**

Sections 1 to 13 are effective July 1, 1985.

ARTICLE 12 RAILROAD ABATEMENTS

Section 1. **APPROPRIATION.**

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There is appropriated from the general fund to the commissioner of revenue the amounts necessary to reimburse local taxing districts for certain abatements of property taxes received by railroads for assessment year 1983 as a result of a change in the assessed valuation of railroad property. For purposes of this section, the term "property taxes" excludes any interest which is required to be paid to the railroads; and the term "abatement" includes only reductions in property tax made from the original assessment certified by the commissioner of revenue, as the result of a court order.

The county auditor shall certify to the commissioner of revenue the dollar amount of the abatements received by the railroads from 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 \$1 per pupil unit for the school district. The 20 cents per capita and the \$1 per pupil unit shall relate to the combined abatement amount for all railroads for 1983 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, 1986.

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 1986 equal to the difference between the amount of tax and interest included in the abatement 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 Minnesota Statutes, section 124.214, subdivision 2.

Sec. 2. EFFECTIVE DATE.

Section 1 is effective the day after final enactment and applies to assessment year 1983.

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ARTICLE 13
ESTATE TAX

Section 1. Minnesota Statutes 1984, section 290.01, subdivision 20e, is amended to read:

Subd. 20e. **MODIFICATION IN COMPUTING TAXABLE INCOME OF THE ESTATE OF A DECEDENT.** Amounts allowable under section 291.07, subdivision 1, clause (2) 2053 or 2054 of the Internal Revenue Code of 1954 in computing Minnesota inheritance or federal estate tax liability shall not be allowed as a deduction (or as an offset against the sales price of property in determining gain or loss) in computing the taxable income of the estate or any person unless there is filed within the time and in the manner and form prescribed by the commissioner a statement that the amounts have not been allowed as a deduction under section 291.07 and a waiver of the right to have the amounts allowed at any time as deductions under section 291.07. The provisions of this paragraph shall not apply with respect to deductions allowed under section 290.077 (relating to income in respect of decedents) an election is made for federal income tax purposes under section 642(g) of the Internal Revenue Code of 1954. The election made for federal tax purposes under section 642(g) of the Internal Revenue Code of 1954 is binding for Minnesota tax purposes.

Sec. 2. Minnesota Statutes 1984, section 291.005, subdivision 1, is amended to read:

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

(1) "Federal gross estate" means the gross estate of a decedent as valued and otherwise determined for federal estate tax purposes by federal taxing authorities pursuant to the provisions of the Internal Revenue Code.

(2) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included therein which has its situs outside Minnesota and (b) including therein any property omitted from the federal gross estate which is includable therein, has its situs in Minnesota, and was not disclosed to federal taxing authorities. ~~The Minnesota gross estate shall be valued pursuant to the provisions of section 291.215, subdivision 1.~~

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

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tive to the extent of the property and the Minnesota estate tax due with respect to the property.

(4) "Resident decedent" means an individual whose domicile at the time of his death was in Minnesota.

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

(6) "Situs of property" means, with respect to real property, the state or country in which it is located; with respect to tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death; and with respect to intangible personal property, the state or country in which the decedent was domiciled at death.

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

(8) "Internal Revenue Code" means the United States Internal Revenue Code of 1954 as amended through ~~March 12, 1983~~ December 31, 1984.

Sec. 3. Minnesota Statutes 1984, section 291.03, subdivision 1, is amended to read:

Subdivision 1. GENERALLY TAX AMOUNT. The tax imposed shall be an amount equal to the greater of:

(1) ~~A tax computed by applying to the Minnesota taxable estate the following prescribed rates:~~

~~10 percent on the first \$100,000,~~

~~11 percent on the next \$500,000 or part thereof,~~

~~12 percent on the excess, or~~

(2) ~~A tax equal to the same proportion of the maximum credit allowable under section 2011 of the Internal Revenue Code for state death taxes described herein as the Minnesota gross estate bears to the value of the federal gross estate. For a resident decedent, the tax shall be the maximum credit allowable under section 2011 of the Internal Revenue Code reduced by the amount of the death tax paid the other state and credited against the federal estate tax if this results in a larger amount of tax than the proportionate amount of the credit.~~ The tax determined under this paragraph shall not be greater than the maximum credit allowable under section 2011 of the Internal Revenue Code.

Sec. 4. Minnesota Statutes 1984, section 291.075, is amended to read:

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291.075 SPECIAL USE VALUATION OF QUALIFIED PROPERTY.

When property subject to the tax imposed by this chapter qualifies for valuation based on its use pursuant to section 2032A of the Internal Revenue Code, it shall have the same value for Minnesota estate tax purposes as it has for federal estate tax purposes. If, after the final determination of the tax imposed by this chapter, the property valued pursuant to section 2032A of the Internal Revenue Code is disposed of or fails to qualify and an additional tax is imposed pursuant to section 2032A(c), any increase in the credit for state death taxes shall be reported to the commissioner within 90 days after final determination of the increased credit. Upon notification the commissioner may assess an additional tax in accordance with section 291.03, subdivision 1, clause (2). No additional Minnesota estate tax computed in accordance with section 291.03, subdivision 1, clause (1) will be imposed nor will an additional deduction for federal estate taxes paid be allowed under section 291.07 or 291.08.

Sec. 5. Minnesota Statutes 1984, section 291.09, subdivision 1a, is amended to read:

Subd. 1a. In all instances in which a decedent dies after December 31, 1979 and before January 1, 1981 leaving a federal gross estate in excess of \$161,000 and in all instances in which a decedent dies after December 31, 1980 and before January 1, 1982 leaving a federal gross estate in excess of \$175,000, and the decedent has an interest in property with a situs in Minnesota, the personal representative shall submit to the commissioner, on a form prescribed by the commissioner, a Minnesota estate tax return.

In the case of a decedent dying after December 31, 1981 1985 who has an interest in property with a situs in Minnesota, the personal representative shall submit to the commissioner, on a form prescribed by the commissioner, a Minnesota estate tax return in the following all instances:

In the case of a decedent dying in	A Minnesota estate tax return shall be filed if the federal gross estate equals or exceeds
1982.....	\$225,000
1983.....	275,000
1984.....	325,000
1985.....	400,000
1986.....	500,000
1987 and thereafter	600,000

in which a federal estate tax return is required to be filed.

The return shall be accompanied by a federal estate tax return, a schedule of all assets in the estate at their date of death values, and shall contain a

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computation of the Minnesota estate tax due. The return shall be signed by the personal representative.

Sec. 6. Minnesota Statutes 1984, section 291.09, subdivision 2a, is amended to read:

Subd. 2a. The commissioner may designate on the return the documents that are required to be filed together with the return in order to determine the ~~proper valuation of assets and~~ computation of tax. The commissioner shall not be bound by any item on the return unless he has received all required documents and unless all items of information on the return have been completed.

Sec. 7. Minnesota Statutes 1984, section 291.09, subdivision 3a, is amended to read:

Subd. 3a. (1) The commissioner may challenge matters of ~~valuation or~~ taxability of any assets reported on the return, ~~or any deductions claimed,~~ or the computation of tax, only if within 180 days from the due date of the return or the receipt of the return and all documents required to be filed with the return, whichever is later, the commissioner mails or delivers a written notice to the personal representative objecting to the return as filed and specifying the reasons for the objection.

(2) If the personal representative disagrees with the objection or does not wish to fully comply with the objection, he may request that the commissioner hold a hearing on the objection. Within 30 days of receipt of a request, the commissioner shall set a time and place for hearing. Unless otherwise agreed upon, the hearing date shall not be earlier than 30 days nor later than 60 days from the date of the notice setting the hearing. The notice of hearing shall set forth the rights available to the personal representative under chapter 14. Not later than 30 days after the commissioner receives the report and recommendation of the administrative law judge, or a written waiver of his hearing rights by the personal representative, the commissioner shall issue an order determining the tax. Any such determination made by the commissioner may be appealed to the tax court as provided in section 271.09.

(3) At any time together with or after the objection, the commissioner, on his own initiative, may set a time and place for a hearing in accordance with (2) above.

(4) In his objection, or at any time thereafter, the commissioner may assess any additional tax as the facts may warrant, subject to the right of the personal representative to demand a hearing under chapter ~~15~~ 14. If the personal representative does not demand a hearing within 90 days of the date of the assessment, the tax so assessed shall be legally due and the commissioner may proceed to collect ~~any the unpaid tax after one year from the date of death.~~ If the commissioner later finds the tax assessment to be erroneous, he may adjust the assessment prior to collection.

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(5) The commissioner shall not be required to object to any subsequent original, amended or supplemental return in order to preserve his rights. The commissioner shall not be precluded from objecting to a subsequent original, amended or supplemental return even though an original return was accepted as filed. If the commissioner had accepted an original return showing no tax due and a subsequent original, amended or supplemental return discloses additional assets not disclosed on the original return, the commissioner may object to any matter of valuation, taxability, deduction or computation of tax on the original return within 180 days of receipt of the subsequent original, amended or supplemental return.

(6) Subject to the provisions of sections 291.11 and 291.215, the Minnesota estate tax liability shall be considered as finally determined on the date notification of acceptance is issued to the personal representative or, if no objection is filed, on the day following 180 days from the due date of the return or the receipt of the return, together with all other documents required to be filed with the return, whichever is later.

(7) Subject to the time limits imposed elsewhere in this chapter, the commissioner may refund an overpayment of tax, penalty or interest even though the personal representative has not made an application for refund.

Sec. 8. Minnesota Statutes 1984, section 291.11, subdivision 1, is amended to read:

Subdivision 1. (1) All taxes imposed by this chapter shall take effect at and upon the death of the person whose estate is subject to taxation and shall be due and payable at the expiration of nine months from such death, except as otherwise provided in this chapter. Where an extension to file the federal estate tax return has been granted under the provision of section 6081 of the Internal Revenue Code, the time for filing the estate tax return or making payment of the tax without penalty, is extended for the same period. Provided, that any taxpayer who owes at least \$5,000 in taxes ~~may choose to pay these taxes in five equal installments over a period of time not to exceed five years from the death of the person whose estate is subject to taxation or five years from the expiration of the extension granted by the commissioner pursuant to section 291.132, whichever is later and who, under section 6161 or 6166 of the Internal Revenue Code, has been granted an extension for payment of the tax shown on the return, may elect to pay the commissioner the amount of tax due in equal amounts at the same time as required for federal purposes.~~ When a taxpayer elects to pay the tax in installments, he shall notify the commissioner in writing no later than nine months after the death of the person whose estate is subject to taxation. If the taxpayer fails to pay an installment on time, unless it is shown that such failure is due to reasonable cause, the election shall be revoked and the entire amount of unpaid tax plus accrued interest shall be due and payable 90 days after the date on which the installment was payable.

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(2) (a) False return - in the case of a false or fraudulent return with the intent to evade tax, any additional tax resulting therefrom may be assessed at any time.

(b) No return - in the case of failure to file a return, the tax may be assessed at any time.

(c) Omissions - in the case where there is omitted from the estate items subject to tax under this chapter the tax on such omitted items may be assessed at any time.

In determining the items omitted, there shall not be taken into account any item which has been disclosed in the return or in a statement attached to the return in a manner adequate to apprise the commissioner of the nature and amount of such item.

(3) Where, before the expiration of the time prescribed in this chapter for the determination or adjustment of the tax, the commissioner and the taxpayer shall consent in writing to the extension of time for such determination or adjustment the tax may be determined at any time prior to the expiration agreed upon and in the manner agreed upon. The period so agreed upon may be extended by subsequent agreements in writing made before the expiration of the period previously agreed upon.

Sec. 9. Minnesota Statutes 1984, section 291.15, subdivision 1, is amended to read:

Subdivision 1. If the tax is not paid within nine months from the accruing thereof, the time specified for payment, the unpaid tax and any penalty imposed under section 291.131 shall bear interest shall be charged and collected thereon at the rate specified in section 270.75 from the due date until the date the tax is paid. Unpaid tax includes the unpaid tax when the taxpayer elects to pay the tax in installments and the due date is the date the tax was due without regard to any extension that is granted or an election to pay the tax in installments. In the event a person or corporation upon proper authorization makes a payment to be applied against the tax thereafter, no interest shall accrue on the amount so paid. All payments shall be applied first to penalties, next to interest and then upon principal.

Sec. 10. Minnesota Statutes 1984, section 291.15, subdivision 3, is amended to read:

Subd. 3. Interest shall be paid on installment payments of the tax authorized under section 291.11, subdivision 1, ~~or 291.132, subdivision 2,~~ at the rate of interest in effect pursuant to section 270.75 nine months following the date of death.

Sec. 11. Minnesota Statutes 1984, section 291.215, subdivision 1, is amended to read:

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Subdivision 1. All property includable in the Minnesota gross estate of a decedent shall be valued in accordance with the provisions of sections 2031 or 2032 and, if applicable, 2032A, of the Internal Revenue Code and any elections made in valuing the federal gross estate shall be applicable in valuing the Minnesota gross estate. ~~Except as otherwise provided in section 291.075, the value of all property includable in the Minnesota gross estate of a decedent may be independently determined under said sections for Minnesota estate tax purposes.~~ Values for purposes of the estate tax on both probate and nonprobate assets shall be the same as those finally determined for purposes of the federal estate tax on a decedent's estate.

Sec. 12. Minnesota Statutes 1984, section 291.32, is amended to read:
291.32 REFUNDING OF TAX.

Subdivision 1. ~~Whenever, If~~ under the provisions of this chapter any person or corporation ~~shall be is~~ entitled to a return of any part of a tax, penalty, or interest previously paid in excess of the amount legally due, he may make application apply to the commissioner for a determination of the amount which he is entitled to have returned, and on such application shall. The applicant must furnish the commissioner with affidavits and other evidence showing the facts which entitled him to such return and the amount he is entitled to have returned. Upon the filing of such application, The commissioner shall must examine the same application and shall make a written order thereon denying or allowing deny or allow, in a written order, the application in whole or in part and shall mail. A copy of such order by certified mail the order must be mailed to the applicant at the address stated on the application. If such application is allowed in whole or in part, the commissioner shall cause such pay the refund to be paid in the manner provided by law. It shall be the duty of the state treasurer to pay warrants therefor out of any funds in the state treasury not otherwise appropriated. The amount of taxes, penalty, and interest in excess of the amount legally due must be paid with interest at the rate specified in article 15, section 3, from the date of payment or from the date beginning nine months after the death of the decedent, whichever is later. The moneys necessary to pay such warrants the amounts are hereby appropriated to the commissioner out of any moneys in the state treasury not otherwise appropriated the general fund.

Subd. 2. All applications for refunds must be made within two years from the date of final determination or adjustment of any part of the tax, penalty, or interest by the taxpayer, the commissioner, or the tax court, as applicable. If the application is denied in whole or in part the taxpayer may commence an action against the commissioner to recover any overpayments of taxes claimed to be refundable but for which the commissioner has issued no order of refundment. Such action may be brought in the District Court of the district in which lies the county of his residence or principal place of business if an estate or trust, of the principal place of its administration, or in the district court for Ramsey County.

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Such action may be commenced after the expiration of six months after the application is filed if the commissioner has not taken final action thereon and shall be commenced within 18 months after the date of the order denying the application. If the commissioner has not acted within two years after the application is filed, it shall be considered denied.

Sec. 13. Minnesota Statutes 1984, section 524.3-1202, is amended to read:

524.3-1202 EFFECT OF AFFIDAVIT.

The person paying, delivering, transferring, or issuing personal property or the evidence thereof pursuant to affidavit shall submit a copy of the affidavit to the commissioner of revenue within five days of its receipt and then is discharged and released to the same extent as if he dealt with a personal representative of the decedent. He is not required to see to the application of the personal property or evidence thereof or to inquire into the truth of any statement in the affidavit. If any person to whom an affidavit is delivered refuses to pay, deliver, transfer, or issue any personal property or evidence thereof, it may be recovered or its payment, delivery, transfer, or issuance compelled upon proof of their right in a proceeding brought for the purpose by or on behalf of the persons entitled thereto. Any person to whom payment, delivery, transfer or issuance is made is answerable and accountable therefor to any personal representative of the estate or to any other person having a superior right.

Sec. 14. REPEALER.

(a) Minnesota Statutes 1984, sections 55.10, subdivision 2; 270.75, subdivision 7; 291.015; 291.03, subdivisions 3, 4, 5, 6, and 7; 291.05; 291.051; 291.06; 291.065; 291.07; 291.08; 291.09, subdivision 5; 291.111; 291.131, subdivision 6; 291.132; 291.15, subdivision 2; 291.18; 291.20; and 385.36 are repealed.

(b) Minnesota Statutes 1984, sections 291.131, subdivision 5; and 291.29, subdivision 5, are repealed.

Sec. 15. EFFECTIVE DATE.

Sections 1 to 12 and 14, paragraph (a), are effective for estates of persons dying after December 31, 1985, except that the update of the Internal Revenue Code in section 2 is effective for estates of persons dying after December 31, 1984. Sections 13 and 14, paragraph (b), are effective the day after final enactment.

**ARTICLE 14
TELEPHONE GROSS EARNINGS**

Section 1. Minnesota Statutes 1984, section 295.01, subdivision 10, is amended to read:

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Subd. 10. **TELEPHONE COMPANY.** The term "telephone company" as used in this chapter means any person, firm, association or corporation, excluding municipal telephone companies, owning or operating any telephone line or telephone exchange for hire wholly or partly within this state, including radio and other advancements in the art of telephony but excluding cellular radio.

Sec. 2. Minnesota Statutes 1984, section 295.34, subdivision 1, is amended to read:

Subdivision 1. Except as provided in subdivision 2 every telephone company shall file a return with the commissioner of revenue on or before April 15 of each year, and submit payment therewith, of the following percentages of its gross earnings of the preceding calendar year derived from business within this state:

(a) ~~4 percent of its~~ for gross earnings from service to rural subscribers; (b) ~~4 percent of its gross earnings and~~ from exchange business of all cities of the fourth class and statutory cities having a population of 10,000 or less

for calendar years beginning before December 31, 1986, 4 percent,

for calendar year 1987, 3 percent,

for calendar year 1988, 1.5 percent,

for calendar year 1989, 1 percent, and

for calendar years beginning after December 31, 1989, exempt; and (c) ~~7 percent of its~~

(b) for gross earnings derived from all other business; which shall be

for calendar years beginning before December 31, 1986, 7 percent,

for calendar year 1987, 5.5 percent,

for calendar year 1988, 3 percent,

for calendar year 1989, 2.5 percent, and

for calendar years beginning after December 31, 1989, exempt.

Beginning January 1, 1986, a tax shall not be imposed on the gross earnings of a telephone company from business originating or terminating outside of Minnesota.

The tax imposed is in lieu of all other taxes, except the taxes imposed by chapter 290, property taxes assessed beginning in 1987, payable in 1988, and sales and use taxes imposed as a result of article 2, section 5. All moneys paid by a company for connecting fees and switching charges to any other company shall be reported as earnings by the company to which they are paid, but shall not be deemed earnings of the collecting and paying company. For the purposes of this

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section, the population of any statutory city shall be considered as that stated in the latest federal census.

Sec. 3. REPEALER

Minnesota Statutes 1984, section 295.34, is repealed.

Sec. 4. EFFECTIVE DATE,

Section 1 is effective for tax years after December 31, 1985. Section 3 is effective beginning for calendar year 1990.

ARTICLE 15

INTEREST ON OVERPAYMENTS

Section 1. Minnesota Statutes 1984, section 60A.15, subdivision 12, is amended to read:

Subd. 12. **OVERPAYMENTS, CLAIMS FOR REFUND. (1) PROCEDURE, TIME LIMIT, APPROPRIATION.** A company who has paid, voluntarily or otherwise, or from whom there has been collected an amount of tax for any year in excess of the amount legally due for that year, may file with the commissioner of revenue a claim for a refund of the excess. Except as provided in subdivision 11, no claim or refund shall be allowed or made after 3-1/2 years from the date prescribed for filing the return (plus any extension of time granted for filing the return but only if filed within the extended time) or after two years from the date of overpayment, whichever period is longer, unless before the expiration of the period a claim is filed by the company. For this purpose, a return or amended return claiming an overpayment constitutes a claim for refund.

Upon the filing of a claim, the commissioner shall examine it and shall make and file written findings denying or allowing the claim in whole or in part. He shall mail a notice thereof to the company at the address stated upon the return. If the claim is allowed in whole or in part, the commissioner shall issue his certificate for the refundment of the excess paid by the company, with interest at the rate of six percent per annum specified in section 3 computed from the date of the payment of the tax until the date the refund is paid or the credit is made to the company. The commissioner of finance shall pay the refund out of the proceeds of the taxes imposed by this section, as other state moneys are expended. As much of the proceeds of the taxes as necessary are appropriated for that purpose.

(2) **DENIAL OF CLAIM, COURT PROCEEDINGS.** If the claim is denied in whole or in part, the commissioner shall mail an order of denial to the company in the manner prescribed in subdivision 8. An appeal from this order

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may be taken to the Minnesota tax court in the manner prescribed in section 271.06, or the company may commence an action against the commissioner to recover the denied overpayment. The action may be brought in the district court of the district in the county of its principal place of business, or in the district court for Ramsey county. The action in the district court must be commenced within 18 months following the mailing of the order of denial to the company. If a claim for refund is filed by a company and no order of denial is issued within six months of the filing, the company may commence an action in the district court as in the case of a denial, but the action must be commenced within two years of the date that the claim for refund was filed.

(3) **CONSENT TO EXTEND TIME.** If the commissioner and the company have, within the periods prescribed in clause (1), consented in writing to any extension of time for the assessment of the tax, the period within which a claim for refund may be filed, or a refund may be made or allowed, if no claim is filed, shall be the period within which the commissioner and the company have consented to an extension for the assessment of the tax and six months thereafter. The period within which a claim for refund may be filed shall not expire prior to two years after the tax was paid.

(4) **OVERPAYMENTS; REFUNDS.** If the amount determined to be an overpayment exceeds the taxes imposed by this section, the amount of excess shall be considered an overpayment. An amount paid as tax constitutes an overpayment even if in fact there was no tax liability with respect to which the amount was paid.

Notwithstanding any other provision of law to the contrary, in the case of any overpayment, the commissioner, within the applicable period of limitations, shall refund any balance of more than one dollar to the company if the company requests the refund.

Sec. 2. Minnesota Statutes 1984, section 60A.199, subdivision 8, is amended to read:

Subd. 8. **REFUND PROCEDURE; TIME LIMIT; APPROPRIATION.** A company which has paid, voluntarily or otherwise, or from which there was collected an amount of tax for any year in excess of the amount legally due for that year, may file with the commissioner of revenue a claim for a refund of the excess. Except as provided in subdivision 3, no claim or refund shall be allowed or made after 3-1/2 years from the date prescribed for filing the return (plus any extension of time granted for filing the return but only if filed within the extended time) or after two years from the date of overpayment, whichever period is longer, unless before the expiration of the period a claim is filed by the company. For this purpose, a return or amended return claiming an overpayment constitutes a claim for refund.

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Upon the filing of a claim the commissioner shall examine the same and shall make and file written findings thereon denying or allowing the claim in whole or in part. He shall mail a notice thereof to the company at the address stated upon the return. If the claim is allowed in whole or in part, the commissioner shall issue his certificate for a refund of the excess paid by the company, with interest at the rate of ~~six percent per annum~~ specified in section 3 computed from the date of the payment of the tax until the date the refund is paid or credit is made to the company. The commissioner of finance shall cause the refund to be paid as other state moneys are expended. So much of the proceeds of the taxes as is necessary are appropriated for that purpose.

Sec. 3. [270.76] INTEREST ON REFUNDS.

When any tax payable to the commissioner of revenue or to the department of revenue is overpaid and an amount is due the taxpayer as a refund of the overpayment, the overpayment shall bear interest from the date of payment of the tax until the date the refund is paid or credit is made, unless another period for computing interest is provided by law. The interest rate per annum on overpayments shall be 80 percent of the interest rate contained in section 270.75, subdivision 5; the rate shall be adjusted annually and become effective as provided in section 270.75, subdivision 5; and the result of the adjustment in the rate shall be rounded to the nearest full percent. The determination of the commissioner pursuant to this subdivision is not a "rule" and is not subject to the administrative procedure act contained in chapter 14.

Sec. 4. Minnesota Statutes 1984, section 270A.07, subdivision 5, is amended to read:

Subd. 5. INTEREST ON REFUNDS. Any refund wrongfully or incorrectly applied to a debt and transferred to a claimant agency shall be paid by the agency to the debtor. The sum wrongfully or incorrectly withheld shall bear interest at ~~six percent per year~~ the rate specified in section 3, computed from the date when the refund would begin to bear interest under section 290.92, subdivision 13, clause (1), regardless of whether the refund is payable under chapter 290 or 290A. If the claimant agency is a state agency, the payment shall be made out of the agency's appropriation.

Sec. 5. Minnesota Statutes 1984, section 271.12, is amended to read:

271.12 WHEN ORDER EFFECTIVE.

No order for refundment by the commissioner of revenue, the appropriate unit of government, or the tax court shall take effect until the time for appeal therefrom or review thereof by all parties entitled thereto has expired. Otherwise every order of the commissioner, the appropriate unit of government, or the tax court shall take effect immediately upon the filing thereof, and no appeal therefrom or review thereof shall stay the execution thereof or extend the time for payment of any tax or other obligation unless otherwise expressly provided by

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law; provided, that in case an order which has been acted upon, in whole or in part, shall thereafter be set aside or modified upon appeal, the determination upon appeal or review shall supersede the order appealed from and be binding upon all parties affected thereby, and such adjustments as may be necessary to give effect thereto shall be made accordingly. If it be finally determined upon such appeal or review that any person is entitled to refundment of any amount which has been paid for a tax or other obligation, such amount, unless otherwise provided by law, shall be paid to him by the state treasurer, or other proper officer, out of funds derived from taxes of the same kind, if available for the purpose, or out of other available funds, if any, with interest at ~~six percent~~ the rate specified in section 3 from the date of payment of the tax, unless a different rate of interest is otherwise provided by law, in which case such other rate shall apply, upon certification by the commissioner of revenue, the appropriate unit of government, the tax court or the supreme court. If any tax, assessment, or other obligation be increased upon such appeal or review, the increase shall be added to the original amount, and may be enforced and collected therewith.

Sec. 6. Minnesota Statutes 1984, section 290.50, subdivision 1, is amended to read:

Subdivision 1. **PROCEDURE, TIME LIMIT.** (a) A taxpayer who has paid or from whom there has been collected an amount of tax for any year in excess of the amount legally due for that year, may file with the commissioner a claim for a refund of such excess. Except as otherwise provided in this section, no claim or refund shall be allowed or made after three and one-half years from the date prescribed for filing the return (plus any extension of time granted for filing the return, but only if filed within the extended time) or after two years from the date of overpayment, whichever period is longer, unless before the expiration of the period a claim is filed by the taxpayer. For this purpose an income tax return or amended return claiming an overpayment shall constitute a claim for refund.

(b) If no claim was filed, the credit or refund shall not exceed the amount which would be allowable if a claim was filed on the date the credit or refund is allowed.

(c) If a claim relates to an overpayment on account of a failure to deduct a loss due to a bad debt or to a security becoming worthless, the claim shall be allowed if filed within seven years from the date prescribed in section 290.42 for the filing of the return, and the refund or credit shall be limited to the amount of overpayment attributable to the loss.

(d) For purposes of this section, the prepayment of tax made through the withholding of tax at the source, or payment of estimated tax, prior to the due date of the tax are considered as having been paid on the last day prescribed by law for the payment of the tax by the taxpayer. A return filed before the due date shall be considered as filed on the due date.

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(e) Except as provided in sections 290.92, subdivision 13, 290.93, subdivision 9, and 290.936, interest on the overpayment refunded or credited to the taxpayer shall be allowed at the rate of ~~six percent per annum~~ specified in section 3 computed from the date of payment of the tax until the date the refund is paid or credit is made to the taxpayer. However, to the extent that the basis for the refund is a net operating loss carryback or a capital loss carryback, interest shall be computed only from the end of the taxable year in which the loss occurs.

(f) If a taxpayer reports a change in his federal gross income, items of tax preference, deductions, credits, or a renegotiation, or files a copy of his amended federal return, within 90 days as provided by section 290.56, subdivision 2, a refund may be made of any overpayment within one year after such report or amended return is filed except as provided in subdivision 2.

(g) There is hereby appropriated from the general fund to the commissioner of revenue the amounts necessary to make payments of refunds allowed pursuant to this section.

Sec. 7. Minnesota Statutes 1984, section 290.92, subdivision 11, is amended to read:

Subd. 11. **REFUNDS.** Where there has been an overpayment of tax imposed by this section, refund of such overpayment or credit shall be made to the employer in accordance with ~~regulations~~ rules prescribed by the commissioner, but only to the extent that the amount of such overpayment was not deducted and withheld under subdivision 2a or subdivision 3 by the employer. Any overpayment which is refunded shall bear interest at the rate of ~~six percent per annum~~ specified in section 3, computed from the date of payment until the date the refund is paid to the employer. The commissioner of finance shall cause any such refund of tax and interest to be paid out of the general fund in accordance with the provisions of section 290.62 and so much of said fund as may be necessary is hereby appropriated for that purpose. Notwithstanding the provisions of section 290.50, written findings by the commissioner, notice by mail to the taxpayer, and certificate for refundment by the commissioner, shall not be necessary. The provisions of section 270.10, shall not be applicable.

Sec. 8. Minnesota Statutes 1984, section 290.92, subdivision 13, is amended to read:

Subd. 13. **REFUNDS.** (1) Where the amount of the tax withheld at the source under subdivision 2a or subdivision 3 exceeds by \$1 or more the taxes (and any added penalties and interest) reported in the return of the employee taxpayer or imposed upon him by this chapter, the amount of such excess shall be refunded to the employee taxpayer. If the amount of such excess is less than \$1 the commissioner shall not be required to refund that amount. Where any amount of such excess to be refunded exceeds \$10, such amount on the original return shall bear interest at the rate of ~~six percent per annum~~ specified in section

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3, computed from 90 days after (a) the due date of the return of the employee taxpayer or (b) the date on which his return is filed, whichever is later, to the date the refund is paid to the taxpayer. A return shall not be treated as filed until it is in processible form. A return is in processible form when it is filed on a permitted form containing the taxpayer's name, address, social security account number, the required signature, and sufficient required information (whether on the return or on required attachments) to permit the mathematical verification of tax liability shown on the return. Notwithstanding the provisions of section 290.50, written findings by the commissioner, notice by mail to the taxpayer, and certificate for refundment by the commissioner, shall not be necessary. The provisions of section 270.10, shall not be applicable.

(2) Any action of the commissioner in refunding the amount of such excess shall not constitute a determination of the correctness of the return of the employee taxpayer within the purview of section 290.46.

(3) The commissioner of finance shall cause any such refund of tax and interest, to be paid out of the general fund in accordance with the provisions of section 290.62, and so much of said fund as may be necessary is hereby appropriated for that purpose.

Sec. 9. Minnesota Statutes 1984, section 290.93, subdivision 9, is amended to read:

Subd. 9. **OVERPAYMENT OF ESTIMATED TAX.** (1) Where the amount of an installment payment of estimated tax exceeds the amount determined to be the correct amount of such installment payment, the overpayment shall be credited against the unpaid installments, if any. Where the total amount of the estimated tax payments plus (a) the total amount of tax withheld at the source under section 290.92, subdivision 2a or subdivision 3 (if any) and (b) and other payments (if any) exceeds by \$1 or more the taxes (and any added penalties and interest) reported in the return of the taxpayer or imposed upon him by this chapter, the amount of such excess shall be refunded to the taxpayer. If the amount of such excess is less than \$1 the commissioner shall not be required to refund that amount. Where any amount of such excess to be refunded exceeds \$10, such amount on the original return shall bear interest at the rate of ~~six~~ six percent per annum specified in section 3, computed from 90 days after (a) the due date of the return of the taxpayer or (b) the date on which his return is filed, whichever is later, until the date the refund is paid to the taxpayer. A return shall not be treated as filed until it is in processible form. A return is in processible form when the return is filed on a permitted form, and the return contains the taxpayer's name, address, social security account number, the required signature, and sufficient required information (whether on the return or on required attachments) to permit the mathematical verification of tax liability shown on the return. Notwithstanding the provisions of section 290.50, written findings by the commissioner, notice by mail to the taxpayer, and certificate for

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refundment by the commissioner, shall not be necessary. The provisions of section 270.10, shall not be applicable.

(2) Any action of the commissioner in refunding the amount of such excess shall not constitute a determination of the correctness of the return of the taxpayer within the purview of section 290.46.

(3) The commissioner of finance shall cause any such refund of tax and interest to be paid out of the general fund in accordance with the provisions of section 290.62, and so much of said fund as may be necessary is hereby appropriated for that purpose.

Sec. 10. Minnesota Statutes 1984, section 290.936, is amended to read:

290.936 OVERPAYMENT OF ESTIMATED TAX.

(1) Where the amount of an installment payment of estimated tax exceeds the amount determined to be the correct amount of such installment payment, the overpayment shall be credited against the unpaid installments, if any. Where the total amount of the estimated tax payments and other payments, if any, exceeds by \$1 or more the taxes (and any added penalties and interest) reported in the return of the taxpayer or imposed upon him by this chapter, the amount of such excess shall be refunded to the taxpayer. If the amount of such excess is less than \$1, the commissioner shall not be required to refund. Where any amount of such excess to be refunded exceeds \$10, such amount on the original return shall bear interest at the rate of ~~six percent per annum~~ specified in section 3, computed from 90 days after (a) the due date of the return of the taxpayer or (b) the date on which his return is filed, whichever is later, until the date the refund is paid to the taxpayer. Notwithstanding the provisions of section 290.50, written findings by the commissioner, notice by mail to the taxpayer, and certificate for refundment by the commissioner, shall not be necessary. The provisions of section 270.10, shall not be applicable.

(2) Any action of the commissioner in refunding the amount of such excess shall not constitute a determination of the correctness of the return of the taxpayer within the purview of section 290.46.

(3) The commissioner of finance shall cause any such refund of tax and interest to be paid out of the general fund in accordance with the provisions of section 290.62, and so much of said fund as may be necessary is hereby appropriated for that purpose.

Sec. 11. Minnesota Statutes 1984, section 290A.07, subdivision 2a, is amended to read:

Subd. 2a. A claimant who is a renter shall receive full payment after August 1 and prior to August 15 or 60 days after receipt of the application, whichever is later. Interest shall be added at ~~six percent per annum~~ the rate

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specified in section 3 from August 15 or 60 days after receipt of the application whichever is later.

Sec. 12. Minnesota Statutes 1984, section 290A.07, subdivision 3, is amended to read:

Subd. 3. Any claimant not included in subdivision 2a shall receive full payment after September 15 and prior to September 30. Interest shall be added at ~~six percent per annum~~ the rate specified in section 3 from September 30 or 60 days after receipt of the application, whichever is later. Interest will be computed until the date the claim is paid.

Sec. 13. Minnesota Statutes 1984, section 294.09, subdivision 1, is amended to read:

Subdivision 1. **PROCEDURES; TIME LIMIT.** A company, joint stock association, copartnership, corporation, or individual who has paid, voluntarily or otherwise, or from whom there has been collected (other than by proceedings instituted by the attorney general under sections 294.06 and 294.08, subdivision 3) an amount of gross earnings tax for any year in excess of the amount legally due for that year, may file with the commissioner of revenue a claim for a refund of such excess. Except as provided in subdivision 4, no such claim shall be entertained unless filed within two years after such tax was paid or collected, or within three and one-half years from the filing of the return, whichever period is the longer. Upon the filing of a claim the commissioner shall examine the same and shall make and file written findings thereon denying or allowing the claim in whole or in part and shall mail a notice thereof to such company, joint stock association, copartnership, corporation, or individual at the address stated upon the return. If such claim is allowed in whole or in part, the commissioner shall credit the amount of the allowance against any tax due the state from the claimant and for the balance of said allowance, if any, the commissioner shall issue his certificate for the refundment of the excess paid. The commissioner of finance shall cause such refund to be paid out of the proceeds of the gross earnings taxes imposed by Minnesota Statutes 1967, Chapters 294 and 295 as other state moneys are expended. So much of the proceeds as may be necessary are hereby appropriated for that purpose. Any allowance so made by the commissioner shall include interest at the rate of ~~six percent~~ specified in section 3 computed from the date of payment or collection of the tax until the date the refund is paid to the claimant.

Sec. 14. Minnesota Statutes 1984, section 297A.35, subdivision 1, is amended to read:

Subdivision 1. A person who has, pursuant to the provisions of this chapter, paid to the commissioner an amount of tax for any period in excess of the amount legally due for that period, may file with the commissioner a claim for a refund of such excess subject to the conditions specified in subdivision 5.

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Except as provided in subdivision 4 no such claim shall be entertained unless filed within two years after such tax was paid, or within three years from the filing of the return, whichever period is the longer. The commissioner shall examine the claim and make and file written findings thereon denying or allowing the claim in whole or in part and shall mail a notice thereof to such person at the address stated upon the claim. Any allowance shall include interest on the excess determined at a rate of six percent per annum specified in section 3 from the date such excess was paid or collected until the date it is refunded or credited. If such claim is allowed in whole or in part, the commissioner shall credit the amount of the allowance against any taxes under sections 297A.01 to 297A.44 due from the claimant and for the balance of said allowance, if any, the commissioner shall issue his certificate for the refundment of the excess paid, and the commissioner of finance shall cause such refund to be paid out of the proceeds of the taxes imposed by sections 297A.01 to 297A.44, as other state moneys are expended. So much of the proceeds of such taxes as may be necessary are hereby appropriated for that purpose.

Sec. 15. Minnesota Statutes 1984, section 298.09, subdivision 4, is amended to read:

Subd. 4. If the amount of tax determined by the commissioner is subsequently found to be erroneous, the commissioner may, at any time within three years from the date the tax is certified as provided in section 298.10, redetermine the amount thereof. No such redetermination shall be made increasing the tax unless the person from whom the additional amount is due is given ten days written notice thereof and an opportunity to be heard thereon. If an order is made increasing the tax, the same proceedings shall be had as provided for occupation taxes originally determined and certified. Any person who has paid an occupation tax may apply to the commissioner within the time herein limited for a redetermination of the tax, and if the commissioner determines that the tax has been overpaid, he shall make and file an order determining the amount of such overpayment, and credit it against occupation taxes otherwise payable by the person who has overpaid the amount as so determined. If the tax is increased, interest at the rate specified in section 270.75 from the date payment should have been made shall be determined and paid; if the tax is reduced, interest at the rate of six percent per annum specified in section 3 from the date of overpayment shall be allowed.

Sec. 16. Minnesota Statutes 1984, section 299.05, is amended to read:
299.05 ASSESSMENT BY COMMISSIONER.

Upon receipt of the report provided for in section 299.03, the commissioner of revenue shall determine, from information as may be possessed, or obtained, whether the report is correct, or incorrect; and, if found correct, the commissioner shall determine the amount of tax due from the person, enter the amount of the tax in department records, make assessment of taxes due from the person, and

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the amount that has been paid; and, on or before June 30, of each year, demand payment from the person. The commissioner of revenue shall have power, in case he shall deem the report incorrect, or in case the report is not made and filed with the commissioner as provided in section 299.03, to make findings as to the amount of taxes due after hearing upon notice to the person interested, and the findings shall have the same effect as the determination of the amount of such taxes upon a report made as hereinbefore provided.

A person subletting land for the use of which is received royalty shall be required to pay taxes only on the difference between the amount of royalty paid by him or her and the amount received.

If the amount of tax determined by the commissioner is subsequently found to be erroneous, the commissioner may, at any time within three years from the date allowed above for the original assessment, redetermine the amount of the tax. No redetermination shall be made increasing the tax unless the person from whom the additional amount is due is given ten days written notice of the proposed increase and the person's right to a hearing pursuant to chapter 14. Any person who has paid a royalty tax may apply to the commissioner within three years from the date allowed above for the original assessment for a redetermination of the tax and if the commissioner determines that the tax has been overpaid, he or she shall make and file an order determining the amount of the overpayment and credit the overpayment against the royalty taxes otherwise payable by the person who overpaid the tax. If the tax is increased, interest at the rate specified in section 270.75 from the date payment should have been made shall be determined and added to the tax. If the tax is reduced, interest at the rate of six percent per annum specified in section 3 from the date of the overpayment shall be allowed.

Sec. 17. Minnesota Statutes 1984, section 299F.26, subdivision 1, is amended to read:

Subdivision 1. **PROCEDURE, TIME LIMIT, APPROPRIATION.** A company which has paid, voluntarily or otherwise, or from which there was collected an amount of tax for any year in excess of the amount legally due for that year, may file with the commissioner of revenue a claim for a refund of the excess. Except as provided in subdivision 4, no claim or refund shall be allowed or made after 3-1/2 years from the date prescribed for filing the return (plus any extension of time granted for filing the return but only if filed within the extended time) or after two years from the date of overpayment, whichever period is longer, unless before the expiration of the period a claim is filed by the company. For this purpose a return or amended return claiming an overpayment constitutes a claim for refund.

Upon the filing of a claim the commissioner shall examine the same and shall make and file written findings thereon denying or allowing the claim in whole or in part and shall mail a notice thereof to the company at the address

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stated upon the return. If such claim is allowed in whole or in part, the commissioner shall issue his certificate for the refundment of the excess paid by the company, with interest at the rate of ~~six percent per annum~~ specified in section 3 computed from the date of the payment of the tax until the date the refund is paid or the credit is made to the company, and the commissioner of finance shall cause the refund to be paid as other state moneys are expended. So much of the proceeds of the taxes as is necessary are appropriated for that purpose.

Sec. 18. EFFECTIVE DATE.

Sections 1 to 17 are effective for interest earned on overpayments after December 31, 1985.

ARTICLE 16

REVENUE DEPARTMENT ENFORCEMENT

Section 1. [270.062] ACCESS TO CRIMINAL JUSTICE DATA.

The commissioner of revenue may enter into an agreement with the commissioner of public safety allowing designated employees of the revenue department to have access to the criminal justice datacommunications network provided in section 299C.46. For purposes of that section, the special investigation unit of the revenue department is considered a criminal justice agency.

Sec. 2. [270.064] REQUESTING ASSISTANCE IN CRIMINAL TAX INVESTIGATIONS.

If the commissioner of revenue has reason to believe that a criminal violation of the state tax laws has occurred, the commissioner may request the attorney general or the prosecuting authority of any county to assist in a criminal tax investigation and may disclose return information to the prosecuting authority relevant to the investigation notwithstanding the provisions of section 290.61, 291.48, 297A.43, or 297B.12.

Sec. 3. Minnesota Statutes 1984, section 290.53, subdivision 11, is amended to read:

Subd. 11. ASSISTING IN FRAUD AND FALSE STATEMENTS; CRIMINAL PROVISIONS. Any person who willfully aids or assists in, or procures, counsels, or advises the preparation or presentation under, or in connection with any matter arising under this chapter, of a return, affidavit, claim, or other document, which is fraudulent or false as to any material matter, ~~where~~ whether or not the falsity or fraud is with the knowledge or consent of the person authorized or required to present the return, affidavit, claim, or document, is guilty of a gross misdemeanor unless the tax involved exceeds \$300, in which

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event he is guilty of a felony. Any criminal offense under this subdivision may be prosecuted in the same manner and within the same period of limitations provided in subdivision 4.

Sec. 4. Minnesota Statutes 1984, section 290.92, subdivision 15, is amended to read:

Subd. 15. **PENALTIES.** (1) In the case of any failure to withhold a tax on wages, make and file quarterly returns or make payments to or deposits with the commissioner of amounts withheld, as required by this section, within the time prescribed by law, there shall be added to the tax a penalty equal to ten percent of the amount of tax that should have been properly withheld and paid over to or deposited with the commissioner if the failure is for not more than 30 days with an additional five percent for each additional 30 days or fraction thereof during which the failure continues, not exceeding 25 percent in the aggregate. The amount of the tax together with this amount shall bear interest at the rate specified in section 270.75 from the time the tax should have been paid until paid. The amount added to the tax shall be collected at the same time and in the same manner and as a part of the tax unless the tax has been paid before the discovery of the negligence, in which case the amount added shall be collected in the same manner as the tax.

(2) If any employer required to withhold a tax on wages, make deposits, make and file quarterly returns and make payments to the commissioner of amounts withheld, as required by sections 290.92 to 290.97, willfully fails to withhold the tax or make the deposits, files a false or fraudulent return, willfully fails to make the payment or deposit, or willfully attempts in any manner to evade or defeat the tax or the payment or deposit of it, there shall also be imposed on the employer as a penalty an amount equal to 50 percent of the amount of tax, less any amount paid or deposited by the employer on the basis of the false or fraudulent return or deposit, that should have been properly withheld and paid over or deposited with the commissioner. The amount of the tax together with this amount shall bear interest at the rate specified in section 270.75 from the time the tax should have been paid until paid. The penalty imposed by this paragraph shall be collected as a part of the tax, and shall be in addition to any other penalties civil and criminal, prescribed by this subdivision.

(3) If any person required under the provisions of subdivision 7 to furnish a statement to an employee or payee and a duplicate statement to the commissioner, or to furnish a reconciliation of the statements, and quarterly returns, to the commissioner, willfully furnishes a false or fraudulent statement to an employee or payee or a false or fraudulent duplicate statement or reconciliation of statements, and quarterly returns, to the commissioner, or willfully fails to furnish a statement or the reconciliation in the manner, at the time, and showing the information required by the provisions of subdivision 7, or rules prescribed by the commissioner thereunder, there shall be imposed on the person a penalty of

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\$50 for each act or failure to act, but the total amount imposed on the delinquent person for all such failures during any calendar year shall not exceed \$25,000. The penalty imposed by this paragraph is due and payable within ten days after the mailing of a written demand therefor, and may be collected in the manner prescribed in subdivision 6, paragraph (8).

(4) In addition to any other penalties prescribed, any person required to withhold a tax on wages, make and file quarterly returns and make payments or deposits to the commissioner of amounts withheld, as required by this section, who willfully fails to withhold the tax or truthfully make and file the quarterly return or make the payment or deposit, or attempts to evade or defeat the tax is guilty of a gross misdemeanor unless the tax involved exceeds \$300, in which event he is guilty of a felony.

(5) In lieu of any other penalty provided by law, except the penalty provided by paragraph (3), any person required under the provisions of subdivision 7 to furnish a statement of wages to an employee and a duplicate statement to the commissioner, who willfully furnishes a false or fraudulent statement of wages to an employee or a false or fraudulent duplicate statement of wages to the commissioner, or who willfully fails to furnish a statement in the manner, at the time, and showing the information required by the provisions of subdivision 7, or rules prescribed by the commissioner thereunder, is guilty of a gross misdemeanor.

(6) Any employee required to supply information to his employer under the provisions of subdivision 5, who willfully fails to supply information or willfully supplies false or fraudulent information thereunder which would require an increase in the tax to be deducted and withheld under subdivision 2a or subdivision 3, is guilty of a gross misdemeanor.

(7) The term "person," as used in this section, includes an officer or employee of a corporation, or a member or employee of a partnership, who as an officer, employee, or member is under a duty to perform the act in respect of which the violation occurs.

(8) All payments received may, in the discretion of the commissioner of revenue, be credited first to the oldest liability not secured by a judgment or lien, but in all cases shall be credited first to penalties, next to interest, and then to the tax due.

(9) In addition to any other penalty provided by law, any employee who furnishes a withholding exemption certificate to his employer which the employee has reason to know contains a materially incorrect statement is liable to the commissioner of revenue for a penalty of \$500 for each instance. The penalty is immediately due and payable and may be collected in the same manner as any delinquent income tax.

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(10) In addition to any other penalty provided by law, any employer who fails to submit a copy of a withholding exemption certificate required by subdivision 5a, clause (1)(a), (1)(b), or (2) is liable to the commissioner of revenue for a penalty of \$50 for each instance. The penalty is immediately due and payable and may be collected in the manner provided in subdivision 6, paragraph (8).

(11) Any person who willfully aids or assists in, or procures, counsels, or advises the preparation or presentation under, or in connection with any matter arising under this section, of a return, affidavit, claim, or other document, which is fraudulent or false as to any material matter, ~~where~~ whether or not the falsity or fraud is with the knowledge or consent of the person authorized or required to present the return, affidavit, claim, or document, is guilty of a gross misdemeanor, unless the tax involved exceeds \$300, in which event he is guilty of a felony.

(12) Notwithstanding the provisions of section 628.26, or any other provision of the criminal laws of this state, an indictment may be found and filed, upon any criminal offense specified in this subdivision, in the proper court within six years after the commission of the offense.

Sec. 5. Minnesota Statutes 1984, section 297A.39, subdivision 8, is amended to read:

Subd. 8. **PENALTY; FALSE CLAIM.** Any person who willfully aids or assists in, or procures, counsels, or advises the preparation or presentation under, or in connection with any matter arising under this section, of a return, affidavit, claim, or other document, which is fraudulent or false as to any material matter, ~~where~~ whether or not the falsity or fraud is with the knowledge or consent of the person authorized or required to present the return, affidavit, claim, or document, is guilty of a gross misdemeanor unless the tax involved exceeds \$300, in which event he is guilty of a felony. Any criminal offense under this subdivision may be prosecuted in the same manner and within the same period of limitations provided in subdivision 4.

Sec. 6. **EFFECTIVE DATE.**

Sections 1 to 5 are effective the day after final enactment.

ARTICLE 17 LEASED LANDS

Section 1. Minnesota Statutes 1984, section 92.46, subdivision 1, is amended to read:

Subdivision 1. **PUBLIC CAMP GROUNDS.** (a) The director may designate suitable portions of the state lands so withdrawn from sale and not

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reserved, as provided in section 92.45, as permanent state public camp grounds and cause the same to be surveyed and platted into lots of convenient size, and may lease and let such lots for cottage and camp purposes under such terms and conditions as he may prescribe, subject to the provisions of this section.

(b) No A lease shall may not be made for a term longer term than ten 20 years, with the privilege of renewal, from time to time, for additional terms of not to exceed ten 20 years each. The lease may be canceled by the commissioner 90 days after giving the person leasing the land written notice of violation of lease conditions. The lease rate shall be based on the appraised value of leased land as determined by the commissioner of natural resources. The appraised value shall be the value of the leased land without any private improvements and must be comparable to similar land without any improvements within the same county.

(c) By July 1, 1986, the commissioner of natural resources shall adopt rules under chapter 14 to establish procedures for leasing land under this section. The rules shall be subject to review and approval by the commissioners of revenue and administration prior to the initial publication pursuant to chapter 14 and prior to their final adoption. The rules must address at least the following:

- (1) method of appraising the property;
- (2) determination of lease rates; and
- (3) an appeal procedure for both the appraised values and lease rates.

(d) All moneys received from these leases of state lands so withdrawn from sale shall be credited to the fund to which the proceeds of the land belong. Notwithstanding section 16A.125 or any other law to the contrary, 50 percent of the money received from the lease of permanent school fund lands leased pursuant to this subdivision shall be deposited into the permanent school trust fund.

Sec. 2. Minnesota Statutes 1984, section 272.02, subdivision 1, is amended to read:

Subdivision 1. 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;

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(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;

(8) Except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, clause (c) shall be exempt.

The following personal property shall be taxable:

(a) 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;

(b) railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80;

(c) personal property defined in section 272.03, subdivision 2, clause (3);

(d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; 273.13, subdivision 7b or 7d; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;

(e) property classified as class 2a property; and

(f) flight property as defined in section 270.071.

(9) 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.

(10) Wetlands. For purposes of this subdivision, "wetlands" means (1) land described in section 105.37, subdivision 15, or (2) land which is mostly

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under water, produces little if any income, and has no use except for wildlife or water conservation purposes, provided it is preserved in its natural condition and drainage of 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.

(11) 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 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.

(12) 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.

(13) 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.

(14) 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

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developed and operated pursuant to the provisions of section 105.482, subdivisions 1, 8 and 9.

(15) If approved by the governing body of the municipality in which the property is located, and if construction is commenced after June 30, 1983:

(a) a "direct satellite broadcasting 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;

(b) a "fixed satellite regional or national program service 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; and

(c) a facility 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.

An exemption provided by paragraph (15) shall apply 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.

The exemptions granted by this subdivision shall be subject to the limits contained in the other subdivisions of this section, section 272.025, or section 273.13, subdivisions 17, 17b, 17c, or 17d.

(16) Real and personal property owned and operated by a private, nonprofit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3), primarily used in the generation and distribution of hot water for heating buildings and structures.

(17) Notwithstanding section 273.19, state lands that are leased from the department of natural resources under section 92.46.

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Sec. 3. [92.46] [Subd. 3.] LEASE RATE INCREASES.

State land leased under Minnesota Statutes, section 92.46, subdivision 1, that have increased lease rates effective on or after January 1, 1986, shall phase in the increased lease rates by three equal annual increments, except that the lease rates shall be adjusted to reflect changes in the lease rates resulting from rules adopted under section 1.

Sec. 4. REPORT.

The commissioner of natural resources shall inventory the lakeshore leases and prepare a report on any leased land that should be sold. The report must be submitted by January 1, 1987, to the senate agriculture and natural resources and house of representatives environment and natural resources committees.

Sec. 5. [92.46] [Subd. 4.] ROAD EXPENDITURES.

A county where state lands are leased under Minnesota Statutes, section 92.46, may spend money raised from the levy of property taxes for the maintenance and upgrading of roads serving the leased property regardless of whether the roads are part of the county highway system.

Sec. 6. EFFECTIVE DATE.

Section 1 is effective January 1, 1986, except section 1, subdivision 1, paragraph (c), is effective the day following final enactment. Sections 2 and 5 are effective for property taxes levied in 1985 and thereafter, payable in 1986 and thereafter.

**ARTICLE 18
BUDGET RESERVE**

Section 1. Minnesota Statutes 1984, section 16A.15, subdivision 1, is amended to read:

Subdivision 1. **REDUCTION.** (a) If the commissioner determines that probable receipts for an appropriation, the general fund, or item will be less than anticipated, and that the amount available for the remainder of the biennium will be less than needed, the commissioner shall, with the approval of the governor, and after consulting the legislative advisory commission, transfer from the budget and cash flow reserve account established in subdivision 6 to the general fund the money needed to balance expenditures with revenue. An additional deficit shall, with the approval of the governor, and after consulting the legislative advisory commission, be made up by reducing allotments.

(b) If the commissioner determines that probable receipts for any other fund, appropriation, or item will be less than anticipated, and that the amount available for the remainder of the term of the appropriation or for any allotment period will be less than needed, the commissioner shall notify the agency

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concerned and then reduce the amount allotted or to be allotted so as to prevent a deficit.

(c) In reducing allotments, the commissioner may consider other sources of revenue available to recipients of state appropriations and may apply allotment reductions based on all sources of revenue available.

(d) In like manner, the commissioner shall reduce allotments to an agency by the amount of any saving that can be made over previous spending plans through a reduction in prices or other cause.

Sec. 2. Minnesota Statutes 1984, section 16A.15, subdivision 6, is amended to read:

Subd. 6. **BUDGET AND CASH FLOW RESERVE ACCOUNT.** A budget and cash flow 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 the budget reserve account. 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 commissioner on July 1, 1985, shall transfer an additional \$75,000,000 to the account. The amounts transferred shall remain in the budget reserve account until expended under subdivision 1. When an amount has been expended under subdivision 1, but the commissioner later determines during the same biennium that there will probably be a positive undesignated balance in the general fund at the end of the biennium, the commissioner shall transfer from the undesignated fund balance to the budget and cash flow reserve account the amount needed to restore the balance in the account to \$450,000,000.

Sec. 3. **[16A.154] AID PAYMENT DEFERRAL.**

If in any calendar year the commissioner determines that it is necessary to avoid cash flow borrowing by the state, the commissioner may order that the November 15 payment to taxing districts of property tax reduction aids and local government aids will be paid by December 15. The order applies only to aid payments made during that calendar year. The commissioner of revenue shall make payments in accordance with the order of the commissioner, notwithstanding the provisions of sections 273.13, subdivision 15a, and 477A.015. If aid payments are to be deferred pursuant to this section, the commissioner of revenue must notify the affected taxing districts by the immediately preceding October 15. This section does not apply to aid payments made to school districts.

Sec. 4. **[16A.154I] ADDITIONAL REVENUES; PRIORITY.**

If a forecast of general fund revenues and expenditures indicates that there will be an unobligated general fund balance at the close of the biennium, money must be allocated in the following order of priority:

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(1) allocate an amount, if any, necessary to restore the budget and cash flow reserve account as provided by section 16A.15, subdivision 6;

(2) pay the refund of occupation taxes under section 7;

(3) reduce property tax levy recognition percent under section 121.904, subdivision 4c; and

(4) increase the school aids payment current year percentage under section 121.904, subdivision 4d.

Sec. 5. Minnesota Statutes 1984, section 121.904, subdivision 4c, is amended to read:

Subd. 4c. **PROPERTY TAX SHIFT REDUCTION.** (a) For the purpose of this subdivision, "combined fund balance" means the sum of the fund balance determined by the commissioner of finance pursuant to section 9 of this article, after transfers to the education aids increase account, plus the balance in the education aids increase account.

(b) If the combined fund balance exceeds \$58,000,000, If the most recent forecast of general fund revenues and expenditures prepared by the commissioner of finance as of December 1 indicates a projected unobligated general fund balance at the close of the biennium in excess of \$10,000,000, the levy recognition percent specified in subdivision 4a, clauses (b)(2) and (b)(3), shall be reduced for taxes payable in 1985 and thereafter the succeeding calendar year, according to the provisions of this subdivision and section 4.

(e) (b) The levy recognition percent shall equal the result of the following computation: $32 \frac{24}{100}$ percent, times the ratio of

(1) the statewide total amount of levy recognized in June 1985 of the year in which the taxes are payable pursuant to subdivision 4a, clause (b), reduced by the amount of the combined projected general fund balance in excess of \$50,000,000, to

(2) the statewide total amount of the levy recognized in June 1985 of the year in which the taxes are payable pursuant to subdivision 4a, clause (b).

The result shall be rounded up to the nearest whole percent. However, in no case shall the levy recognition percent be reduced below 24 percent zero.

(c) The commissioner of finance must certify to the commissioner of education the levy recognition percent computed under this subdivision by January 5 of each year. The commissioner of education must notify school districts of a change in the levy recognition percent by January 15.

(d) The commissioner of finance shall transfer from the general fund to the education aids appropriations specified by the commissioner of education, the amounts needed to finance the additional payments required because of the

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reduction pursuant to this subdivision of the levy recognition percent. Payments to a school district of additional state aids resulting from a reduction in the levy recognition percent must be included in the cash metering of payments made according to section 124.195 after January 15, and must be paid in a manner consistent with the percent specified in that section.

Sec. 6. Minnesota Statutes 1984, section 121.904, is amended by adding a subdivision to read:

Subd. 4d. AID PAYMENT PERCENTAGE INCREASE. (a) Subject to the provisions of section 4, if the most recent forecast of general fund revenues and expenditures prepared by the commissioner of finance indicates a projected unobligated general fund balance at the close of the biennium, the fund balance must be used to increase the aid payment percentage specified in section 124.195, subdivisions 7 and 10. The increased aid payment percentage shall be rounded to the nearest whole percent above 85 percent but shall not exceed 90 percent.

(b) The commissioner of finance must certify to the commissioner of education the amount available for computing the aid payment percentage. The commissioner of education must determine the method for increasing the aid payment percentage. The commissioner of finance must transfer from the general fund to the education aids, grants, and credits appropriations specified by the commissioner of education the amounts needed to make the additional payments required by this subdivision. The additional payments must be included in the cash metering of payments made according to section 124.195. The commissioner of education must notify school districts of an increase in the percentage payment of current year school aids under this subdivision within 30 days.

Sec. 7. CONTINGENT APPROPRIATION; OCCUPATION TAX REFUNDS.

(a) Subject to the conditions of section 4, there is appropriated effective July 1, 1986, to the commissioner of revenue from the general fund an amount equal to one-half of any credits due as a result of a recomputation of occupation taxes for production year 1984 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 May 1, 1985. The commissioner shall refund to the taxpayers the amount computed plus interest at the rate established in Minnesota Statutes, section 298.09, subdivision 4, from the date of the overpayment.

(b) Subject to the conditions of section 4, there is appropriated effective July 1, 1987, to the commissioner of revenue from the general fund the remainder of the amount computed pursuant to paragraph (a). The commissioner shall refund to the taxpayers the amount computed plus interest at the rate established

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in Minnesota Statutes, section 298.09, subdivision 4, from the date of the overpayment.

Sec. 8. APPROPRIATION; OCCUPATION TAX REFUNDS.

(a) There is appropriated effective July 1, 1988, to the commissioner of revenue from the general fund an amount equal to one-half of any credits due as a result of a recomputation of occupation taxes for production year 1984 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 May 1, 1985, to the extent the refunds were not paid pursuant to section 7. The commissioner shall refund to the taxpayers the amount computed plus interest at the rate established in Minnesota Statutes, section 298.09, subdivision 4, from the date of the overpayment.

(b) There is appropriated effective July 1, 1989, to the commissioner of revenue from the general fund the remainder of the amount computed pursuant to paragraph (a). The commissioner shall refund to the taxpayers the amount computed plus interest at the rate established in Minnesota Statutes, section 298.09, subdivision 4, from the date of the overpayment.

**ARTICLE 19
CIGARETTE TAX**

Section 1. Minnesota Statutes 1984, section 116.16, subdivision 1, is amended to read:

Subdivision 1. **PURPOSE.** A Minnesota state water pollution control fund is created as a separate bookkeeping account in the general books of account of the state, to record receipts of the proceeds of state bonds and other money appropriated to the fund and disbursements of money appropriated or loaned from the fund to agencies and subdivisions of the state for the acquisition and betterment of public land, buildings, and improvements of a capital nature needed for the prevention, control, and abatement of water pollution in accordance with the long range state policy, plan, and program established in sections 115.41 to 115.63, and in accordance with standards adopted pursuant to law by the Minnesota pollution control agency. It is determined that state financial assistance for the construction of water pollution prevention and abatement facilities for municipal disposal systems and combined sewer overflow is a public purpose and a proper function of state government, in that the state is trustee of the waters of the state and such financial assistance is necessary to protect the purity of state waters, and to protect the public health of the citizens of the state, which is endangered whenever pollution enters state waters at one point and flows to other points in the state.

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Sec. 2. Minnesota Statutes 1984, section 116.16, subdivision 2, is amended to read:

Subd. 2. **DEFINITIONS.** In this section and sections 116.17 and 116.18:

(1) Agency means the Minnesota pollution control agency created by this chapter;

(2) Municipality means any county, city, and town, the metropolitan waste control commission established in chapter 473 and the metropolitan council when acting under the provisions of that chapter or an Indian tribe or an authorized Indian tribal organization, and any other governmental subdivision of the state responsible by law for the prevention, control, and abatement of water pollution in any area of the state;

(3) Pollution control fund means the Minnesota state water pollution control fund created by subdivision 1;

(4) Bond account means the Minnesota state water pollution control bond account created in the state bond fund by section 116.17, subdivision 4;

(5) Terms defined in section 115.01 have the meanings therein given them;

(6) The eligible cost of any municipal project, except as otherwise provided in clauses (7) and (8), includes (a) preliminary planning to determine the economic, engineering, and environmental feasibility of the project; (b) engineering, architectural, legal, fiscal, economic, sociological, project administrative costs of the agency and the municipality, and other investigations and studies; (c) surveys, designs, plans, working drawings, specifications, procedures, and other actions necessary to the planning, design, and construction of the project; (d) erection, building, acquisition, alteration, remodeling, improvement, and extension of disposal systems; (e) inspection and supervision of construction; and (f) all other expenses of the kinds enumerated in section 475.65.

(7) For state independent grant and matching grant purposes hereunder, the eligible cost for grant applicants shall be the eligible cost as determined by the United States environmental protection agency under the Federal Water Pollution Control Act, as amended, 33 U.S.C. 1314, et seq.

(8) Notwithstanding clause (7), for state grants under the state independent grants program, the eligible cost includes the acquisition of land for stabilization ponds, the construction of collector sewers for totally unsewered statutory and home rule charter cities and towns described under section 368.01, subdivision 1 or subdivision 1a, that are in existence on January 1, 1985, and the provision of reserve capacity sufficient to serve the reasonable needs of the municipality for 20 years in the case of treatment works and 40 years in the case of sewer systems. Notwithstanding clause (7), for state grants under the state independent grants program, the eligible cost does not include ~~the provision of~~

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collector sewers as defined in agency rules, the provision of service to seasonal homes, or cost increases from contingencies that exceed three percent of as-bid costs or cost increases from unanticipated site conditions that exceed an additional two percent of as-bid costs.

Sec. 3. [116.162] STATE FINANCIAL ASSISTANCE PROGRAM FOR COMBINED SEWER OVERFLOW.

Subdivision 1. DEFINITIONS. (a) Except as otherwise provided in this section, the terms used in this section have the meanings given in section 116.16, subdivision 2.

(b) "Combined sewer" means a sewer that is designed and intended to serve as a sanitary sewer and a storm sewer, or as an industrial sewer and a storm sewer.

(c) "Combined sewer overflow" means a discharge of a combination of storm and sanitary wastewater or storm and industrial wastewater directly or indirectly into the waters of the state, occurring when the volume of wastewater flow exceeds the conveyance or storage capacity of a combined sewer system.

Subd. 2. PROGRAM PURPOSE. The agency shall administer a state financial assistance program to assist eligible recipients to abate combined sewer overflow to the Mississippi river from its confluence with the Rum river to its confluence with the St. Croix river.

Subd. 3. ELIGIBLE RECIPIENTS. A statutory or home rule charter city is eligible for financial assistance under the program if the city has a permit, stipulation agreement, consent decree, or order issued by the agency requiring construction to abate combined sewer overflow and if the city adopts an approved plan to abate combined sewer overflow.

Subd. 4. ELIGIBLE COSTS. The eligible costs under this section include the costs listed in section 116.16, subdivision 2, paragraph (6), as determined by the agency, using as guidelines the regulations promulgated by the United States environmental protection agency under the Federal Water Pollution Control Act, United States Code, title 33, sections 1314 to 1328, except that the eligible costs include easements necessary for implementing the combined sewer overflow abatement plan and do not include:

- (1) the preparation of combined sewer overflow abatement plans;
- (2) acquisition of interests in real property other than easements;
- (3) storm water treatment facilities;
- (4) costs for a program to disconnect any structures or devices, excluding catch basins on public property, constructed to direct or convey storm water, snow melt, or surface water from private or public property into a public sanitary or combined sewer;

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(5) costs incurred before the effective date of this section; and

(6) costs incurred after the effective date of this section but without prior written approval of the agency.

Subd. 5. FINANCIAL ASSISTANCE PROGRAM. The agency shall annually provide financial assistance to eligible recipients for combined sewer overflow projects. The agency shall determine eligible costs for each eligible recipient and compare those individual costs to the total eligible cost required to abate combined sewer overflows. This comparison determines each eligible recipient's proportionate share of the costs, and the appropriation for the program must be distributed among eligible recipients according to their proportionate share.

Subd. 6. REPAYMENTS. A city of the first class that receives assistance under this section shall repay one-half of each assistance payment ten years after the date when the recipient received the assistance payment. The repayment must be deposited in the Minnesota state water pollution control fund.

Subd. 7. CONDITIONS; ADMINISTRATION. (a) A recipient of financial assistance under this section shall construct the combined sewer overflow abatement facilities in accordance with the construction schedule contained in the permit, stipulation agreement, consent decree, or order issued by the agency. The agency shall require that, with federal, state, and local funds, the construction schedule would complete abatement of combined sewer overflow within ten years of the issuance of the permit, agreement, decree, or order. As a condition of receiving financial assistance, the recipient shall implement a program approved by the agency to disconnect any structures or devices, excluding catch basins on public property, constructed to direct or convey storm water, snow melt, or surface water from private or public property into a public sanitary or combined sewer. The deadlines for submittance of facilities plans, plans and specifications, and other documents to the agency for financial assistance are governed by the construction schedule contained in the permit, stipulation agreement, consent decree, or order issued by the agency requiring combined sewer overflow abatement construction.

(b) A recipient of financial assistance under this section is not eligible to receive a grant to abate combined sewer overflow under the state independent grants program.

Subd. 8. RULES. The agency shall promulgate permanent rules and may promulgate emergency rules for the administration of the financial assistance program established by this section. The rules must contain as a minimum:

(1) procedures for application;

(2) criteria for eligibility of combined sewer overflow abatement projects;

(3) conditions for use of the financial assistance;

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(4) procedures for the administration of financial assistance; and

(5) other matters that the agency finds necessary for the proper administration of the program.

Sec. 4. Minnesota Statutes 1984, section 116.18, subdivision 1, is amended to read:

Subdivision 1. **APPROPRIATION FROM THE FUND.** The sum of \$167,000,000, or so much thereof as may be necessary, is appropriated from the Minnesota state water pollution control fund in the state treasury to the pollution control agency, for the period commencing on July 23, 1971 and ending ~~June 30, 1985~~, to be granted and disbursed to municipalities and agencies of the state in aid of the construction of projects conforming to section 116.16, in accordance with the rules, priorities, and criteria therein described.

Sec. 5. Minnesota Statutes 1984, section 116.18, subdivision 2a, is amended to read:

Subd. 2a. **STATE MATCHING GRANTS PROGRAM BEGINNING OCTOBER 1, 1984.** For projects tendered, on or after October 1, 1984, a grant of federal money under section 201(g), section 202, 203, or 206(f) of the Federal Water Pollution Control Act, as amended, United States Code, title 33, sections 1251 to 1376, at 55 percent or more of the eligible cost for construction of the treatment works, state money appropriated under subdivision 1 must be expended for up to ~~45~~ 30 percent of the eligible cost of construction for municipalities for which the construction would otherwise impose significant financial hardship; provided, that not less than ~~25~~ ten percent of the eligible cost must be paid by the municipality or agency constructing the project. If a municipality is tendered federal and state grants in a percentage cumulatively exceeding ~~75~~ 90 percent of the eligible cost of construction, the state pollution control agency shall reduce the grant to the municipality under this chapter to the extent necessary to ensure that not less than ~~25~~ ten percent of the eligible cost will be paid by the municipality. The amounts of the matching grants must be based on per connection capital cost, median household income, and per capita adjusted assessed valuation.

Sec. 6. Minnesota Statutes 1984, section 116.18, subdivision 3a, is amended to read:

Subd. 3a. **STATE INDEPENDENT GRANTS PROGRAM.** (a) The agency may award independent grants for projects for 50 percent or, if the agency requires advanced treatment, 65 percent of the eligible cost of construction. The agency may award independent grants for up to an additional ~~45~~ 30 percent or, if the agency requires advanced treatment, up to an additional ~~ten~~ 25 percent of the eligible cost of construction to municipalities for which the construction would otherwise impose significant financial hardship; the amounts of the additional grants shall be based on per connection capital cost, median household income,

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and per capita adjusted assessed valuation. These grants may be awarded in separate steps for planning and design in addition to actual construction. ~~Not more than 20 percent of the total amount of grants awarded under this subdivision in any single fiscal year may be awarded for projects for the control of combined sewer overflow as defined by federal regulation.~~ Until December 31, 1990, not more than 20 percent of the total amount of grants awarded under this subdivision in any single fiscal year may be awarded to a single grantee.

(b) Up to ten percent of the money to be awarded as grants under this subdivision in any single fiscal year shall be set aside for municipalities having substantial economic development projects that cannot come to fruition without municipal wastewater treatment improvements. The agency shall forward its municipal needs list to the commissioner of energy and economic development at the beginning of each fiscal year, and the commissioner shall review the list and identify those municipalities having substantial economic development projects. After the first 90 percent of the total available money is allocated to municipalities in accordance with agency priorities, the set-aside shall be used by the agency to award grants to remaining municipalities that have been identified.

(c) Grants may also be awarded under this subdivision to reimburse municipalities willing to proceed with projects and ~~apply to be reimbursed in the~~ a subsequent year conditioned upon appropriation of sufficient money under subdivision 1 for that year. The maximum amount of the reimbursement the agency may commit in any single fiscal year is equal to the amount newly appropriated ~~under subdivision 1 to the state grants programs~~ for that year.

Sec. 7. [116.19] MUNICIPAL POWERS.

Subdivision 1. PURPOSE. Notwithstanding a statute or home rule charter to the contrary, a recipient of financial assistance from the agency under section 3 may exercise the authority provided in this section to abate combined sewer overflow or provide money to pay all or part of the costs of the abatement and of making improvements to any utility required to effect the abatement.

Subd. 2. GENERAL. A recipient may acquire real or personal property by purchase, including installment purchase, lease, including a financing lease, condemnation, gift, or grant, or may sell real or personal property at its fair market value determined by the recipient and simultaneously enter into an installment purchase or lease, including a financing lease, for purposes of reacquiring real or personal property. A recipient may construct, enlarge, improve, replace, repair, maintain, and operate a public sewer system, including storm sewers, sanitary sewers, and facilities for separating storm sewers from combined storm and sanitary sewers, or any other public utilities combined with the public sewer system as provided in this section. To accomplish these purposes, a recipient may exercise the powers granted a municipality by chapters 115, 117, 412, 429, 435, 444, 471, and 475, and may combine the public sewer system, for purposes of operation or revenue collection or both or for other

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purposes the city council determines, with one or more other public utilities. Charges for the services provided by a combined utility may be determined in any reasonable manner.

Subd. 3. DEBT. A recipient may incur indebtedness and may issue and sell bonds or other obligations, including notes, an installment purchase contract, or obligations to make payments under a financing lease, and pledge the full faith and credit of the city to its payment for storm and sanitary sewers and systems without submitting the question of issuing the bonds, or otherwise incurring the obligations, to the electors. The bonds or other obligations may be issued in one or more series, may bear interest at the rate or rates, including floating rates, and may be sold at public or private sale and at the price the recipient determines. A recipient may, in addition to or in substitution for the pledge of its full faith and credit, pledge the revenues or net revenues of its public sewer system or a combined utility or a part of it, or mortgage the assets of the system or combined utility. A recipient may vest in a trustee or trustees, located within or outside the state, the right to enforce any covenants made to secure or to pay the bonds or other obligations, and may determine the powers and duties of the trustee or trustees. Except as provided in this section, the bonds or other obligations must be issued and sold according to chapter 475.

Subd. 4. PROPERTY TAX. In addition and supplemental to the grants of authority in subdivisions 2 and 3, the governing body may establish a special taxing district or districts within the corporate limits of the city that include some or all of the real or personal property served by a combined sewer separated after the effective date of this section, and may levy and collect ad valorem taxes in the district or districts for the purposes of this section. The taxes must be collected by the county and paid over to the city as are other taxes. The taxes are not restricted by any other tax levy limitations imposed upon the city by any other law or charter provision.

Subd. 5. ASSESSMENTS. The governing body of the city may divide the city into drainage districts or areas, and may levy and collect assessments based on benefit to property, and the assessments so levied may be based upon the existing or highest and best land usage, square footage, front footage or area. The assessments may be levied in accordance with the procedures set forth in the city's home rule charter, if any, or chapter 429, as the council determines. The assessments may be levied and collected from all property whether public or private, and in the case of public property the agency of government responsible for the property must provide the necessary money in its budget request.

Subd. 6. PRIVATE FINANCE. To secure financing for the purposes of this section, the governing body of the city may use private financing methods, such as private ownership and construction by any means available to the owner of new facilities to benefit the city under a lease, financing lease, installment purchase agreement or service contract, or the sale or mortgaging of all or part of

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the city's existing public sewer system, combined utility including the public sewer system, or water utility, to benefit the city under a lease, financing lease, installment purchase agreement or service contract. The private financing methods are not subject to any limitations imposed by a home rule charter, if any, or by chapter 475. Any property benefiting the city under the private financing methods is exempt from taxation and the payment of amounts in lieu of taxes to the same extent as property owned by the city.

Sec. 8. [116.51] DEFINITIONS.

Subdivision 1. APPLICABILITY. The definitions in this section apply to sections 8 to 10 and section 16.

Subd. 2. AGENCY. "Agency" means the pollution control agency.

Subd. 3. COMMISSIONER. "Commissioner" means the commissioner of health.

Subd. 4. ELEVATED BLOOD LEAD LEVEL. "Elevated blood lead level" means a confirmed concentration of 25 micrograms or more of lead in each deciliter of whole blood.

Subd. 5. RESPONSE ACTION. "Response action" means action to limit exposure to lead contaminated soil sites, including fencing, covering sites with vegetation, removal and replacement of contaminated soil, and other appropriate measures.

Sec. 9. [116.52] IDENTIFICATION OF LEAD CONTAMINATED SOIL SITES.

Subdivision 1. PRELIMINARY SCREENING. By January 1, 1986, the agency must identify and develop a preliminary list of sites in the state where significant concentrations of lead in soil are likely and where the probability exists for children's contact with the soil. In identifying these sites the agency must consider:

- (1) both stationary and mobile lead emission sources;
- (2) dispersion and depositional patterns of lead emissions; and
- (3) the presence of populations susceptible to lead exposure or lead absorption, including children at day care centers, schools, parks, and playgrounds, children who have elevated levels of lead in their blood, and children whose socioeconomic status has given them a higher exposure to lead or increased lead absorption.

Subd. 2. SOIL TESTING. By January 1, 1987, the agency must sample sites on the preliminary list to determine the concentration of lead in the soil. The agency must refer sites to the commissioner where lead in the soil exceeds the interim standard for lead in the soil of 1,000 parts per million. After

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adoption of the rules under section 10, subdivision 1, the agency shall refer to the commissioner all sites with concentrations above the standard for lead in soil.

Subd. 3. ACCESS TO PROPERTY. The agency or a person authorized by the agency may, upon presentation of credentials, enter public or private property to conduct surveys or investigations.

Subd. 4. HEALTH SCREENING. For each site referred by the agency, the commissioner must review the existing health data on the resident population or collect data on the level of lead in the blood if the present data are inadequate. If the level of lead in the blood is elevated in a population at a site, the commissioner shall examine the site for all sources of lead exposure and report to the agency findings and recommendations to reduce the level of lead in the blood.

Sec. 10. [116.53] RULES.

Subdivision 1. STANDARD FOR LEAD IN SOIL. By January 1, 1988, the agency shall adopt rules that establish a standard of lead contamination in the soil that threatens the health or welfare of susceptible populations.

Subd. 2. PRIORITIES FOR RESPONSE ACTION. By January 1, 1988, the agency must adopt rules establishing the priority for response actions. The rules must consider the potential for children's contact with the soil and the existing level of lead in the soil and may consider the relative risk to the public health, the size of the population at risk, and blood lead levels of resident populations.

Sec. 11. REPORT ON LEAD CONTAMINATION IN THE SOIL.

By January 1, 1987, the pollution control agency shall submit a report to the senate and house committees on health and human services describing the extent of lead contamination in the soil, the lead levels in the blood of populations at contaminated sites, the size of the population at risk from exposure to lead in the soil, and an estimate of the cost of response actions required to prevent exposure to soil contaminated by lead.

Sec. 12. [124.252] TOBACCO USE PREVENTION PROGRAMS.

Subdivision 1. ELIGIBILITY AND PURPOSE. Each school board which institutes a tobacco use prevention program that meets the criteria specified in subdivision 2 and submits the proposed program to the commissioner of education shall be eligible for state aid for the following purposes:

- (1) in-service training for public and nonpublic school staff;
- (2) tobacco use prevention curriculums including materials;
- (3) community and parent awareness programs; and
- (4) evaluation of curriculum and programs for tobacco use prevention.

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Subd. 2. CRITERIA. Each tobacco use prevention curriculum must include at least the following components:

- (1) in-service training of teachers and staff;
- (2) evaluation of programs and curriculum results;
- (3) a kindergarten through grade 12 continuum of educational intervention related to tobacco use;
- (4) targeted intervention on tobacco use onset for students who are 12 to 14 years old based on evaluated curriculums that have been shown to reduce tobacco use onset rates; and
- (5) prohibition of smoking cigarettes and the use of other tobacco products on the school premises by minors.

Subd. 3. DISTRICT AID. An eligible district shall receive 52 cents in fiscal year 1986 and 54 cents in fiscal year 1987 for each pupil, in average daily membership, enrolled in a public elementary, secondary, or area vocational technical institute or nonpublic elementary or secondary school. Aid for non-public school pupils shall be paid to the district upon request by or on behalf of the pupils. No school district shall receive less than \$1,000 in fiscal year 1986 and \$1,040 in fiscal year 1987.

Subd. 4. APPLICATIONS. A district that is eligible for aid shall apply to the commissioner of education by October 1 of each school year on the form supplied by the commissioner.

Subd. 5. ASSISTANCE TO DISTRICTS. The commissioner of education, with the consultation and assistance of the commissioner of health, shall:

- (1) provide technical assistance to districts for the development, implementation, and evaluation of tobacco use prevention curriculum and programs;
- (2) provide to districts information about evaluation results of various curriculums as reported in the scientific literature and elsewhere; and
- (3) collect information from districts about prevention programs and evaluation results.

Sec. 13. [144.391] PUBLIC POLICY.

The legislature finds that:

- (1) smoking causes premature death, disability, and chronic disease, including cancer and heart disease, and lung disease;
- (2) smoking related diseases result in excess medical care costs; and
- (3) smoking initiation occurs primarily in adolescence.

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

The legislature desires to prevent young people from starting to smoke, to encourage and assist smokers to quit, and to promote clean indoor air.

Sec. 14. [144.392] DUTIES OF THE COMMISSIONER.

The commissioner of health shall:

(1) provide assistance to workplaces to develop policies that promote nonsmoking and are consistent with the Minnesota clean indoor air act;

(2) provide technical assistance, including design and evaluation methods, materials, and training to local health departments, communities, and other organizations that undertake community programs for the promotion of non-smoking;

(3) collect and disseminate information and materials for smoking prevention;

(4) evaluate new and existing nonsmoking programs on a statewide and regional basis using scientific evaluation methods;

(5) conduct surveys in school-based populations regarding the epidemiology of smoking behavior, knowledge, and attitudes related to smoking, and the penetration of statewide smoking control programs; and

(6) report to the legislature each biennium on activities undertaken, smoking rates in the population and subgroups of the total population, evaluation activities and results of those activities, and recommendations for further action.

Sec. 15. [144.393] PUBLIC COMMUNICATIONS PROGRAM.

The commissioner may conduct a long-term coordinated public information program that includes public service announcements, public education forums, mass media, and written materials. The program must promote non-smoking and include background survey research and evaluation. The program must be designed to run over at least five years, subject to the availability of money.

Sec. 16. [144.491] COMMISSIONER'S DUTIES RELATING TO LEAD ABSORPTION.

The commissioner of health shall:

(1) provide coordination and advice to community programs that test children for lead in their blood to assure that these testing services are conducted in a safe and appropriate manner, are targeted to children throughout the state at risk to lead contamination or absorption, and generate data that may be analyzed on a statewide basis;

(2) provide coordination and advice of local lead absorption testing programs, to assure adequate skill and efficiency, to the laboratories within the

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state that conduct Erythrocyte Protoporphorin testing, confirmatory blood lead testing, and testing of paint chips and other environmental lead sources;

(3) provide public and professional education concerning lead contamination or absorption and its health effects on children;

(4) review state and local housing codes and advise the governing bodies and administrative departments adopting or administering the codes to insure that the hazard of absorption and contamination from leaded paint is adequately addressed and considered, and provide technical support for enforcement of the codes by local health departments and local building inspection departments; and

(5) study and determine the extent of exposure to lead in drinking water caused by plumbing and develop recommendations and techniques for reducing this exposure.

Sec. 17. [144.95] MOSQUITO RESEARCH PROGRAM.

Subdivision 1. RESEARCH PROGRAM. The commissioner of health shall establish and maintain a long-range program of research to study:

(1) the basic biology, distribution, population ecology, and biosystematics of Minnesota mosquitoes;

(2) the impact of mosquitoes on human and animal health and the economy, including such areas as recreation, tourism, and livestock production;

(3) the baseline population and environmental status of organisms other than mosquitoes that may be affected by mosquito management;

(4) the effects of mosquito management strategies on animals and plants that may result in changes in ecology of specific areas;

(5) the development of mosquito management strategies that are effective, practical, and environmentally safe;

(6) the costs and benefits of development of local and regional management and educational programs.

Subd. 2. RESEARCH FACILITY AND FIELD STATIONS. (a) The commissioner of health shall establish and maintain mosquito management research and development facilities, including but not limited to field research stations in the major mosquito ecologic regions and a center for basic mosquito management research and development. The commissioner shall, to the extent possible, contract with the University of Minnesota in establishing, maintaining, and staffing the research facilities.

(b) The commissioner of health shall establish and implement a program of contractual research grants with public and private agencies and individuals in order to:

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(1) undertake supplemental research studies on basic mosquito biology, physiology, and life cycle history beyond those described in subdivision 1;

(2) undertake research into the effects of mosquitoes on human health, including vector-borne diseases, and on animal health, including agricultural and wildlife effects;

(3) undertake studies of other economic factors including tourism and recreation;

(4) collect and analyze baseline data on the ecology and distribution of organisms other than mosquitoes that may be affected as a result of mosquito management strategies;

(5) develop new, effective, practical, and biologically compatible control methods and materials;

(6) conduct additional monitoring of the environmental effects of mosquito control methods and materials;

(7) undertake demonstration, training, and education programs for development of local and regional mosquito management programs.

Subd. 3. CONDUCT RESEARCH TRIALS. The commissioner of health may develop and conduct research trials of mosquito management methods and materials. Trials may be conducted, with the agreement of the public or private landholder, wherever and whenever the commissioner considers necessary to provide accurate data for determining the efficacy of a method or material in controlling mosquitoes.

Subd. 4. RESEARCH TRIALS. Research trials of mosquito management methods and materials are subject to the following laws and rules unless a specific written exemption, license, or waiver is granted; sections 97.48, 97.488, 98.48, 105.38, 105.41, and 105.463; and Minnesota Rules, chapters 1505, 6115, 6120, 6134, and 6140.

Subd. 5. GENERAL AUTHORITY. (a) To carry out subdivisions 1 to 4, the commissioner of health may:

(1) accept money, property, or services from any source;

(2) receive and hold lands;

(3) accept gifts;

(4) cooperate with city, state, federal, or private agencies whose research on mosquito control or on other environmental matters may be affected by the commissioner's mosquito management and research activities; and

(5) enter into contracts with any public or private entity.

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(b) The contracts must specify the duties performed, services provided, and the amount and method of reimbursement for them. Money collected by the commissioner under contracts made under this subdivision is appropriated to the commissioner for the purposes specified in the contracts. Contractual agreements must be processed under section 16B.17.

Subd. 6. AUTHORITY TO ENTER PROPERTY. The commissioner of health, officers, employees, or agents may, with express permission of the owner, enter upon any property at reasonable times to:

(1) determine whether mosquito breeding exists;

(2) examine, count, study, or collect laboratory samples to determine the property's geographic, geologic, and biologic characteristics; or

(3) study and collect laboratory samples to determine the effect on animals and vegetation of an insecticide, herbicide, or other method used to control mosquitoes.

Subd. 7. RESEARCH PLOTS. The commissioner of health may lease and maintain experimental plots of land for mosquito research. The commissioner of health shall determine the locations of the experimental plots and may enter into agreements with any public or private agency or individual to lease the land. The commissioners of agriculture, natural resources, transportation, iron range resources and rehabilitation, and energy and economic development shall cooperate with the commissioner of health.

Subd. 8. EMERGENCIES. The commissioner may suspend or revoke a contract, agreement, or delegated authority granted in this section at any time and without prior notice if an emergency, accident, or hazard threatens the public health.

Subd. 9. COMMISSIONER REQUIRED TO REPORT. Each year, the commissioner shall report to the legislature on basic mosquito research findings and progress toward cost-effective, environmentally sound mosquito management methods and materials. The report must recommend future research and management activities.

Subd. 10. CONTINGENCY. This section is effective only if the tax on cigarettes imposed by United States Code, title 26, section 5701, as amended, is reduced after June 1, 1985, or if other public or private funds sufficient to fund the program are made available to the commissioner for the purposes of this program.

Sec. 18. Minnesota Statutes 1984, section 145.882, is amended to read:

145.882 **MATERNAL AND CHILD HEALTH BLOCK GRANT DISTRIBUTION.**

Subdivision 1. CONTINUATION OF 1983 PROJECTS. (a) Notwithstanding subdivisions 2 and 3, recipients of maternal and child health grants for

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special projects in state fiscal year 1983 shall continue to be funded at the same level as in state fiscal year 1983 until ~~September 30, 1985~~ December 31, 1987 if they comply with the provisions of sections 145.881, and 145.882 to 145.888. Beginning January 1, 1988, recipients of maternal and child health special project grants awarded in state fiscal year 1983 must receive:

(1) for calendar year 1988, no less than 80 percent of the amount awarded in state fiscal year 1983; and

(2) for calendar year 1989, no less than 70 percent of the amount awarded in state fiscal year 1983.

(b) The amount of grants awarded under this subdivision must be deducted from the allocation under subdivisions 3 and 4 for the community health services area within which the grantee is located. In order to receive money under this subdivision, recipients must continue to comply with sections 145.881 and 145.882 to 145.888. These recipients are also eligible to apply for state grants under sections 145.883 to 145.888 subdivisions 2, 3, and 4. Any decrease in the amount of federal funding to the state for the maternal and child health block grant shall must be apportioned to reflect a proportional decrease for each recipient until ~~September 30, 1985~~. Any increase in the amount of federal funding to the state shall must be distributed for services to children with handicaps and to special projects as provided in sections 145.883 to 145.888, except that an amount not to exceed ten percent may be retained by the commissioner of health to address cost of living increases and increases in supplies and services under subdivisions 3 and 4 of this section.

After ~~September 30, 1985~~, (c) The advisory task force shall review and recommend the proportion of maternal and child health block grant funds to be expended for indirect costs, direct services and special projects. The proportion of funds expended in direct services through special projects shall be maintained at not less than the level expended in state fiscal year 1984.

Subd. 2. ALLOCATION TO THE COMMISSIONER OF HEALTH. Beginning January 1, 1986, up to one-third of the total maternal and child health block grant money may be retained by the commissioner of health for administrative and technical assistance services, projects of regional or statewide significance, direct services to children with handicaps, and other activities of the commissioner.

Subd. 3. ALLOCATION TO COMMUNITY HEALTH SERVICES AREAS. The maternal and child health block grant money remaining after distributions made under subdivisions 1 and 2 must be allocated according to the formula in subdivision 4 to community health services areas for distribution by local boards of health to qualified programs that provide essential services within the community health services area.

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Subd. 4. DISTRIBUTION FORMULA. The amount available for each community health services area is determined according to the following formula:

(a) Each community health services area is allocated an amount based on the following three variables:

(1) the proportion of resident mothers within the city, county, or counties who are under 20 years of age or over 35 years of age, as determined by averaging the data available for the three most current years;

(2) the proportion of resident infants within the city, county, or counties whose weight at birth is less than 2,500 grams, as determined by averaging the data available for the three most current years; and

(3) the proportion of resident children within the city, county, or counties under the age of 19 who are on general assistance or medical assistance and the proportion of resident women within the city, county, or counties aged 19 to 49 who are on general assistance or medical assistance, as determined by using the data available for the most current year.

(b) Each variable is expressed as a city or county score consisting of the city or county frequency of each variable divided by the statewide frequency of the variable.

(c) A total score for each city or county jurisdiction is computed by totaling the scores of the three factors and dividing the total by three.

(d) Each community health services area is allocated an amount equal to the total score obtained above for the city, county, or counties in its area multiplied by the amount of money available for special projects of local significance.

Subd. 5. NONPARTICIPANTS IN THE COMMUNITY HEALTH SERVICES SUBSIDY PROGRAM. A city or county that is not participating in the community health services subsidy program must be allocated money under subdivisions 3 and 4, and for this limited purpose the city or county is a "community health services area." For these areas, the commissioner shall convene a meeting of public and private nonprofit agencies in the city or county that have expressed an intent to submit an application for funding, in order to attempt to develop a single coordinated grant application for the city or county. Applications, whether consolidated into a single application or submitted as individual applications, must be submitted according to section 145.885. Grants for qualified programs providing essential services in these areas are awarded and distributed by the commissioner.

Subd. 6. REALLOCATION. If no approvable applications are received for a community health services area, the commissioner must reallocate the money available for that area to other community health service areas for which approvable applications have been received.

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Subd. 7. USE OF BLOCK GRANT MONEY. (a) Maternal and child health block grant money allocated to a local board of health or community health services area under this section must be used for qualified programs for high risk and low income individuals. Block grant money must be used for programs that:

(1) specifically address the highest risk populations, particularly low income and minority groups with a high rate of infant mortality and children with low birth weight, by providing services calculated to produce measurable decreases in infant mortality rates, instances of children with low birth weight, and medical complications associated with pregnancy and childbirth;

(2) specifically target pregnant women whose age, medical condition, or maternal history substantially increases the likelihood of complications associated with pregnancy and childbirth or the birth of a child with an illness, disability, or special medical needs;

(3) specifically address the health needs of young children who have or are likely to have a chronic disease or disability or special medical needs; or

(4) provide family planning and preventive medical care for specifically identified target populations, such as minority and low income teenagers, in a manner calculated to decrease the occurrence of inappropriate pregnancy and minimize the risk of complications associated with pregnancy and childbirth.

(b) Maternal and child health block grant money may be used for purposes other than the purposes listed in this subdivision only if the local board of health or community health services area can demonstrate that existing programs fully address the needs of the highest risk target populations described in this subdivision.

Subd. 8. REPORT. The commissioner shall prepare, with the advice of the advisory task force, an annual report to the legislature which details the distribution of maternal and child health block grant funds money, including the amounts to be expended for indirect costs, direct services, and special projects local grants. The report shall also identify the statewide needs of low income and high risk populations and the department of health's plans and local board plans for meeting their needs. The legislature must receive the report no later than January of each year.

Sec. 19. Minnesota Statutes 1984, section 145.883, subdivision 8, is amended to read:

Subd. 8. MATERNAL AND CHILD HEALTH BLOCK GRANT MONEY. "Maternal and child health block grant money" means the money received by the state from the federal maternal and child health block grant. The commissioner shall carry forward from state fiscal year 1985, and succeeding

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years, only sufficient ~~funds~~ money for qualified programs approved through the federal ~~fiscal year~~ award period.

Sec. 20. Minnesota Statutes 1984, section 145.883, is amended by adding a subdivision to read:

Subd. 9. COMMUNITY HEALTH SERVICES AREA. "Community health services area" means a city, county, or multi-county area that is organized as a local board of health under section 145.913 and for which a state subsidy is received under sections 145.911 to 145.922.

Sec. 21. Minnesota Statutes 1984, section 145.884, subdivision 1, is amended to read:

Subdivision 1. **RULES.** The commissioner shall, in the name of the state and within the limit of the federal maternal and child health block grant appropriation, make grants ~~to public and private nonprofit agencies administering~~ under sections 145.881 to 145.888 for qualified programs of maternal and child health care services. The commissioner shall promulgate rules for the administration of grants ~~authorized by this subdivision.~~ The rules shall establish and contain as a minimum:

- (a) procedures for grant applications;
- (b) conditions and procedures for the administration of grants;
- (c) criteria of eligibility for grants; and
- (d) other matters the commissioner finds necessary for the proper administration of the grant program.

Sec. 22. Minnesota Statutes 1984, section 145.885, is amended to read:

145.885 APPLICATION FOR A GRANT.

Subdivision 1. REQUIREMENTS FOR ALL APPLICATIONS. An application for a grant shall be submitted to the commissioner at a time and in a form and manner as the commissioner prescribes. Department of health technical staff shall be available to provide technical assistance in development of grant applications. The application must contain:

~~(a)~~ (1) a complete description of the program and the manner in which the applicant intends to conduct the program;

(b) (2) a description of the manner in which the program responds to needs and priorities for services identified by the maternal and child health task force under section 145.881, subdivision 2, and rules adopted by the commissioner; differences must be explained in detail;

(3) a budget and justification for the amount of grant funds requested;

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(e) (4) a description of the target population served by the qualified program and estimates of the number of low income or high risk patients the program is expected to serve;

(d) (5) the name or names of the person or persons who shall have primary responsibility for the administration and delivery of services of the qualified program; and

(e) (6) the reporting and accounting procedures to be followed by the qualified agency to enable the commissioner to evaluate the activities of the qualified program.

Subd. 2. ADDITIONAL REQUIREMENTS FOR LOCAL BOARDS.
Applications by local boards under section 18, subdivision 3, must also contain a summary of the process used to develop the local program, including evidence that the local board notified local public and private providers of the availability of funding through the local board for maternal and child health services; a list of all public and private agency requests for grants submitted to the local board indicating which requests were included in the grant application; and an explanation of how priorities were established for selecting the requests to be included in the grant application. The local board shall include, with the grant application, a written statement of the criteria to be applied to public and private agency requests for funding.

Sec. 23. Minnesota Statutes 1984, section 145.886, is amended to read:

145.886 GRANT REVIEW PROCESS.

Primary review of all grant applications shall be conducted by the department of health technical staff. All technically completed applications will be forwarded for secondary review to a grants review panel established by the commissioner. A majority of the grants review panel must be professionals with expertise in maternal and child health care. No member of the panel may be an employee of a public or private nonprofit agency receiving or applying for maternal and child health block grant money. The advisory task force shall review the recommendations of the grants review panel for comment to the commissioner the advisory task force. The commissioner shall award grants under section 145.885 and this section only after receiving the comments and recommendation of the grants review panel and the advisory task force on completed grant applications.

Sec. 24. [145.923] NONSMOKING AND HEALTH GRANTS.

The commissioner of health may award special grants to local boards of health to conduct community-wide pilot programs for the promotion of non-smoking or to local boards of health in nonprofit corporations to conduct statewide programs for the promotion of nonsmoking.

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

Sec. 25. Minnesota Statutes 1984, section 297.02, subdivision 1, is amended to read:

Subdivision 1. **RATES.** A tax is hereby imposed upon the sale of cigarettes in this state or having cigarettes in possession in this state with intent to sell and upon any person engaged in business as a distributor thereof, at the following rates, subject to the discount provided in section 297.03:

(1) On cigarettes weighing not more than three pounds per thousand, ~~nine 19.5 mills minus the tax, not more than eight mills, imposed by United States Code, title 26, section 5701, as amended,~~ on each such cigarette;

(2) On cigarettes weighing more than three pounds per thousand, ~~18 39.8 mills minus the tax, not more than 16.8 mills, imposed by United States Code, title 26, section 5701, as amended,~~ on each such cigarette.

Sec. 26. Minnesota Statutes 1984, section 297.03, subdivision 5, is amended to read:

Subd. 5. **SALE OF STAMPS.** (a) Except as provided in paragraph (b), the commissioner shall sell stamps to any person licensed as a distributor at a discount of ~~2.50 two~~ percent from the face amount of the stamps for the first ~~\$500,000 \$1,000,000~~ of such stamps purchased in any fiscal year; and at a discount of ~~two 1.25~~ percent on the ~~next \$500,000 remainder~~ of such stamps purchased in any fiscal year; and at a discount of ~~1.50~~ percent for all additional stamps purchased in any fiscal year. He shall not sell stamps to any other person.

(b) If the tax exceeds 12.5 mills a cigarette, the discount is 1.5 percent from the face amount of the stamps for the first \$1,000,000 of the stamps purchased in a fiscal year and one percent for additional stamps purchased during the fiscal year.

Sec. 27. Minnesota Statutes 1984, section 297.03, subdivision 6, is amended to read:

Subd. 6. **TAX METER MACHINES.** (1) Before January 1, 1989, the commissioner may authorize any person licensed as a distributor to stamp packages with a tax meter machine, approved by him, which shall be provided by the distributor. He may provide for the use of such a machine by the distributor, supervise and check its operation, provide for the payment of the tax on any package so stamped, subject to the discount provided in subdivision 5, and in that connection require the furnishing of a corporate surety bond in a suitable amount to guarantee the payment of the tax.

(2) Before January 1, 1989, the commissioner may authorize, and after December 31, 1988, the commissioner shall require any person licensed as a distributor to stamp packages with a heat-applied tax stamping machine, approved by ~~him~~ the commissioner, which shall be provided by the distributor.

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

The commissioner shall supervise and check the operation of the machines and shall provide for the payment of the tax on any package so stamped, subject to the discount provided in subdivision 5. The commissioner may sell heat-applied stamps on a credit basis under conditions prescribed by ~~him~~ the commissioner, and in that connection require the furnishing of a corporate surety bond in an amount suitable to guarantee payment of the tax stamps so purchased by a distributor. The stamps shall be sold by the commissioner at a price which includes the tax after giving effect to the discount provided in subdivision 5. The commissioner shall recover the actual costs of the stamps from the distributor.

Sec. 28. Minnesota Statutes 1984, section 297.13, subdivision 1, is amended to read:

Subdivision 1. **CIGARETTE TAX APPORTIONMENT ACCOUNT.** ~~Notwithstanding any other provisions of law, five and one-half percent of the Revenues received from taxes, penalties and interest under sections 297.01 to 297.13 and from license fees and miscellaneous sources of revenue shall be deposited by the commissioner of revenue in the general fund and credited to a special account to be known as the "natural resources account," which is hereby created. Expenditures shall be made from said account only as may be authorized by law to carry out the provisions of this act and in conformance with the provisions of chapter 16. Five and one-half percent shall be deposited in the general fund and credited to the "natural resources acceleration" account for the purposes provided in Laws 1969, Chapter 879, Section 4. state treasury and credited as follows:~~

(1) the revenue produced by one mill of the tax on cigarettes weighing not more than three pounds a thousand and two mills of the tax on cigarettes weighing more than three pounds a thousand must be credited to a Minnesota resources fund for purposes of natural resources acceleration as provided in chapter 86;

(2) the revenue produced by two mills of the tax on cigarettes weighing not more than three pounds a thousand and four mills of the tax on cigarettes weighing more than three pounds a thousand must be credited to the Minnesota state water pollution control fund created in section 116.16, provided that, if the tax on cigarettes imposed by United States Code, title 26, section 5701, as amended, is reduced after June 1, 1985, an additional one mill of the tax on cigarettes weighing not more than three pounds a thousand and two mills of the tax on cigarettes weighing more than three pounds a thousand must be credited to the Minnesota state water pollution control fund created in section 116.16;

(3) the revenue produced by one-half mill of the tax on cigarettes weighing not more than three pounds a thousand and one mill of the tax on cigarettes weighing more than three pounds a thousand must be credited to a public health fund, provided that if the tax on cigarettes imposed by United States Code, title 26, section 5701, as amended, is reduced after June 1, 1985, an additional

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two-tenths of one mill of the tax on cigarettes weighing not more than three pounds a thousand and an additional four-tenths of one mill of the tax on cigarettes weighing more than three pounds a thousand must be credited to the public health fund;

(4) the balance of the revenues derived from taxes, penalties, and interest under sections 297.01 to 297.13 and from license fees and miscellaneous sources of revenue shall be deposited by the commissioner in the general fund and credited to the general fund.

Sec. 29. Minnesota Statutes 1984, section 297.22, subdivision 1, is amended to read:

Subdivision 1. A tax is hereby imposed upon the use or storage by consumers of cigarettes in this state, and upon such consumers, at the following rates:

(1) On cigarettes weighing not more than three pounds per thousand, nine mills on each such cigarette;

(2) On cigarettes weighing more than three pounds per thousand, 18 mills on each such cigarette specified in section 297.02.

Sec. 30. Minnesota Statutes 1984, section 297.32, subdivision 1, is amended to read:

Subdivision 1. A tax is hereby imposed upon all tobacco products in this state and upon any person engaged in business as a distributor thereof, at the rate of 20 25 percent of the wholesale sales price of such tobacco products except little cigars as defined in section 297.31, subdivision 2, clause (b). Little cigars shall be subject to the same rate of tax imposed on cigarettes ~~in section 297.02, subdivision 1, clause (1),~~ weighing not more than three pounds per thousand subject to the discount provided in section 297.35, subdivision 1. Such tax shall be imposed at the time the distributor (1) brings, or causes to be brought, into this state from without the state tobacco products for sale; (2) makes, manufactures, or fabricates tobacco products in this state for sale in this state; or (3) ships or transports tobacco products to retailers in this state, to be sold by those retailers.

Sec. 31. Minnesota Statutes 1984, section 297.32, subdivision 2, is amended to read:

Subd. 2. A tax is hereby imposed upon the use or storage by consumers of tobacco products in this state, and upon such consumers, at the rate of 20 25 percent of the cost of such tobacco products, except little cigars as defined in section 297.31, subdivision 2, clause (b). Little cigars shall be subject to the same rate of tax imposed on cigarettes ~~in section 297.22, subdivision 1, clause (1)~~ weighing not more than three pounds per thousand.

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The tax imposed by this subdivision shall not apply if the tax imposed by subdivision 1 on such tobacco products has been paid.

This tax shall not apply to the use or storage of tobacco products in quantities of:

1. Not more than 50 cigars;
2. Not more than 10 oz. snuff or snuff powder;
3. Not more than 1 lb. smoking or chewing tobacco or other tobacco products not specifically mentioned herein, in the possession of any one consumer.

Sec. 32. Minnesota Statutes 1984, section 297.32, is amended by adding a subdivision to read:

Subd. 9. Revenue derived from the taxes imposed by this section must be deposited by the commissioner in the state treasury and credited as follows:

(1) the revenue produced by the tax on five percent of the wholesale sales price or cost of the tobacco products except little cigars must be credited to the Minnesota state water pollution control fund created in section 116.16; and

(2) the balance of the revenue must be credited to the general fund.

Sec. 33. Minnesota Statutes 1984, section 297.35, subdivision 1, is amended to read:

Subdivision 1. On or before the eighteenth day of each calendar month every distributor with a place of business in this state shall file a return with the commissioner showing the quantity and wholesale sales price of each tobacco product (1) brought, or caused to be brought, into this state for sale; and (2) made, manufactured or fabricated in this state for sale in this state, during the preceding calendar month. Every licensed distributor outside this state shall in like manner file a return showing the quantity and wholesale sales price of each tobacco product shipped or transported to retailers in this state to be sold by those retailers, during the preceding calendar month. Returns shall be made upon forms furnished and prescribed by the commissioner and shall contain such other information as the commissioner may require. Each return shall be accompanied by a remittance for the full tax liability shown therein, less ~~2 1/2~~ two percent of such liability as compensation to reimburse the distributor for his expenses incurred in the administration of sections 297.31 to 297.39.

Sec. 34. FLOOR STOCKS TAX.

Subdivision 1. CIGARETTES AND LITTLE CIGARS. A floor stocks tax is imposed upon every person engaged in business in this state as a distributor of cigarettes on cigarettes and little cigars in the person's possession or under the

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person's control at 12:01 a.m. on July 1, 1985, at the following rates, subject to the discount provided in section 297.03:

(1) on cigarettes weighing not more than three pounds a thousand and little cigars, two and one-half mills on each cigarette and little cigar;

(2) on cigarettes weighing more than three pounds a thousand, five mills on each cigarette.

Each distributor, by July 20, 1985, shall file a report with the commissioner, in the form the commissioner prescribes, showing the cigarettes and little cigars on hand at 12:01 a.m. on July 1, 1985, and the amount of tax due on them. The tax imposed by this section less the discount provided in section 297.03, subdivision 5, is due and payable by August 20, 1985, and thereafter bears interest at the rate of one percent a month.

Subd. 2. TOBACCO PRODUCTS. A floor stocks tax is imposed upon every person engaged in business in this state as a distributor of tobacco products, at the rate of five percent of the wholesale sales price of each tobacco product in the person's possession or under the person's control at 12:01 a.m. on July 1, 1985. Each distributor, by July 20, 1985, shall file a report with the commissioner, in the form the commissioner prescribes, showing the tobacco products on hand at 12:01 a.m. on July 1, 1985, and the amount of tax due on them. The tax imposed by this section less the discount provided in Minnesota Statutes, section 297.35, subdivision 1, is due and payable by August 20, 1985, and thereafter bears interest at the rate of one percent a month.

Sec. 35. Minnesota Statutes 1984, section 325D.41, is amended to read:

325D.41 CIGARETTES; WHOLESALERS AND SUBJOBBER FEES.

Each cigarette wholesaler as defined herein, and subjobber as defined in section 297.01, subdivision 14, shall pay the respective amounts of \$100 \$200 and \$43.75 ~~\$87.50~~, in one sum yearly after January 1, 1972 and \$50 and \$21.88, respectively, in one sum for the period from July 1, 1971 to December 31, 1971. Such amounts shall be collected by the commissioner of revenue, deposited forthwith in the state treasury and credited to the general fund.

Sec. 36. [325E.0951] MOTOR VEHICLE POLLUTION CONTROL SYSTEMS; RESTRICTED FILL PIPES.

Subdivision 1. DEFINITIONS. The definitions in this subdivision apply to this section.

(a) MOTOR VEHICLE. "Motor vehicle" means a self-propelled vehicle manufactured after 1978 on which a pollution control system or a restricted gasoline fill pipe is required by state or federal law.

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

(b) **PERSON.** "Person" means an individual, firm, partnership, incorporated and unincorporated association, or any other legal or commercial entity.

Subd. 2. **PROHIBITED ACTS.** (a) A person may not knowingly tamper with, adjust, alter, change, or disconnect a pollution control system or a restricted gasoline fill pipe on a motor vehicle.

(b) A person may not advertise for sale, sell, use, or install a device that causes the pollution control system or the restricted gasoline fill pipe to be nonfunctional.

(c) A person may not sell or offer for sale a motor vehicle with knowledge that the pollution control system or restricted gasoline fill pipe is nonfunctional.

Subd. 3. **REPAIRS.** This section does not prevent the service, repair, or replacement of the pollution control system or restricted gasoline fill pipe for a motor vehicle if the pollution control system or restricted gasoline fill pipe remains functional.

Subd. 4. **PENALTY.** A person who violates this section is guilty of a misdemeanor.

Sec. 37. **APPROPRIATIONS.**

Subdivision 1. \$64,661,100 is appropriated to the agencies and for the purposes shown in this section. The appropriations are from the public health fund, except as otherwise indicated. Appropriations from the public health fund are available for the fiscal years ending June 30 in the years indicated. Appropriations from the water pollution control fund are available until expended.

1986 1987

Subd. 2. **POLLUTION CONTROL AGENCY**

<u>(a) Wastewater treatment grants</u>	<u>\$19,850,000</u>	<u>\$21,750,000</u>
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This appropriation is from the water pollution control fund. Any shortfall in receipts to the water pollution control fund must be borne entirely by this appropriation and not by the appropriation for combined sewer overflow.

<u>(b) Combined sewer overflow</u>	<u>6,750,000</u>	<u>6,750,000</u>
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This appropriation is from the water pollution control fund.

<u>(c) Analysis and abatement of lead contamination in the soil</u>	<u>206,800</u>	<u>197,200</u>
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Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(d) The approved complement of the pollution control agency is increased by five positions from the public health fund and ten positions from the water pollution control fund.

Subd. 3. EDUCATION

<u>Smoking prevention programs</u>	<u>611,200</u>	<u>712,000</u>
<u>The approved complement of the department of education is increased by one position.</u>		

Subd. 4. HEALTH

<u>(a) Smoking prevention programs</u>	<u>1,057,600</u>	<u>1,600,300</u>
<u>(b) Programs to prevent lead contamination and absorption</u>	<u>193,300</u>	<u>202,700</u>
<u>(c) Mosquito research</u>	<u>800,000</u>	<u>1,500,000</u>

This appropriation is only available if the federal tax on cigarettes is reduced.

<u>(d) Maternal and child health block grant program</u>	<u>850,000</u>	<u>1,450,000</u>
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\$900,000 of the appropriation for the second year must be used for health department programs affected by reductions in federal block grant money available to the department under section 18. In addition to this appropriation and the money available under section 18, subdivision 2, \$1,400,000 of unobligated federal maternal and child health block grant money may be used for department programs affected by the reductions under section 18.

\$700,000 of the appropriation for the first year and \$250,000 of the appropriation for the second year must be added to the money available for distribution under section 18, subdivisions 3 and 4.

\$150,000 of the appropriation for the first year and \$300,000 of the appropriation for the second year must be distributed on a competitive basis to special projects that satisfy the criteria in section 18, subdivision 8, in community health services areas that are not allocated money for grants under section 18, subdivisions 3 and 4, because of

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distributions made under subdivision 1 and the corresponding reduction in the allocation for that area.

(e) The approved complement of the department of health is increased by ten positions.

Sec. 38. REPEALER.

Minnesota Statutes 1984, sections 116.18, subdivision 2, 145.884, subdivision 2, and 297.02, subdivision 2, are repealed. Minnesota Rules 1983, parts 4685.3500 to 4685.5600, are repealed.

Sec. 39. CITY OF MINNEAPOLIS; INDEBTEDNESS.

Notwithstanding any provision of any statute or home rule charter to the contrary, the city of Minneapolis may incur indebtedness and may issue and sell bonds or other obligations pledging the full faith and credit of the city to its payment for storm and sanitary sewers and systems without submitting the question of the issuance of the bonds to the electors. Except as provided in this section, the bonds shall be issued and sold according to the provisions of chapter 475.

Sec. 40. EFFECTIVE DATE.

The taxes imposed by this article apply to cigarettes, tobacco products, and little cigars in the possession of distributors, as defined in Minnesota Statutes, section 297.01, subdivision 7, on July 1, 1985.

**ARTICLE 20
MISCELLANEOUS**

Section 1. Minnesota Statutes 1984, 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 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. Notwithstanding the provisions of this section, if the market value of the property is increased or if the classification of the property is changed after the notice has been sent to the property owner, the property owner may appear before the tax court without an appearance in person or written communication to the county board of equalization. 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, 69, 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, 299F, 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. 2. Minnesota Statutes 1984, section 273.111, subdivision 11, is amended to read:

Subd. 11. The payment of special local assessments levied after June 1, 1967 for improvements made to any real property described in subdivision 3 together with the interest thereon shall, on timely application as provided in subdivision 8, be deferred as long as such property meets the conditions contained in subdivisions 3 and 6. If special assessments against the property have been deferred pursuant to this subdivision, the governmental unit shall file with the county recorder in the county in which the property is located a certificate containing the legal description of the affected property and of the amount deferred. When such property no longer qualifies under subdivisions 3 and 6, all deferred special assessments plus interest shall be payable within 90 days in equal installments spread over the time remaining until the last maturity date of the bonds issued to finance the improvement for which the assessments were levied. If the bonds have matured, the deferred special assessments plus interest shall be payable within 90 days. The provisions of section 429.061, subdivision 2, apply to the collection of these installments. Penalty shall not be levied on any such special assessments if timely paid. ~~If not paid within such 90 days, the county auditor shall include such deferred special assessments plus a ten percent penalty on the tax list for the current year.~~

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

Sec. 3. Minnesota Statutes 1984, section 275.51, subdivision 3h, is amended to read:

Subd. 3h. **ADJUSTED LEVY LIMIT BASE.** For taxes levied in 1983 1985 and thereafter, the adjusted levy limit base is equal to the levy limit base computed pursuant to subdivision 3f, increased by:

(a) a percentage equal to the percentage growth in the implicit price deflator, or five percent, whichever is ~~greater~~ lesser;

(b) a percentage equal to the greater of the percentage increases in population or in number of households, if any, for the most recent 12-month period for which data is available, using figures derived pursuant to section 275.51, subdivision 6;

(c) one-half of the amount levied as a special levy in the previous year for paying the costs of municipal services provided to new private industrial and nonresidential commercial development pursuant to section 275.50, subdivision 5, clause (m), if the special levy is discontinued; ~~and~~

(d) the amount of any permanent increase in the levy limit base approved at a general or special election held during the 12-month period ending September 30 of the levy year, pursuant to section 275.58, subdivisions 1 and 2; and

(e) the amount, if known, equal to the decrease in federal revenue sharing allotment from the levy year to the year in which the levy is payable; otherwise the amount equal to the decrease in federal revenue sharing allotment in the levy year as compared to the previous year if the levy base for the previous year has not been adjusted for a decrease in federal revenue sharing allotment.

Sec. 4. Minnesota Statutes 1984, section 277.03, is amended to read:

277.03 DISTRESS AND SALE.

Upon the tenth secular day next after the filing of such list the clerk of the district court shall issue his warrants to the sheriff of the county as to all the taxes and penalties embraced in the list, except those as to which a petition has been filed, pursuant to section 277.011, directing him to proceed to collect the same. If such taxes are not paid upon demand, the sheriff shall distrain sufficient goods and chattels belonging to the person charged with such taxes, if found within the county, to pay the same, with the said penalty of eight percent and all accruing costs, together with ~~25 cents~~ a fee as set by the county board to cover administrative costs from each delinquent, as compensation to the clerk of the district court. Immediately after making distress, the sheriff shall give at least ten days' posted notice in the town or district where the property is taken, stating that the property, or so much thereof as will be sufficient to pay the taxes for which it is distrained, with penalty and costs of distress and sale, will be sold at public vendue at a place and time therein designated, which time shall not be less than ten days after such taking. If such taxes and penalties and accrued costs are

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not paid before the day designated, the sheriff or his deputy shall proceed to sell the property pursuant to the notice.

Sec. 5. Minnesota Statutes 1984, section 277.10, is amended to read:
277.10 CLERK'S FEES; EXECUTION.

The clerk of the district court shall receive as fees as set by the county board to cover administrative costs for issuing such citation and perfecting the judgment ~~\$1.50~~ in cases not contested, and in contested cases such fees as are allowed by law in civil actions; ~~and, for each citation issued in cases where the sheriff shall fail, after diligent inquiry, to find the defendant, 25 cents.~~ All such fees and costs shall be entered, taxed, and made part of the judgment. Execution shall be issued upon the judgment at the request of the county attorney, and shall state that the judgment was obtained for delinquent personal property taxes, and no property shall be exempt from seizure thereon, and such execution may be renewed and reissued in the same manner as provided by law in case of executions upon judgments in civil actions.

Sec. 6. Minnesota Statutes 1984, 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 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. Notwithstanding the provisions of this section, if the market value of the property is increased or if the classification of the property is changed after the notice has been sent to the property owner, the property owner may appear before the district court or tax court without an appearance in person or written communication to the county board of equalization. The county auditor shall immediately forward one copy of the petition to

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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. 7. Minnesota Statutes 1984, 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 the parcel of land to the state for taxes, for the aggregate amount of all the taxes, costs, penalties, and interest accrued against the parcel, as hereinafter provided; ~~except that.~~ Taxes upon property which, for the previous year's assessment, was classified as 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 except as provided in subdivision 1a. The entire parcel is eligible for the ten-year installment plan as provided in subdivision 2 if 25 percent or more of the market value of the parcel is eligible for confession of judgment under this subdivision.

Sec. 8. Minnesota Statutes 1984, section 279.37, is amended by adding a subdivision to read:

Subd. 1a. The delinquent taxes upon a parcel of property which was classified class 4c pursuant to section 273.13, subdivision 9, or for taxes assessed in 1986 and thereafter, classified class 3a, for the previous year's assessment and had a total market value of less than \$100,000 for that same assessment shall be eligible to be composed into a confession of judgment. Property qualifying under this subdivision shall be subject to the same provisions as provided in section 279.37 except as herein provided.

(a) The down payment shall include all special assessments due in the current tax year, all delinquent special assessments, and 20 percent of the ad valorem tax, penalties, and interest accrued against the parcel. The balance remaining shall be payable in four equal annual installments; and

(b) The amounts entered in judgment shall bear interest at the rate provided in section 270.75, subdivision 5, commencing with the date the judgment is entered. The interest rate is subject to change each year on the unpaid balance in the manner provided in section 270.75, subdivision 5, except that the interest change will be implemented on January 1 of each year.

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

Sec. 9. Minnesota Statutes 1984, section 279.37, subdivision 3, is amended to read:

Subd. 3. Upon the receipt of the offer and payment of the sum required, the auditor shall notify the county board of the offer. ~~If the county board approves the offer,~~ The auditor shall note it upon his records and shall file the offer and confession of judgment with the clerk of the district court of the county who is directed to enter judgment in accordance with 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. 10. Minnesota Statutes 1984, section 279.37, subdivision 4, is amended to read:

Subd. 4. The auditor shall immediately deliver to the treasurer the initial payments received by him. The judgment so rendered shall not constitute a personal judgment against the party or parties therein and shall be a judgment in rem. For the purpose of computing the applicable period of redemption pursuant to section 281.17, lands included in a confession of judgment will be deemed to be sold to the state at the first tax judgment sale following the entry of judgment.

Sec. 11. Minnesota Statutes 1984, section 279.37, subdivision 8, is amended to read:

Subd. 8. The party or parties making such confession of judgment shall pay the county auditor a fee of 50 cents and a fee of 50 cents to the clerk of the court for entry of judgment and 15 cents for each full or partial release thereof, which shall be collected by the county auditor; ~~provided, that in counties where said fees would revert to the county revenue fund under existing laws, the county auditor may use said fees for the purchase of supplies necessary to carry out the provisions of this section or for additional clerk hire in his office as set by the county board to defray the costs of processing the confession of judgment and making the annual billings required.~~ Fees as set by the county board shall be paid to the clerk of the court for entry of judgment and for the entry of each full or partial release thereof. Fees shall be credited to the general revenue fund of the county.

Sec. 12. Minnesota Statutes 1984, section 281.23, subdivision 1, is amended to read:

Subdivision 1. **DUTY OF AUDITOR.** In case any parcel of land bid in for the state at any tax judgment sale has not been redeemed by ~~60~~ 120 days before the expiration of the period of redemption of such parcel, it shall be the duty of the county auditor thereupon forthwith to give notice of expiration of the

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time for redemption of such parcel, as herein provided; provided, that delay in giving such notice shall not affect the validity thereof.

Sec. 13. Minnesota Statutes 1984, section 281.29, is amended to read:

281.29 STATEMENT TO BE FILED WITH COUNTY AUDITOR.

Each such statement so filed in the office of the county auditor in this state shall be immediately numbered and filed in his office by such auditor consecutively in the order in which it is received and he shall, at the same time, enter consecutively in the order in which such statement is received, in a book to be kept by him for that purpose, first, the file number of such statement; second, the date when such statement is received and filed by him; third, the name of the person or corporation named in such statement as having some right, title, or interest in land or real property, with the post-office address of such person or corporation, if given in such statement; and, fourth, the name of the person or corporation named in such statement as the one upon whom or upon which a personal service of notice may be made. At the same time the auditor shall enter the file number of such statement in his real estate transfer book or books under each piece or parcel of land described in such statement. For the duties required of the auditor by sections 281.28 to 281.30 he shall be paid, ~~for his own use and as an additional emolument of his office,~~ by the person presenting such statement to be filed, a fee of 25 cents as set by the county board to cover administrative costs for each piece or parcel of land described in such statement. Each such statement shall cease to be valid and effectual as such for any and all purposes of sections 281.28 to 281.30 at the expiration of five years from the date of its filing, or when the person named therein as the one upon whom a personal service of notices may be made dies or ceases to be a resident of such county, or when the corporation named therein as the one upon which a personal service of notices may be made ceases to have an office or place of business within such county. The person or corporation named in a statement filed under the provision of sections 281.28 to 281.30 as having such right, title, or interest may file in the same office in which such statement is filed an instrument releasing any particular piece or parcel of land or real property described in such statement from the effect of such statement, such releasing instrument to be executed with the same formalities as are necessary to entitle conveyances of real estate to record. Such releasing instrument shall be, by the auditor, immediately attached to and filed with such statement affected thereby. Every person or corporation filing such releasing instrument shall, before such releasing instrument is filed, pay to the auditor, for his own use, a fee of ten cents for each such releasing instrument. From the time such releasing instrument is so filed such statement affected thereby shall cease to be valid and effectual as to such particular piece or parcel of land or real property so released, but shall nevertheless be and remain valid and effectual as such for any and all the purposes of sections 281.28 to 281.30 as to each and every other piece or parcel of land or real property therein described.

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

Sec. 14. Minnesota Statutes 1984, section 282.01, subdivision 7a, is amended to read:

Subd. 7a. **ALTERNATE SALE PROCEDURE.** Land located in a home rule charter or statutory city, or in a town ~~described in section 368.01, subdivision 1,~~ which cannot be improved because of noncompliance with local ordinances regarding minimum area, shape, frontage or access may be sold by the county auditor pursuant to this subdivision if the auditor determines that a nonpublic sale will encourage the approval of sale of the land by the city or town and promote its return to the tax rolls. If the physical characteristics of the land indicate that its highest and best use will be achieved by combining it with an adjoining parcel and the city or town has not adopted a local ordinance governing minimum area, shape, frontage, or access, the land may also be sold pursuant to this subdivision. The sale of land pursuant to this subdivision shall be subject to any conditions imposed by the county board pursuant to section 282.03. The governing body of the city or town may recommend to the county board conditions to be imposed on the sale. The county auditor may restrict the sale to owners of lands adjoining the land to be sold. The county auditor shall conduct the sale by sealed bid or may select another means of sale. The land shall be sold to the highest bidder but in no event shall the land be sold for less than its appraised value. All owners of land adjoining the land to be sold shall be given a written notice at least 30 days prior to the sale.

This subdivision shall be liberally construed to encourage the sale and utilization of tax-forfeited land, to eliminate nuisances and dangerous conditions and to increase compliance with land use ordinances.

Sec. 15. Minnesota Statutes 1984, section 282.021, is amended to read:

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 for sale purposes.~~ 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~~ offered for sale having an appraised value of \$1,000 or more. For purposes of this section, owner shall mean the taxpayer as listed in the records of the county auditor.

Sec. 16. Minnesota Statutes 1984, section 282.261, is amended by adding a subdivision to read:

Subd. 4. SERVICE FEE. The county auditor may collect a service fee to cover administrative costs as set by the county board for each repurchase

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contract approved after July 1, 1985. The fee shall be paid at the time of repurchase and shall be credited to the county general revenue fund.

Sec. 17. Minnesota Statutes 1984, section 473.556, subdivision 4, is amended to read:

Subd. 4. **EXEMPTION OF PROPERTY.** Any real or personal property acquired, owned, leased, controlled, used, or occupied by the commission for any of the purposes of sections 473.551 to 473.595 is declared to be acquired, owned, leased, controlled, used and occupied for public, governmental, and municipal purposes, and shall be exempt from ad valorem taxation by the state or any political subdivision of the state, provided that such properties shall be subject to special assessments levied by a political subdivision for a local improvement in amounts proportionate to and not exceeding the special benefit received by the properties from the improvement. No possible use of any such properties in any manner different from their use under sections 473.551 to 473.595 at the time shall be considered in determining the special benefit received by the properties. All assessments shall be subject to final confirmation by the council, whose determination of the benefits shall be conclusive upon the political subdivision levying the assessment. Notwithstanding the provisions of section 272.01, subdivision 2, or 273.19, real or personal property leased by the commission to another person for uses related to the purposes of sections 473.551 to 473.595, including the operation of the metropolitan sports area, but not including property sold or leased for development pursuant to subdivision 6, shall be exempt from taxation regardless of the length of the lease. The provisions of this subdivision, insofar as they require exemption or special treatment, shall not apply to any real property at the metropolitan sports area which is leased by the commission for development pursuant to subdivision 6.

Sec. 18. 1985 ASSESSMENT ADJUSTMENT BASED ON REAL ESTATE SALES ANALYSIS.

Notwithstanding the provisions of Minnesota Statutes, section 270.12, subdivision 2, for property tax assessments made in 1985 only, the commissioner of revenue, acting as the state board of equalization, shall adjust the aggregate value of any class of real property in any county to reflect reductions in market values for that class of property for the January 2, 1985, assessment. To determine changes in market values, the commissioner shall analyze real estate sales in the county in calendar year 1984.

Sec. 19. DISASTER CREDIT REFUND.

Notwithstanding any other law to the contrary, a taxpayer who made application to the county assessor in calendar year 1984 and qualified pursuant to the provisions of section 273.123, subdivision 7, clauses (a), (b), and (c), is eligible to receive the disaster credit based upon the destruction which occurred to the owner's homestead in 1984.

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

Sec. 20. CITY OF MINNEAPOLIS; RENTAL REGISTRATION.

The ordinance adopted by the governing body of the city of Minneapolis pursuant to Laws 1982, chapter 523, article 7, section 3, requiring registration of rental residential property may remain in effect notwithstanding the repeal of that law, provided that the denial of income tax deductions for unregistered property provided in Minnesota Statutes 1984, section 290.01, subdivision 20a, clause (16), shall not be applicable. The city of Minneapolis may impose a fine of up to \$250 for each unregistered rental residential unit, not to exceed \$2,000 for each building. The fine shall apply for each year after the effective date of the ordinance during which the property was not registered.

Sec. 21. Laws 1984, chapter 502, article 11, section 6, is amended to read:

Sec. 6. EFFECTIVE DATE.

Sections 2 and 4 are effective for the 1985 1986 assessment and thereafter, payable 1986 1987 and thereafter. Sections 1, 3, and 5 are effective the day following final enactment.

Sec. 22. APPROPRIATION.

\$138,600 is appropriated to the commissioner of revenue from the general fund for the purpose of administering this act.

Sec. 23. EFFECTIVE DATE.

Sections 1 and 6 are effective for the 1986 assessment and thereafter. Section 2 is effective for property that no longer qualifies under Minnesota Statutes, section 273.111, subdivisions 3 and 6, after July 31, 1985. Section 3 is effective for taxes levied in 1985 and thereafter, for taxes payable in 1986 and thereafter. Sections 4, 5, 11, 13, and 16 are effective July 1, 1985. Sections 15, 19, and 21 are effective the day after final enactment. Section 18 is effective only for taxes assessed in 1985 and payable in 1986. Section 20 is effective January 1, 1986.

**ARTICLE 21
FEDERAL UPDATE**

Section 1. Minnesota Statutes 1984, section 290.01, subdivision 20, as amended by Laws 1985, chapter 2, section 1, is amended to read:

Subd. 20. **GROSS INCOME.** Except as otherwise provided in this chapter, the term "gross income," as applied to corporations includes every kind of compensation for labor or personal services of every kind from any private or public employment, office, position or services; income derived from the owner-

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ship or use of property; gains or profits derived from every kind of disposition of, or every kind of dealing in, property; income derived from the transaction of any trade or business; and income derived from any source.

The term "gross income" in its application to individuals, estates, and trusts shall mean the adjusted gross income as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with the modifications specified in this subdivision and in subdivisions 20a to 20f. For estates and trusts the adjusted gross income shall be their federal taxable income as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with the modifications specified in this subdivision and in subdivisions 20a to 20f.

(i) ~~The Internal Revenue Code of 1954, as amended through December 31, 1976, including the amendments made to section 280A (relating to licensed day care centers) in H.R. 3477 as it passed the Congress on May 16, 1977, shall be in effect for the taxable years beginning after December 31, 1976. The provisions of the Tax Reform Act of 1976, P.L. 94-455, which affect adjusted gross income shall become effective for purposes of this chapter at the same time they become effective for federal income tax purposes.~~

The provisions of section 4 of P.L. 95-458, sections 131, 133, 134, 141, 152, 156, 157, 405, and 543 of P.L. 95-600, and section 2 of P.L. 96-608 (relating to pensions, individual retirement accounts, deferred compensation plans, the sale of a residence and to conservation payments to farmers) including the amendments made to these sections in P.L. 96-222 shall be effective at the same time that these provisions became effective for federal income tax purposes.

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

(iii) ~~The Internal Revenue Code of 1954, as amended through December 31, 1980, and as amended by sections 302(b) and 501 to 509 of Public Law Number 97-34, shall be in effect for taxable years beginning after December 31, 1980 including the provisions of section 404 (relating to partial exclusions of dividends and interest received by individuals) of the Crude Oil Windfall Profit Tax Act of 1980, P.L. 96-223. The provisions of P.L. 96-471 (relating to installment sales) sections 122, 123, 126, 201, 202, 203, 204, 211, 213, 214, 251, 261, 264, 265, 311(g)(3), 313, 314(a)(1), 321(a), 501 to 507, 811, and 812 of the Economic Recovery Tax Act of 1981, Public Law Number 97-34 and section 113 of Public Law Number 97-119 shall be effective at the same time that they become effective for federal income tax purposes.~~

(iv) ~~(ii) The Internal Revenue Code of 1954, as amended through December 31, 1981, shall be in effect for taxable years beginning after December 31, 1981. The provisions of sections 205(a), 214 to 222, 231, 232, 236, 247, 251, 252, 253, 265, 266, 285, 288, and 335 of the Tax Equity and Fiscal Responsibility Act~~

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of 1982, Public Law Number 97-248, section 6(b)(2) and (3) of the Subchapter S Revision Act of 1982, Public Law Number 97-354, section 517 of Public Law Number 97-424, sections 101(c) and (d), 102(a), (aa), (f)(4), (g), (j), (l), 103(c), 104(b)(3), 105, 305(d), 306(a)(9) of Public Law Number 97-448, and sections 101 and 102 of Public Law Number 97-473 shall be effective at the same time that they become effective for federal income tax purposes. The Payment-in-Kind Tax Treatment Act of 1983, Public Law Number 98-4, shall be effective at the same time that it becomes effective for federal income tax purposes.

(v) (iii) The Internal Revenue Code of 1954, as amended through January 15, 1983, shall be in effect for taxable years beginning after December 31, 1982.

(v) (iv) The Internal Revenue Code of 1954, as amended through December 31, 1983, shall be in effect for taxable years beginning after December 31, 1983. The provisions of ~~section~~ sections 13, 17, 25(b), 31, 32, 41 to 43, 52, 55, 56, 71 to 74, 77, 81, 82, 91, 92, 94, 101 to 103, 105 to 108, 111 to 113, 147(c), 171, 172, 174, 175, 179(a), 221, 223, 224, 421(b), 432, 481, 491, 512, 522 to 524, 554 to 557, 561, 611(a), 621 to 623, 626 to 628, 711(c), 712(d), 713(b), (e), (g), and (h), 721(a), (b), (d), (g), (i), (o), (p), (r), (t), and (w), 722(e), 1001, 1026, 1061 to 1064, 1066, 1076, 1078, and 2638(b) of the Deficit Reduction Act of 1984, Public Law Number 98-369, and section 1 of Public Law Number 98-611 shall be effective at the same time that they become effective for federal income tax purposes.

(v) The Internal Revenue Code of 1954, as amended through May 25, 1985, shall be in effect for taxable years beginning after December 31, 1984.

References to the Internal Revenue Code of 1954 in subdivisions 20a, 20b, 20c, 20e, and 20f shall mean the code in effect for the purpose of defining gross income for the applicable taxable year.

Sec. 2. Minnesota Statutes 1984, section 290.01, subdivision 21, is amended to read:

Subd. 21. **DIVIDENDS.** Amounts distributed by a regulated investment company, as that term is defined and limited by section 851 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984, which are designated as capital gain dividends, as that term is defined in section 852(b) (3) (C) of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984, shall be treated by the shareholders of such a company as gains from the sale or exchange of long-term capital assets held for more than one year as defined in section 290.16, subdivision 3.

Sec. 3. Minnesota Statutes 1984, section 290.032, subdivision 1, is amended to read:

Subdivision 1. There is hereby imposed as an addition to the annual income tax for a taxable year of a taxpayer in the classes described in section

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290.03 a tax with respect to any distribution received by such taxpayer that is treated as a lump sum distribution under section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984, and that is subject to tax for such taxable year under section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984.

Sec. 4. Minnesota Statutes 1984, section 290.067, subdivision 1, is amended to read:

Subdivision 1. **AMOUNT OF CREDIT.** A taxpayer may take as a credit against the tax due from him and his spouse, if any, under this chapter an amount equal to the dependent care credit for which he is eligible pursuant to the provisions of section ~~44A~~ 21 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984, subject to the limitations provided in subdivision 2.

Sec. 5. Minnesota Statutes 1984, section 290.068, subdivision 2, is amended to read:

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

(a) "Qualified research expenses" means (i) qualified research expenses as defined in section ~~44F~~ 30(b) and (e) of the Internal Revenue Code, except it shall not include expenses incurred for basic research conducted outside the state of Minnesota pursuant to section ~~44F~~ 30(e); or (ii) contributions to a nonprofit corporation established and operated pursuant to the provisions of chapter 317 for the purpose of promoting the establishment and expansion of business in this state, provided the contributions are invested by the nonprofit corporation for the purpose of providing funds for small, technologically innovative enterprises in Minnesota during the early stages of their development.

(b) "Qualified research" means qualified research as defined in section ~~44F~~ 30(d) of the Internal Revenue Code, except that the term shall not include qualified research conducted outside the state of Minnesota.

(c) "Base period research expenses" means base period research expenses as defined in section ~~44F~~ 30(c) of the Internal Revenue Code, except that "December 31, 1981" shall be substituted for "June 30, 1981" in subparagraph (B) of paragraph (2) and the definitions contained in clauses (a) and (b) shall apply.

(d) "Internal Revenue Code" means the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984.

Sec. 6. Minnesota Statutes 1984, section 290.068, subdivision 4, is amended to read:

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Subd. 4. **ESTATES AND TRUSTS; PARTNERSHIPS.** In the case of estates and trusts, and partnerships, the credit shall be allocated in the same manner provided by section 44F 30(f)(2) of the Internal Revenue Code.

Sec. 7. Minnesota Statutes 1984, section 290.068, subdivision 5, is amended to read:

Subd. 5. **ADJUSTMENTS; ACQUISITIONS AND DISPOSITIONS.** If a taxpayer acquires or disposes of the major portion of a trade or business or the major portion of a separate unit of a trade or business in a transaction with another taxpayer, the taxpayer's qualified research expenses and base period shall be adjusted in the same manner provided by section 44F 30(f)(3) of the Internal Revenue Code, except that "December 31, 1980" shall be substituted for "June 30, 1980."

Sec. 8. Minnesota Statutes 1984, section 290.07, subdivision 5, is amended to read:

Subd. 5. **PROPERTY SOLD ON INSTALLMENT PLAN.** Income from installment sales shall be determined in accordance with the provisions of sections 453, 453A, and 453B of the Internal Revenue Code of 1954, as amended through December 31, 1983 1984.

Sec. 9. Minnesota Statutes 1984, section 290.07, subdivision 7, is amended to read:

Subd. 7. **DEDUCTIONS, CREDITS; TIME FOR TAKING.** The deductions and credits provided for in this chapter shall be taken for a taxable year in which "paid or accrued" or "paid and incurred," dependent upon the method of accounting upon the basis of which the net income is computed, unless in order to clearly reflect the income the deductions or credits should be taken as of a different period. In the case of the death of a taxpayer whose net income is computed upon the basis of the accrual method of accounting, amounts (except amounts includible in computing a partner's net income under section 290.31) accrued as deductions and credits only by reason of the death of the taxpayer shall not be allowed in computing net income for the period in which falls the date of the taxpayer's death.

If the taxpayer contests an asserted liability or the taxpayer transfers money or other property to provide for the satisfaction of the asserted liability and the contest with respect to the asserted liability exists after the time of the transfer, and but for the fact that the asserted liability is contested a deduction would be allowed for the taxable year of the transfer (or for an earlier taxable year), then the deduction shall be allowed for the taxable year of the transfer. This paragraph shall not apply in respect to the deduction for war profits and excess profit taxes imposed by the authority of any foreign country or possession of the United States. The provisions of sections 461 to 468A of the Internal

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Revenue Code of 1954, as amended through December 31, 1984, shall determine the taxable year for which a deduction or credit may be taken.

Sec. 10. Minnesota Statutes 1984, section 290.071, subdivision 5, is amended to read:

Subd. 5. **BAD DEBTS.** Income attributable to the recovery during the year of a ~~bad debt~~ an amount, on account of which a deduction or credit was allowed for a prior taxable year, shall be included in gross income only to the extent that the deduction or credit resulted in a reduction of the tax imposed by this chapter for such prior year.

Sec. 11. Minnesota Statutes 1984, section 290.079, subdivision 1, is amended to read:

Subdivision 1. **AMOUNT CONSTITUTING INTEREST.** For purposes of this chapter, in the case of any contract for the sale or exchange of property there shall be treated as interest that part of a payment to which section 483 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984, applies. The treatment of loans with below-market interest rates shall be the same as is provided in section 7872 of the Internal Revenue Code of 1954, as amended through December 31, 1984.

Sec. 12. Minnesota Statutes 1984, section 290.089, subdivision 7, is amended to read:

Subd. 7. **INTERNAL REVENUE CODE.** The Internal Revenue Code referred to in any of the subdivisions of this section means the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984.

Sec. 13. Minnesota Statutes 1984, section 290.09, subdivision 2, is amended to read:

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

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

(2) Traveling expenses (including amounts expended for meals and lodging other than amounts which are lavish or extravagant under the circumstances) while away from home in the pursuit of a trade or business; and

(3) Rentals or other payments required to be made as a condition to the continued use or possession, for purposes of the trade or business, of property to which the taxpayer has not taken or is not taking title or in which he has no equity.

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

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

(d) Entertainment, amusement, or recreation expenses shall be allowed under this subdivision only to the extent that they qualify as a deduction under section 274 of the Internal Revenue Code of 1954, as amended through ~~December 31, 1983~~ May 25, 1985.

(e) No deduction shall be allowed under this subdivision for illegal bribes, kickbacks, and other payments, fines, and penalties, or treble damage payments under the antitrust laws except as provided in section 162 of the Internal Revenue Code of 1954, as amended through December 31, 1983.

Sec. 14. Minnesota Statutes 1984, section 290.09, subdivision 7, is amended to read:

Subd. 7. **DEPRECIATION. (A) CUMULATIVE DEPRECIATION.**

(a) There shall be allowed as a depreciation deduction a reasonable allowance for the exhaustion, wear and tear (including a reasonable allowance for obsolescence):

- (1) of property used in the trade or business, or
- (2) of property held for the production of income.

In the case of recovery property as provided in clause (c), the deduction allowable under clause (c) shall be deemed to constitute the reasonable allowance provided by this subdivision, except for the provisions of Part (B) relating to first year depreciation and except with respect to that portion of the basis of the property to which section 167(k) of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984, applies.

(b) The term "reasonable allowance" as used in clause (a) shall include (but shall not be limited to) an allowance computed in accordance with regulations prescribed by the commissioner, under any of the following methods:

- (1) the straight line method.
- (2) the declining balance method, using a rate not exceeding twice the rate which would have been used had the annual allowance been computed under the method described in paragraph (1).
- (3) the sum of the years-digits method, and
- (4) any other consistent method productive of an annual allowance, which, when added to all allowances for the period commencing with the taxpayer's use of the property and including the taxable year, does not, during the first two-thirds of the useful life of the property, exceed the total of such allowances

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which would have been used had such allowances been computed under the method described in (2). Nothing in this clause (b) shall be construed to limit or reduce an allowance otherwise allowable under clause (a).

(c) For purposes of this subdivision "reasonable allowance" shall be the accelerated cost recovery system provisions of section 168 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984, except as provided in this subdivision. In the case of recovery property within the meaning of section 168 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984, the term "reasonable allowance" as used in clause (a) shall mean 85 percent of the deduction allowed pursuant to section 168 of the Internal Revenue Code of 1954 for property placed in service after December 31, 1980 and for taxable years beginning before January 1, 1982.

For taxable years beginning after December 31, 1981 the term reasonable allowance as used in clause (a) shall mean the following percent of the deduction allowed pursuant to section 168 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984:

(1) For 3, 5 and 10 year property and for 15 year public utility property the allowable percentage is 83 percent and 80 percent for taxable years beginning after December 31, 1982.

(2) For 15 or 18 year real property the allowable percentage is 60 percent.

For property placed in service after December 31, 1980 the term "reasonable allowance" as used in clause (a) shall mean 100 percent of the deduction allowed pursuant to section 168 of the Internal Revenue Code of 1954 where the taxpayer uses for federal income tax purposes the straight line method provided in section 168(b)(3), (f)(12), or (j)(1) or a method provided in section 168(e)(2) of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984. For property placed in service after December 31, 1980 and for which the full amount of the deduction allowed under section 168 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984 has been allowed, the remaining depreciable basis in those assets for Minnesota purposes shall be a depreciation allowance computed by using the straight line method over the following number of years:

- (1) 3 year property - 1 year.
- (2) 5 year property - 2 years.
- (3) 10 year property - 5 years.
- (4) All 15 and 18 year property - 7 years.

When an asset is exchanged for another asset including an involuntary conversion and under the provision of the Internal Revenue Code gain is not recognized in whole or in part on the exchange of the first asset, the basis of the

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second asset shall be the same as its federal basis provided that the difference in basis due to the limitations provided in this clause can be written off as provided in the preceding sentence.

After the full amount of the allowable deduction for that property under the provision of section 168 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984, has been obtained, the remaining depreciable basis in those assets for Minnesota purposes that shall be allowed as a depreciation allowance as provided above shall include the amount of any basis reduction made for federal purposes under section 48(q) of the Internal Revenue Code, as amended through December 31, ~~1983~~ 1984, to reflect the investment tax credit. No amount shall be allowed as a deduction under section 196 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984.

The provisions of section 168(i)(4) of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984 shall apply to restrict research credit carrybacks and net operating loss carrybacks which are allocable to elected qualified leased property, notwithstanding section 290.068, subdivision 3, or 290.095, subdivision 3.

The provisions of section 280F of the Internal Revenue Code of 1954, as amended through May 25, 1985, shall apply to limit the depreciation deductions, (including the first year depreciation deduction provided in paragraph (B)), for luxury automobiles and other property as provided in that section, and provided that if that section applies, the taxpayer shall be allowed to deduct the same amount of depreciation as was deducted for federal income tax purposes.

The modification provided in this clause shall apply before applying a limitation on farm losses as contained in subdivision 29.

(d) Paragraphs (2), (3), and (4) of clause (b) shall apply only in the case of property (other than intangible property) described in clause (a) with a useful life of three years or more.

(1) the construction, reconstruction, or erection of which is completed after December 31, 1958, and then only to that portion of the basis which is properly attributable to such construction, reconstruction, or erection after December 31, 1958, or

(2) acquired after December 31, 1958, if the original use of such property commenced with the taxpayer and commences after such date.

(e) Where, under rules prescribed by the commissioner, the taxpayer and the commissioner have, after June 30, 1959, entered into an agreement in writing specifically dealing with the useful life and rate of depreciation of any property, the rate so agreed upon shall be binding on both the taxpayer and the commissioner in the absence of facts or circumstances not taken into consideration in the adoption of such agreement. The responsibility of establishing the existence of

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such facts and circumstances shall rest with the party initiating the modification. Any change in the agreed rate and useful life specified in the agreement shall not be effective for taxable years before the taxable year in which notice in writing by certified mail is served by the party to the agreement initiating such change. This clause shall not apply with respect to recovery property as defined in clause (c).

(f) In the absence of an agreement under clause (e) containing a provision to the contrary, a taxpayer may at any time elect in accordance with rules prescribed by the commissioner to change from the method of depreciation prescribed in clause (b)(2) to the method described in clause (b)(1).

(g) The basis on which exhaustion, wear and tear, and obsolescence are to be allowed in respect of any property shall be the adjusted basis provided in this chapter for the purpose of determining the gain on the sale or other disposition of such property.

(B) **FIRST YEAR DEPRECIATION.** The term "reasonable allowance" as used in this subdivision may, at the election of the taxpayer, include an amount as provided under section 179 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984.

Sec. 15. Minnesota Statutes 1984, section 290.09, subdivision 19, is amended to read:

Subd. 19. **ORGANIZATIONAL EXPENDITURES.** The organizational and start up expenditures of a corporation may, at the election of the corporation be deducted in accordance with the provisions of sections 248 and 195 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984.

Sec. 16. Minnesota Statutes 1984, section 290.091, is amended to read:

290.091 MINIMUM TAX ON PREFERENCE ITEMS.

In addition to all other taxes imposed by this chapter there is hereby imposed on individuals, estates, and trusts a tax which, in the case of a resident individual, shall be equal to 40 percent of the amount of the taxpayer's alternative minimum tax liability for tax preference items pursuant to the provisions of sections 55, 57, 58 and 443(d) of the Internal Revenue Code of 1954 as amended through December 31, ~~1983~~ 1984. For purposes of the tax imposed by this section, the following modifications shall be made:

(1) Alternative tax itemized deductions shall include the amount allowable as a deduction for the taxable year under section 164 of the Internal Revenue Code for Minnesota income tax paid or accrued.

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(2) The capital gain preference item shall be reduced where the gain would be modified because some or all of the assets have a higher basis for Minnesota purposes than for federal purposes.

(3) In the case of a nonresident individual, or an estate or trust, with a net operating loss that is a larger amount for Minnesota than for federal, the capital gain preference item shall be reduced to the extent it was reduced in the allowance of the net operating loss.

(4) Federal preference items from the business of mining or producing iron ore and other ores which are subject to the occupation tax and exempt from taxation under section 290.05, subdivision 1, shall not be a preference item for Minnesota.

(5) The term "regular tax" as defined in section 55(f)(2) of the Internal Revenue Code shall be increased by the amount of the credit allowable under section 38 of the Internal Revenue Code and it shall be computed before the limitation on tax provided in section 1301 of the Internal Revenue Code.

(6) Federal preference items which arise from a farm shall not be a preference item to the extent they exceed the loss allowed under section 290.09, subdivision 29, other than interest and taxes.

In the case of any taxpayer who is not a full year resident individual, or who is an estate or trust the tax shall equal 40 percent of that federal liability, multiplied by a fraction the numerator of which is the amount of the taxpayer's preference item income allocated to this state pursuant to the provisions of sections 290.17 to 290.20, and the denominator of which is the taxpayer's total preference item income for federal purposes.

The tax benefit rule contained in section 58(h) of the Internal Revenue Code is applied to the Minnesota minimum tax only to the extent that it determines if there is a federal minimum tax. No separate tax benefit rule is allowable for the Minnesota minimum tax.

For property placed in service after December 31, 1980, and in a taxable year beginning before January 1, 1983, the preference items contained in section 57 (a)(12) of the Internal Revenue Code of 1954, as amended through December 31, 1983, shall not apply.

Sec. 17. Minnesota Statutes 1984, section 290.10, is amended to read:

290.10 NONDEDUCTIBLE ITEMS.

In computing the net income no deduction shall in any case be allowed for:

- (1) Personal, living or family expenses;

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(2) Amounts paid out for new buildings or for permanent improvements or betterments made to increase the value of any property or estate, except as otherwise provided in this chapter;

(3) Amounts expended in restoring property or in making good the exhaustion thereof for which an allowance is or has been made;

(4) Premiums paid on any life insurance policy covering the life of the taxpayer or of any other person;

(5) The shrinkage in value, due to the lapse of time, of a life or terminable interest of any kind in property acquired by gift, devise, bequest or inheritance;

(6) Losses from sales or exchanges of property, directly or indirectly, between ~~related taxpayers~~ persons as defined and as provided in section 267 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984;

(7) In computing net income, no deduction shall be allowed under section 290.09, subdivision 2, relating to expenses incurred or under section 290.09, subdivision 3, relating to interest accrued as provided in section 267 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984;

(8)(a) Contributions by employees under the federal railroad retirement act and the federal social security act; (b) Payments to Minnesota or federal public employee retirement funds; (c) Three-fourths (75 percent) of the amount of taxes imposed on self-employment income under section 1401 of the Internal Revenue Code of 1954, as amended through December 31, 1983, provided that effective for taxable years beginning after December 31, 1989, no deduction is allowed for self-employment taxes where the taxpayer claimed a deduction for those taxes under section 164(f) of the Internal Revenue Code of 1954, as amended through December 31, 1983;

(9) Expenses, interest and taxes connected with or allocable against the production or receipt of all income not included in the measure of the tax imposed by this chapter;

(10) In situations where this chapter provides for a subtraction from gross income of a specific dollar amount of an item of income assignable to this state, and within the measure of the tax imposed by this chapter, that portion of the federal income tax liability assessed upon such income subtracted, and any expenses attributable to earning such income, shall not be deductible in computing net income;

(11) Amounts paid or accrued for such taxes and carrying charges as, under rules prescribed by the commissioner, are chargeable to capital account with respect to property, if the taxpayer elects, in accordance with such rules, to treat such taxes or charges as so chargeable;

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

(12) No deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if the trade or business (or the activities which comprise the trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the federal Controlled Substances Act) which is prohibited by federal law or the law of Minnesota.

Sec. 18. Minnesota Statutes 1984, section 290.13, subdivision 1, is amended to read:

Subdivision 1. **TRANSACTIONS IN WHICH NO GAIN OR LOSS IS RECOGNIZED.** Gain or loss from transactions described in section 1031, 1035, ~~or 1036~~, or 1042 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984, shall be recognized at the time and in the manner, including the basis computation, provided in those sections.

Sec. 19. Minnesota Statutes 1984, section 290.131, subdivision 1, is amended to read:

Subdivision 1. **DISTRIBUTIONS OF PROPERTY.** The effects on recipients of a distribution by a corporation shall be governed by the provisions of sections 301 to 307 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984. However, in section 301(c)(3)(B) the date January 1, 1933 shall be substituted for March 1, 1913 when determining the amount of a distribution that is not taxable.

Sec. 20. Minnesota Statutes 1984, section 290.132, subdivision 1, is amended to read:

Subdivision 1. **TAXABILITY OF CORPORATION ON DISTRIBUTION.** No gain or loss shall be recognized to a corporation on the distribution, with respect to its stock as provided in section 311 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984.

The effect on earnings and profits shall be determined according to the provisions of section 312 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984. However, when determining earnings and profits in section 312(f) and (g), the date December 31, 1932 shall be substituted for February 28, 1913, and January 1, 1933 shall be substituted for March 1, 1913.

Sec. 21. Minnesota Statutes 1984, section 290.133, subdivision 1, is amended to read:

Subdivision 1. **DIVIDEND DEFINED.** For purposes of this chapter, the definitions provided in sections 316 to 318 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984, shall apply. However, in section 316 (a)(1), "December 31, 1932" shall be substituted for "February 28, 1913" when determining dividends.

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

Sec. 22. Minnesota Statutes 1984, section 290.135, subdivision 1, is amended to read:

Subdivision 1. **GENERAL RULE.** Gain or loss shall be recognized to a corporation on the distribution of property in ~~partial or~~ complete liquidation or on any distribution of an interest in a partnership as provided in sections 336 to 346 and 386 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984.

Sec. 23. Minnesota Statutes 1984, section 290.136, subdivision 1, is amended to read:

Subdivision 1. **TRANSFER TO CORPORATION CONTROLLED BY TRANSFEROR.** The provisions of sections 351 to 368 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984 shall apply to corporate organizations and reorganizations. However, in section 362, the phrase "acquired in a taxable year beginning after December 31, 1956" shall be substituted for "acquired on or after June 22, 1954" when determining the property to which this section applies.

Sec. 24. Minnesota Statutes 1984, section 290.16, subdivision 3, is amended to read:

Subd. 3. **DEFINITIONS.** As used in this section:

(1) The term "capital assets" shall mean property held by the taxpayer (whether or not connected with his trade or business), but does not include

(a) stock in trade of the taxpayer or other property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year, or property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business, or

(b) property, used in the trade or business, of a character which is subject to the allowance for depreciation provided in section 290.09, subdivision 7, or real property used in the trade or business of the taxpayer, or

(c) accounts or notes receivable acquired in the ordinary course of trade or business for services rendered or from the sale of property described in subparagraph (a);

(2) The term "short-term capital gain" means gain from the sale or exchange of a short-term capital asset ~~held for not more than one year~~, if and to the extent such gain is taken into account in computing gross income;

(3) The term "short-term capital loss" means loss from the sale or exchange of a short-term capital asset ~~held for not more than one year~~, if and to the extent such loss is taken into account in computing net income;

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

(4) The term "long-term capital gain" means gain from the sale or exchange of a long-term capital asset ~~held for more than one year~~, if and to the extent such gain is taken into account in computing gross income;

(5) The term "long-term capital loss" means loss from the sale or exchange of a long-term capital asset ~~held for more than one year~~, if and to the extent such loss is taken into account in computing net income;

(6) The term "net short-term capital gain" means the excess of short-term capital gains for the taxable year over the short-term capital losses for such year;

(7) The term "net short-term capital loss" means the excess of short-term capital losses for the taxable year over the short-term capital gains for such year;

(8) The term "net long-term capital gain" means the excess of long-term capital gains for the taxable year over the long-term capital losses for such year;

(9) The term "net long-term capital loss" means the excess of long-term capital losses for the taxable year over the long-term capital gains for such year.

(10) The term "net capital gain" means the excess of the gains from the sales or exchanges of capital assets over the losses from such sales or exchanges.

(11) The term "net capital loss" means the excess of the losses from sales or exchanges of capital assets over the sum allowed under subdivision 5. For the purpose of determining losses under this paragraph, amounts which are short-term capital losses under subdivision 6 shall be excluded.

(12) The term "short-term capital asset" means a capital asset held for not more than six months, or, if the asset is acquired after December 31, 1987, one year.

(13) The term "long-term capital asset" means a capital asset held for more than six months, or, if the asset is acquired after December 31, 1987, one year.

Sec. 25. Minnesota Statutes 1984, section 290.16, subdivision 7, is amended to read:

Subd. 7. **BONDS, OTHER EVIDENCES OF INDEBTEDNESS.** For the purpose of this section, the treatment of amounts received by the holder upon the retirement of bonds, debentures, notes or certificates or and other evidences of indebtedness, which are capital assets in the hands of the taxpayer, debt instruments shall be governed by the provisions of section 1232 sections 1271 to 1288 of the Internal Revenue Code of 1954, as amended through December 31, 1983. The provisions of section 1232A of the Internal Revenue Code of 1954, as amended through December 31, 1983, shall apply to determine the amount of the original issue discount which shall be included in gross income. The tax treatment of stripped bonds shall be governed by the provisions of section 1232B

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of the Internal Revenue Code of 1954, as amended through December 31, 1983 1984.

Sec. 26. Minnesota Statutes 1984, section 290.16, subdivision 9, is amended to read:

Subd. 9. **PROPERTY USED IN TRADE OR BUSINESS.** (1) For the purposes of this subdivision, the term "property used in the trade or business" means property used in the trade or business of a character which is subject to the allowance for depreciation provided in section 290.09, subdivision 7, held for more than six months, or, if the asset is acquired after December 31, 1987, one year, and real property used in the trade or business, held for more than six months, or, if the asset is acquired after December 31, 1987, one year, which is not (A) property of a kind which would properly be includible in the inventory of the taxpayer if on hand at the close of the taxable year, or (B) property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business. Such term also includes livestock, regardless of age, held by the taxpayer for draft, breeding or dairy purposes, and held by him for 12 months or more from the date of acquisition. Such term does not include poultry.

(2) If, during the taxable year, the recognized gains upon sale or exchanges of property used in the trade or business, plus the recognized gains from the compulsory or involuntary conversion (as a result of destruction in whole or in part, theft or seizure, or an exercise of the power of requisition or condemnation or the threat or imminence thereof) of property used in the trade or business and long-term capital assets held for ~~more than one year~~ into other property or money, exceed the recognized losses from such sales, exchanges, and conversions, such gains and losses shall be considered as gains and losses from sales or exchanges of long-term capital assets held for ~~more than one year~~. If such gains do not exceed such losses, such gains and losses shall not be considered as gains and losses from sales or exchanges of capital assets. For the purposes of this paragraph:

(A) In determining under this paragraph whether gains exceed losses, the gains and losses described therein shall be included only if and to the extent taken into account in computing net income, except that subdivisions 4 and 5 shall not apply.

(B) Losses (including losses not compensated for by insurance or otherwise) upon the destruction, in whole or in part, theft or seizure, or requisition or condemnation of property used in the trade or business or long-term capital assets held for ~~more than one year~~ shall be considered losses from a compulsory or involuntary conversion.

In the case of any involuntary conversion (subject to the provisions of this clause but for this sentence) arising from fire, storm, shipwreck, or other casualty, or from theft, of any property used in the trade or business or as any long-term

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capital asset held for more than one year, this clause shall not apply to such conversion (whether resulting in gain or loss) if during the taxable year the recognized losses from such conversions exceed the recognized gains from such conversions.

Gain from the sale or exchange of property, to the extent that the adjusted basis of such property is less than the adjusted basis without regard to the provisions of section 168 of the Internal Revenue Code of 1954, as in effect before its repeal by the Tax Reform Act of 1976, shall be considered as gain from the sale or exchange of property which is neither a capital asset nor property described in this subdivision.

Net ordinary losses shall be recaptured as provided in section 1231(c) of the Internal Revenue Code of 1954, as amended through December 31, 1984.

Sec. 27. Minnesota Statutes 1984, section 290.16, subdivision 13, is amended to read:

Subd. 13. **OPTIONS TO BUY OR SELL; TREATMENT OF GAIN OR LOSS.** Gain or loss attributable to the sale or exchange of, or loss attributable to failure to exercise an option to buy or sell property shall be considered gain or loss as provided in section 1234 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984.

Sec. 28. Minnesota Statutes 1984, section 290.16, subdivision 15, is amended to read:

Subd. 15. **GAIN FROM DISPOSITIONS OF CERTAIN DEPRECIABLE PROPERTY.** For purposes of this subdivision "depreciable property" shall mean "Section 1245 property" or "Section 1245 recovery property" as that ~~phrase is those phrases~~ are defined in Section 1245(a) (3) or (5) of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984.

In determining net income of any corporate taxpayer, the gain realized from the disposition of "depreciable property" shall be treated in the same manner as is provided by Section 1245 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984 and regulations adopted pursuant thereto except that the determination shall be made using the basis computed under this chapter.

Sec. 29. Minnesota Statutes 1984, section 290.16, subdivision 16, is amended to read:

Subd. 16. **GAIN FROM DISPOSITION OF CERTAIN DEPRECIABLE REALTY.** For purposes of this subdivision "depreciable realty" shall mean "Section 1250 realty" as that phrase is defined in Section 1250(c) of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984.

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In determining net income of any corporate taxpayer, the gain realized from the disposition of "depreciable realty" shall be treated in the same manner as is provided by sections 1250 and 291 of the Internal Revenue Code of 1954, as amended through December 31, 1983 1984, and rules adopted pursuant thereto except that the determination shall be made using the basis computed under this chapter.

Sec. 30. Minnesota Statutes 1984, section 290.16, is amended by adding a subdivision to read:

Subd. 17. STRADDLES. Gain or loss in the case of straddles shall be recognized as provided in sections 1092, 1234A, and 1256 of the Internal Revenue Code of 1954, as amended through December 31, 1984.

Sec. 31. Minnesota Statutes 1984, section 290.17, subdivision 2, is amended to read:

Subd. 2. OTHER TAXPAYERS. In the case of an individual who is not a full year resident, this subdivision applies to determine what income is assignable to Minnesota for purposes of determining the numerator of the fraction used in section 290.06, subdivision 2c. In the case of taxpayers not subject to the provisions of subdivision 1, items of gross income shall be assigned to this state or other states or countries in accordance with the following principles:

(1)(a) The entire income of all resident or domestic taxpayers from compensation for labor or personal services, or from a business consisting principally of the performance of personal or professional services, shall be assigned to this state, and the income of nonresident taxpayers from such sources shall be assigned to this state if, and to the extent that, the labor or services are performed within it; all other income from such sources shall be treated as income from sources without this state.

(b) In the case of an individual who is a nonresident of Minnesota and who is an athlete or entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner.

(i) The amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota. In order to eliminate the need to file state or provincial income tax returns in several states or provinces, Minnesota will exclude from income any income assigned to Minnesota under the provisions of this clause for a nonresident athlete who is employed by an athletic team whose operations are not based in this state if the state or province in which the athletic team is based provides a similar income exclusion. If the state or province in which the athletic team's operations are based does not have an

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income tax on an individual's personal service income, it will be deemed that that state or province has a similar income exclusion. As used in the preceding sentence, the term "province" means a province of Canada.

(ii) The amount of income to be assigned to Minnesota for an individual who is a nonresident, and who is an athlete not listed in clause (i), or who is an entertainer, for that person's athletic or entertainment performance in Minnesota shall be determined by assigning to this state all income from performances or athletic contests in this state.

(2) Income from the operation of a farm shall be assigned to this state if the farm is located within this state and to other states only if the farm is not located in this state. Income from winnings on Minnesota pari-mutuel betting tickets shall be assigned to this state. Income and gains received from tangible property not employed in the business of the recipient of such income or gains, and from tangible property employed in the business of such recipient if such business consists principally of the holding of such property and the collection of the income and gains therefrom, shall be assigned to this state if such property has a situs within it, and to other states only if it has no situs in this state. Income or gains from intangible personal property not employed in the business of the recipient of such income or gains, and from intangible personal property employed in the business of such recipient if such business consists principally of the holding of such property and the collection of the income and gains therefrom, wherever held, whether in trust, or otherwise, shall be assigned to this state if the recipient thereof is domiciled within this state or is a resident trust or estate.

(3) Income derived from carrying on a trade or business, including in the case of a business owned by natural persons the income imputable to the owner for his services and the use of his property therein, shall be assigned to this state if the trade or business is conducted wholly within this state, and to other states if conducted wholly without this state. This provision shall not apply to business income subject to the provisions of clause (1).

(4) When a trade or business is carried on partly within and partly without this state, the entire income derived from such trade or business, including income from intangible property employed in such business and including, in the case of a business owned by natural persons, the income imputable to the owner for his services and the use of his property therein, shall be governed, except as otherwise provided in sections 290.35 and 290.36, by the provisions of section 290.19, notwithstanding any provisions of this section subdivision to the contrary. This shall not apply to business income subject to the provisions of clause (1), nor shall it apply to income from the operation of a farm which is subject to the provisions of clause (2). For the purposes of this clause, a trade or business located in Minnesota is carried on partly within and partly without this state if

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tangible personal property is sold by such trade or business and delivered or shipped to a purchaser located outside the state of Minnesota.

If the trade or business carried on wholly or partly in Minnesota is part of a unitary business, the entire income of that unitary business shall be subject to apportionment under section 290.19 except for business income subject to the provisions of clause (1) and farm income subject to the provisions of clause (2). The term "unitary business" shall mean business activities or operations which are of mutual benefit, dependent upon, or contributory to one another, individually or as a group. Unity shall be presumed whenever there is unity of ownership, operation, and use, evidenced by centralized management or executive force, centralized purchasing, advertising, accounting, or other controlled interaction but the absence of these centralized activities will not necessarily evidence a nonunitary business. Unity of ownership will not be deemed to exist when a corporation is involved unless that corporation is a member of a group of two or more corporations more than 50 percent of the voting stock of each member of the group is directly or indirectly owned by a common owner or by common owners, either corporate or noncorporate, or by one or more of the member corporations of the group.

The entire income of a unitary business shall be subject to apportionment as provided in section 290.19. None of the income of a unitary business shall be considered as derived from any particular source and none shall be allocated to any particular place except as provided by the applicable apportionment formula.

In determining whether or not intangible property is employed in a unitary business carried on partly within and partly without this state so that income derived therefrom is subject to apportionment under section 290.19 the following rules and guidelines shall apply.

(a) Intangible property is employed in a business if the business entity owning intangible property holds it as a means of furthering the business operation of which a part is located within the territorial confines of this state.

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

(5) For purposes of this section, amounts received by a nonresident from the United States, its agencies or instrumentalities, the Federal Reserve Bank, the state of Minnesota or any of its political or governmental subdivisions, or a Minnesota volunteer fireman's relief association, by way of payment as a pension, public employee retirement benefit, or any combination thereof, or as a retirement or survivor's benefit made from a plan qualifying under section 401, 403,

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404, 405, 408, ~~or 409~~ or 409A of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984, are not considered income derived from carrying on a trade or business or from performing personal or professional services in Minnesota, and are not taxable under this chapter.

(6) All other items of gross income shall be assigned to the taxpayer's domicile.

Sec. 32. Minnesota Statutes 1984, 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 the other corporation.

(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 the other corporation.

(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, ~~1983~~ 1984.

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, ~~1983~~ 1984.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) of the Internal Revenue Code of 1954, as amended through December 31, 1984.

(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

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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. 33. Minnesota Statutes 1984, section 290.23, subdivision 5, is amended to read:

Subd. 5. **DISTRIBUTABLE NET INCOME, INCOME, BENEFICIARY; DEFINED.** (1) For purposes of sections 290.22 through 290.25, the term "distributable net income" means the same as that term is defined in section 643(a) of the Internal Revenue Code of 1954, as amended through December 31, 1983 with the following modification:

There shall be included any tax-exempt interest to which section 290.01, subdivision 20b, clause (1) applies, reduced by any amounts which would be deductible in respect of disbursements allocable to such interest but for the provisions of section 290.10(9) (relating to disallowance of certain deductions).

If the estate or trust is allowed a deduction under section 642(c) of the Internal Revenue Code of 1954, as amended through December 31, 1983, the amount of the modification shall be reduced to the extent that the amount of income which is paid, permanently set aside, or to be used for the purposes specified in that section of the Internal Revenue Code is deemed to consist of items specified in the modification. For this purpose, such amount shall (in the absence of specific provisions in the governing instrument) be deemed to consist of the same proportion of each class of items of income of the estate or trust as the total of each class bears to the total of all classes.

(2) The term "income," and the term "beneficiary" have the same meaning as those terms are defined in section 643(b) and (c) of the Internal Revenue Code of 1954, as amended through December 31, 1983. The treatment

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of property distributed in kind and of multiple trusts shall be the same as provided in section 643 of the Internal Revenue Code of 1954, as amended through December 31, 1984.

Sec. 34. Minnesota Statutes 1984, section 290.26, subdivision 2, is amended to read:

Subd. 2. **EMPLOYER CONTRIBUTIONS.** Contributions of an employer, including dividends, to an employee's trust, annuity plan, ~~or to~~ an employee's stock ownership trust and compensation under a deferred-payment plan ~~or to,~~ a simplified employee pension, or to a welfare benefit fund shall be allowed as a deduction in accordance with the provisions of section 404 ~~or,~~ 408(k), or 419 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984 as adapted to the provisions of this chapter under rules issued by the commissioner of revenue.

Sec. 35. Minnesota Statutes 1984, section 290.31, subdivision 2, is amended to read:

Subd. 2. **INCOME AND CREDITS OF PARTNER.** (1) In determining his income tax, each partner shall take into account separately his distributive share of the partnership's

(a) gains and losses from sales or exchanges of short-term capital assets held for ~~not more than one year~~ as defined in section 290.16, subdivision 3,

(b) gains and losses from sales or exchanges of long-term capital assets held for ~~more than one year~~ as defined in section 290.16, subdivision 3,

(c) gains and losses from sales or exchanges of property described in section 1231 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984 (relating to certain property used in a trade or business and involuntary conversions),

(d) charitable contributions as defined in section 170(c) of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984,

(e) dividends with respect to which there is provided an exclusion under section 116 or a deduction under sections 241 to 247 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984,

(f) other items of income, gain, loss, deduction, or credit, to the extent provided by ~~regulations~~ rules prescribed by the commissioner, and

(g) taxable net income or loss, exclusive of items requiring separate computation under other subparagraphs of this paragraph (1).

(2) The character of any item of income, gain, loss, deduction, or credit included in a partner's distributive share under paragraphs (a) through (f) of paragraph (1) shall be determined as if such item were realized directly from the

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source from which realized by the partnership, or incurred in the same manner as incurred by the partnership.

(3) In any case where it is necessary to determine the gross income of a partner for purposes of this chapter, such amount shall include his distributive share of the gross income of the partnership.

Sec. 36. Minnesota Statutes 1984, section 290.31, subdivision 4, is amended to read:

Subd. 4. **PARTNER'S DISTRIBUTIVE SHARE.** The provisions of sections 704, 706 to 741, and 743 to 761 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984, shall apply to partners and partnerships.

Sec. 37. Minnesota Statutes 1984, section 290.31, subdivision 5, is amended to read:

Subd. 5. **DETERMINATION OF BASIS OF PARTNER'S INTEREST.** The adjusted basis of a partner's interest in a partnership shall, except as provided in the last paragraph of this subdivision, be the basis of such interest determined under sections 722 or 742 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984, relating to contributions to a partnership or transfers of partnership interests

(1) increased by the sum of his distributive share for the taxable year and prior taxable years of

(a) net income of the partnership as determined under subdivision 3(1) and (2),

(b) income of the partnership exempt from tax under this chapter,

(c) the excess of the deductions for depletion over the basis of the property subject to depletion, and

(2) decreased (but not below zero) by distributions by the partnership as provided in section 733 of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~ 1984, and by the sum of his distributive share for the taxable year and prior taxable years of

(a) losses of the partnership, and

(b) expenditures of the partnership not deductible in computing its taxable net income and not properly chargeable to capital account, and

(3) decreased, but not below zero, by the amount of the partner's deduction for depletion for any partnership oil and gas property to the extent the deduction does not exceed the proportionate share of the adjusted basis of the property allocated to the partner under section ~~611~~ 613A(c)(7)(D) of the Internal Revenue Code of 1954, as amended through December 31, ~~1983~~, with respect to

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oil and gas wells 1984. For corporate partners, the deduction for depletion with respect to oil and gas wells shall be computed as provided in section 290.09, subdivision 8.

The commissioner shall prescribe by rule the circumstances under which the adjusted basis of a partner's interest in a partnership may be determined by reference to his proportionate share of the adjusted basis of partnership property upon a termination of the partnership.

Sec. 38. Minnesota Statutes 1984, section 290.41, subdivision 1, is amended to read:

Subdivision 1. **BY PARTNERSHIPS.** (a) Partnerships shall make a return for each taxable year which shall conform in every respect to the requirements of section ~~290.39~~ 290.31, and shall, in addition, include the names and addresses of all partners entitled to a distributive share in their taxable net income and the amount of such distributive share to which each is entitled. The return shall contain or be verified by a written declaration that it is made under the penalties of criminal liability for wilfully making a false return. Each partnership required to file a return for any partnership taxable year shall, on or before the day on which the return for the taxable year was filed, furnish to each person who is a partner at any time during the taxable year a copy of the information shown on the return as may be required.

(b) The fiduciary of any estate or trust making the return required to be filed under this chapter for any taxable year shall, on or before the date on which the return was filed, furnish to each beneficiary who receives a distribution from the estate or trust with respect to the taxable year or to whom any item with respect to the taxable year is allocated, a statement containing the information shown on the return as the commissioner may require.

(c) Each S corporation required to file a return under section 290.974 for any taxable year shall, on or before the day on which the return for the taxable year was filed, furnish to each person who is a shareholder at any time during the taxable year a copy of the information shown on the return.

(d) The statements required to be given to the partners, beneficiaries, or shareholders by this subdivision must be furnished at the time required by this subdivision, notwithstanding section 290.42, clause (7).

Sec. 39. Minnesota Statutes 1984, section 290.41, is amended by adding a subdivision to read:

Subd. 11. BY TRUSTEES. The trustee of an individual retirement account and the issuer of an endowment contract or an individual retirement annuity who is required to make a report under the provisions of section 408(i) of the Internal Revenue Code of 1954, as amended through December 31, 1984, shall file with the commissioner a copy of that report containing the information

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required under that subsection. The provisions of that subsection shall govern the time the reports are to be filed and the requirements of a statement that must be furnished to persons with respect to whom information is required to be furnished, notwithstanding section 290.42, clause (7).

Sec. 40. Minnesota Statutes 1984, section 290.53, subdivision 9, is amended to read:

Subd. 9. **PENALTY FOR PROMOTING ABUSIVE TAX SHELTERS.** Any person who (a)(1) organizes (or assists in the organization of) a partnership or other entity, any investment plan or arrangement, or any other plan or arrangement, or

(2) participates in the sale of any interest in an entity or plan or arrangement referred to in clause (1), and

(b) makes or furnishes (in connection with the organization or sale) a statement with respect to the allowability of any deduction or credit, the excludability of any income, or the securing of any other tax benefit by reason of holding an interest in the entity or participating in the plan or arrangement which the person knows or has reason to know is false or fraudulent as to any material matter,

shall pay a penalty equal to the greater of \$1,000 or ~~ten~~ 20 percent of the gross income derived or to be derived by the person from the activity.

The penalty imposed by this subdivision is in addition to any other penalty provided by this section. The penalty shall be collected in the same manner as any delinquent income tax. In any proceeding involving the issue of whether or not any person is liable for this penalty, the burden of proof shall be upon the commissioner.

Sec. 41. Minnesota Statutes 1984, section 290.65, subdivision 16, is amended to read:

Subd. 16. **DEATH WHILE IN MILITARY SERVICE.** In the case of any individual who dies while in active service as a member of the military or naval forces of the United States or of any of the United Nations, any income tax imposed under the provisions of this chapter shall not be imposed with respect to the taxable year in which falls the date of his death, and such tax imposed for any prior taxable year which is unpaid at the date of his death (including additions to the tax, interest and penalties) shall not be assessed, and if assessed, the assessment shall be abated. In addition, upon the filing of a claim for refund within seven years from the date the return was filed, the tax paid or collected with respect to any taxable year beginning after December 31, 1949, during which such decedent was in active service shall be refunded.

In the case of any individual who dies while a civilian employee of the United States, if the death occurs as a result of wounds or injury incurred while

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the individual was a civilian employee of the United States and which was incurred outside the United States in a terroristic or military action, any tax imposed by this chapter does not apply with respect to the taxable year in which the date of death falls, and with respect to any prior taxable years in the period beginning with the last taxable year ending before the taxable year in which the wounds or injury were incurred. The provisions of section 692(c)(2) of the Internal Revenue Code of 1954, as amended through December 31, 1984, defining terroristic or military action also apply.

Sec. 42. Minnesota Statutes 1984, section 290.92, subdivision 2a, is amended to read:

Subd. 2a. **COLLECTION AT SOURCE. (1) DEDUCTIONS.** Every employer making payment of wages shall deduct and withhold upon such wages a tax as provided in this section.

(2) **WITHHOLDING ON PAYROLL PERIOD.** The employer shall withhold the tax on the basis of each payroll period or as otherwise provided in this section.

(3) **WITHHOLDING TABLES.** Unless the amount of tax to be withheld is determined as provided in subdivision 3, the amount of tax to be withheld for each individual shall be based upon tables to be prepared and distributed by the commissioner. The tables shall be computed for the several permissible withholding periods and shall take account of exemptions allowed under this section; and the amounts computed for withholding shall be such that the amount withheld for any individual during his taxable year shall approximate in the aggregate as closely as possible the tax which is levied and imposed under this chapter for that taxable year, upon his salary, wages, or compensation for personal services of any kind for the employer, and shall take into consideration the allowable deduction for federal income tax and the deduction allowable under section 290.089, subdivision 3, and the personal credits allowed against the tax.

(4) **MISCELLANEOUS PAYROLL PERIOD.** If wages are paid with respect to a period which is not a payroll period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days, including Sundays and holidays, equal to the number of days in the period with respect to which such wages are paid.

(5) **MISCELLANEOUS PAYROLL PERIOD.** (a) In any case in which wages are paid by an employer without regard to any payroll period or other period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days equal to the number of days, including Sundays and holidays, which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

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(b) In any case in which the period, or the time described in clause (a), in respect of any wages is less than one week, the commissioner, under regulations prescribed by him, may authorize an employer to determine the amount to be deducted and withheld under the tables applicable in the case of a weekly payroll period, in which case the aggregate of the wages paid to the employee during the calendar week shall be considered the weekly wages.

(6) **WAGES COMPUTED TO NEAREST DOLLAR.** If the wages exceed the highest bracket, in determining the amount to be deducted and withheld under this subdivision, the wages may, at the election of the employer, be computed to the nearest dollar.

(7) **REGULATIONS ON WITHHOLDING.** The commissioner may, by regulations, authorize employers:

(a) To estimate the wages which will be paid to any employee in any quarter of the calendar year;

(b) To determine the amount to be deducted and withheld upon each payment of wages to such employee during such quarter as if the appropriate average of the wages so estimated constituted the actual wages paid; and

(c) To deduct and withhold upon any payment of wages to such employee during such quarter such amount as may be necessary to adjust the amount actually deducted and withheld upon wages of such employee during such quarter to the amount required to be deducted and withheld during such quarter without regard to this paragraph (7).

(8) **ADDITIONAL WITHHOLDING.** The commissioner is authorized to provide by rule for increases or decreases in the amount of withholding otherwise required under this section in cases where the employee requests the changes. Such additional withholding shall for all purposes be considered tax required to be deducted and withheld under this section.

(9) **TIPS.** In the case of tips which constitute wages, this subdivision shall be applicable only to such tips as are included in a written statement furnished to the employer pursuant to section 6053 of the Internal Revenue Code of 1954, as amended through December 31, 1983, and only to the extent that the tax can be deducted and withheld by the employer, at or after the time such statement is so furnished and before the close of the calendar year in which such statement is furnished, from such wages of the employee (excluding tips, but including funds turned over by the employee to the employer for the purpose of such deduction and withholding) as are under the control of the employer; and an employer who is furnished by an employee a written statement of tips (received in a calendar month) pursuant to section 6053 of the Internal Revenue Code of 1954 as amended through December 31, 1983 to which subdivision 1 is applicable may deduct and withhold the tax with respect to such tips from any wages of the employee (excluding tips) under his control, even though at the time such

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statement is furnished the total amount of the tips included in statements furnished to the employer as having been received by the employee in such calendar month in the course of his employment by such employer is less than \$20. Such tax shall not at any time be deducted and withheld in an amount which exceeds the aggregate of such wages and funds as are under the control of the employer minus any tax required by other provisions of state or federal law to be collected from such wages and funds.

(10) VEHICLE FRINGE BENEFITS. An employer may elect not to deduct and withhold any tax under this section with respect to any vehicle fringe benefit provided to an employee if the requirement of and the definition contained in section 3402(s) of the Internal Revenue Code of 1954, as amended through May 25, 1985, are complied with.

Sec. 43. Minnesota Statutes 1984, section 290.93, subdivision 1, is amended to read:

Subdivision 1. **REQUIREMENT OF DECLARATION.** (1) Every individual shall, at the time prescribed in subdivision 5 of this section, make and file with the commissioner a declaration of his estimated tax for the taxable year if

(a) the gross income (for purposes of this subdivision and subdivision 5 as defined in section 290.37, subdivision 1, clause (c)) for the taxable year can reasonably be expected to exceed the gross income amounts set forth in section 290.37, subdivision 1 pertaining to the requirements for making a return; and

(b) Such gross income can reasonably be expected to include more than \$500 from sources other than wages upon which a tax has been deducted and withheld under section 290.92, subdivision 2a or subdivision 3.

(2) If the individual is an infant or incompetent person, the declaration shall be made by his guardian.

(3) Notwithstanding the provisions of this section, no declaration is required if the estimated tax (as defined in subdivision 3) is less than \$200 for taxable years beginning after December 31, 1981, \$300 for taxable years beginning after December 31, 1982, \$400 for taxable years beginning after December 31, 1983, and \$500 for taxable years beginning after December 31, 1984.

Sec. 44. Minnesota Statutes 1984, section 290.93, subdivision 3, is amended to read:

Subd. 3. **ESTIMATED TAX DEFINED.** For purposes of this section, in the case of an individual, the term "estimated tax" means the amount which the individual estimates as the sum of the taxes imposed by this chapter (~~other than including~~ including the tax imposed by section 290.091), for the taxable year, minus the amount which the individual estimates as his allowable credits against income tax under this chapter.

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

Sec. 45. Minnesota Statutes 1984, section 290.93, subdivision 5, is amended to read:

Subd. 5. **DATE REQUIRED.** (1) Declarations of estimated tax required by subdivision 1 from individuals other than farmers shall be filed on or before April 15 of each taxable year, except that if the requirements of subdivision 1 are first met

(a) After April 1 and before June 2 of the taxable year, the declaration shall be filed on or before June 15 of the taxable year, or

(b) After June 1 and before September 2 of the taxable year, the declaration shall be filed on or before September 15 of the taxable year, or

(c) After September 1 of the taxable year, the declaration shall be filed on or before January 15 of the succeeding taxable year.

(2) Declarations of estimated tax required by subdivision 1 from individuals whose estimated gross income from farming for the taxable year is at least two-thirds of the total estimated gross income from all sources for the taxable year may, in lieu of the time prescribed in paragraph (1) be filed at any time on or before January 15 of the succeeding taxable year. This paragraph may also be used if the individual's gross income from farming shown on the return of the individual for the preceding taxable year is at least two-thirds of the total gross income from all sources shown on the return.

(3) An individual shall make amendments of a declaration filed during the taxable year, under ~~regulations~~ rules prescribed by the commissioner.

(4) If on or before January 31 (or March 1, in the case of an individual referred to in paragraph (2)) of the succeeding taxable year the taxpayer files a return for the taxable year for which the declaration is required, and pays in full the amount computed on the return as payable, then, under regulations prescribed by the commissioner

(a) If the declaration is not required to be filed during the taxable year, but is required to be filed on or before January 15, such return shall be considered as such declaration; and

(b) If the tax shown on the return is greater than the estimated tax shown in the declaration previously made or in the last amendment thereof, such return shall be considered as the amendment of the declaration permitted by paragraph (3) to be filed on or before January 15.

(5) The commissioner may grant a reasonable extension of time for filing the declaration and paying the estimated tax. Except in the case of a taxpayer who is outside the United States, no such extension shall be granted for more than six months.

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

Sec. 46. Minnesota Statutes 1984, section 290.93, subdivision 6, is amended to read:

Subd. 6. **TIME PAYMENT REQUIRED.** (1) The amount of estimated tax with respect to which a declaration is required by subdivision 1 shall be paid as follows:

(a) If the declaration is filed on or before April 15 of the taxable year, it shall be paid in four equal installments. The first installment shall be paid at the time of the filing of the declaration, the second and third on June 15 and September 15, respectively, of the taxable year, and the fourth on January 15 of the succeeding taxable year.

(b) If the declaration is filed after April 15 and not after June 15 of the taxable year, and is not required by subdivision 5(1) of this section to be filed on or before April 15 of the taxable year, the estimated tax shall be paid in three equal installments. The first installment shall be paid at the time of the filing of the declaration, the second on September 15 of the taxable year, and the third on January 15 of the succeeding taxable year.

(c) If the declaration is filed after June 15 and not after September 15 of the taxable year, and is not required by subdivision 5(1) to be filed on or before June 15 of the taxable year, the estimated tax shall be paid in two equal installments. The first installment shall be paid at the time of the filing of the declaration, and the second on January 15 of the succeeding taxable year.

(d) If the declaration is filed after September 15 of the taxable year, and is not required by subdivision 5(1) or (2) to be filed on or before September 15 of the taxable year, the estimated tax shall be paid in full at the time of the filing of the declaration.

(e) If the declaration is filed after the time prescribed in subdivision 5(1) or (2) including cases in which an extension of time for filing the declaration has been granted under subdivision 5(5), subparagraphs (b), (c), and (d) of this paragraph shall not apply, and there shall be paid at the time of such filing all installments of estimated tax which would have been payable on or before such time if the declaration had been filed within the time prescribed in subdivision 5(1) or (2), and the remaining installments shall be paid at the times at which, and in the amounts in which, they would have been payable if the declaration had been so filed.

(2) If an individual referred to in subdivision 5(2) (relating to income from farming) makes a declaration of estimated tax after ~~September 15 of the taxable year~~ and on or before January 15 of the succeeding taxable year, the estimated tax shall be paid in full at the time of the filing of the declaration.

(3) If any amendment of a declaration is filed, the remaining installments, if any, shall be ratably increased or decreased, as the case may be, to reflect such

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increase or decrease in the estimated tax by reason of such amendment, and if such amendment is made after September 15 of the taxable year, any increase in the estimated tax by reason thereof shall be paid at the time of making such amendment.

(4) At the election of the individual, any installment of the estimated tax may be paid prior to the date prescribed for its payment.

(5) Payment of the estimated tax, or any installment thereof, shall be considered payment on account of the taxes imposed upon the individual by this chapter, for the taxable year.

Sec. 47. Minnesota Statutes 1984, section 290.93, subdivision 7, is amended to read:

Subd. 7. **FISCAL YEAR.** The application of this section to taxable years beginning other than January 1, ~~and must be made by substituting, for the months specified in this section, the months that correspond.~~ This section must be applied to taxable years of less than 12 months, shall be made pursuant to regulations rules issued by the commissioner.

Sec. 48. Minnesota Statutes 1984, section 290.93, subdivision 10, is amended to read:

Subd. 10. **UNDERPAYMENT OF ESTIMATED TAX.** (1) In the case of any underpayment of estimated tax by an individual, except as provided in paragraph (4) ~~or~~, (5), ~~or~~ (6), there ~~may~~ must be added to and become a part of the taxes imposed by this chapter, for the taxable year an amount determined at the rate specified in section 270.75 upon the amount of the underpayment for the period of the underpayment.

(2) For purposes of the preceding paragraph, the amount of underpayment shall be the excess of

(a) The amount of the installment which would be required to be paid if the estimated tax were equal to 80 percent (66 2/3 percent in the case of farmers referred to in subdivision 5(2) of this section) of the taxes shown on the return for the taxable year or 80 percent (66-2/3 percent in the case of farmers referred to above) the taxes for such year if no return was filed, over

(b) The amount, if any, of the installment paid on or before the last day prescribed for such payment.

(3) The period of the underpayment shall run from the date the installment was required to be paid to whichever of the following dates is the earlier

(a) The 15th day of the fourth month following the close of the taxable year.

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(b) With respect to any portion of the underpayment, the date on which such portion is paid. For purposes of this subparagraph, a payment of estimated tax on any installment date shall be considered a payment of any ~~previous underpayment only to the extent such payment exceeds the amount of the installment determined under paragraph (2)(a) for such installment date~~ unpaid required installments in the order in which the installments are required to be paid.

(4) The addition to the tax with respect to any underpayment of any installment shall not be imposed if the total amount of all payments of estimated tax made on or before the last date prescribed for the payment of such installment equals or exceeds the amount which would have been required to be paid on or before such date if the estimated tax were whichever of the following is the lesser

(a) The total tax liability shown on the return of the individual for the preceding taxable year (if a return showing a liability for such taxes was filed by the individual for the preceding taxable year of 12 months), or

(b) ~~An amount equal to the tax computed, at the rates applicable to the taxable year, on the basis of the taxpayer's status with respect to the personal credits for the taxable year, but otherwise on the basis of the facts shown on his return for, and the law applicable to the preceding taxable year, or~~

(c) ~~An amount equal to 80 percent (66 2/3 percent in the case of farmers referred to in subdivision 5(2) of this section) the applicable percentage of the tax for the taxable year (after deducting personal credits) computed by placing on an annualized basis the taxable income and alternative minimum taxable income for the months in the taxable year ending before the month in which the installment is required to be paid. The applicable percentage of the tax is 20 percent in the case of the first installment, 40 percent for the second installment, 60 percent for the third installment, and 80 percent for the fourth installment.~~ For purposes of this subparagraph, the taxable income and alternative minimum taxable income shall be placed on an annualized basis by

(i) Multiplying by 12 (or in the case of a taxable year of less than 12 months, the number of months in the taxable year) the taxable income and alternative minimum taxable income computed for the months in the taxable year ending before the month in which the installment is required to be paid.

(ii) Dividing the resulting amount by the number of months in the taxable year ending before the month in which such installment date falls, or

(d) ~~An amount equal to 90 percent of the tax computed, at the rates applicable to the taxable year, on the basis of the actual taxable income for the months in the taxable year ending before the month in which the installment is required to be paid.~~

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(5) No addition to the tax shall be imposed under this subdivision for any taxable year if:

(a) the individual did not have any liability for tax for the preceding taxable year,

(b) the preceding taxable year was a taxable year of 12 months, and

(c) the individual was a resident of Minnesota throughout the preceding taxable year.

(6) No addition to the tax shall be imposed under this subdivision with respect to any underpayment to the extent the commissioner determines that the provisions of section 6654(e)(3) of the Internal Revenue Code of 1954, as amended through December 31, 1984, apply.

(7) For the purposes of applying this subdivision, the estimated tax shall be computed without any reduction for the amount which the individual estimates as his credit under section 290.92, subdivision 12 (relating to tax withheld at source on wages), and ~~the refundable credits contained in sections 290.06, subdivision 13, 290.067, and any other refundable credits which are allowed against income tax liability, and the amount of such credits for the taxable year shall be deemed a payment of estimated tax, and an equal part of such amounts shall be deemed paid on each installment date (determined under subdivisions 6 and 7 of this section) for such taxable year, unless the taxpayer establishes the dates on which all amounts were actually withheld, in which case the amounts so withheld shall be deemed payments of estimated tax on the dates on which such amounts were actually withheld.~~

Sec. 49. INSTRUCTIONS TO THE REVISOR.

In the next edition of Minnesota Statutes, the revisor of statutes shall substitute the phrase "Internal Revenue Code of 1954, as amended through December 31, 1984" for the words "Internal Revenue Code of 1954, as amended through December 31, 1983" wherever the phrase occurs in chapter 290, except section 290.01, subdivision 20.

Sec. 50. EFFECTIVE DATE.

Section 1 is effective for taxable years beginning after December 31, 1984, except as otherwise provided in clause (iv) of that section. Sections 4 to 7, 10, 13, 32, 38, 43, 45 to 47, and 49 are effective for taxable years beginning after December 31, 1984. Sections 2, 24, and 35 are effective for property acquired after June 22, 1984. Section 9 is effective for taxable years beginning after December 31, 1984, except that the federal changes made in Public Law Number 98-369 that affect the sections of the Internal Revenue Code cited in section 9 are effective in 1984 at the same time as provided in that act. Sections 3, 8, 11, 14 to 16, 18 to 23, 25, 27, 33, and 36 are effective at the same time as the federal changes are effective in 1982, 1983, 1984, or 1985 as provided in Public Law

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Number 98-369 and section 2 of Public Law Number 98-612 and section 6 of Public Law Number 99-44. Sections 12, 17, and 28 are effective for taxable years beginning after December 31, 1983. Section 26 is effective for taxable years beginning after December 31, 1984, except that references to "long-term capital assets" or to the holding period of property used in a trade or business are effective for property acquired after June 22, 1984.

Section 29 is effective for sales or other dispositions after December 31, 1984. Section 30 is effective at the same time that those provisions are effective for federal income tax purposes after June 23, 1981. The change in section 31, clause (4), is effective for taxable years beginning after December 31, 1977. The change in section 31, clause (5), is effective for taxable years beginning after December 31, 1984. Section 34 is effective for taxable years beginning after December 31, 1984, provided that the update of section 404 of the Internal Revenue Code is effective at the same time the federal changes are effective in 1984 as provided in Public Law Number 98-369.

Section 37 is effective for taxable years beginning after December 31, 1981. Section 39 is effective for reports which are required with respect to taxable years beginning after December 31, 1984. Section 40 is effective the day after final enactment. Section 41 is effective for individuals dying after December 31, 1984, as a result of wounds or injuries occurring after that date. Section 42 is effective January 1, 1985. Section 44 is effective for taxable years beginning after December 31, 1985. Section 48 is effective for taxable years beginning after December 31, 1984, except that the provisions of clause (6) are effective for the 1984 tax year and except that the computation of the tax with reference to alternative minimum taxable income is effective for taxable years beginning after December 31, 1985.

Approved June 28, 1985

CHAPTER 15 — H.F.No. 1

An act relating to capital improvements; authorizing spending to acquire and to better public land and buildings and other public improvements of a capital nature with certain conditions; reducing and canceling certain appropriations; authorizing issuance of state bonds; appropriating money; amending Minnesota Statutes 1984, sections 15.50, subdivision 2; 115A.49; 115A.52; and 115A.54, by adding a subdivision.

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

Section 1. CAPITAL IMPROVEMENTS; APPROPRIATIONS.

The sums shown in the column marked "APPROPRIATIONS" are appropriated from the state building fund, or any other fund named, to the state

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