Subd. 5. **BOARD ACTION.** In accordance with the principles in this section ~~136F.011~~, the board shall review the proposed structure of the system office with the objective of further reducing or eliminating those functions that are unnecessary. Savings that occur shall be redirected to support instruction on the campuses.

Sec. 18. **CORRECTION 17.** Laws 1995, chapter 68, section 14, is amended to read:

Sec. 14. **EFFECTIVE DATE.**

Sections 1 to 8 and 13 are effective the day following final enactment.

Sections 9 to 12 are effective July 1, 1995.

Sec. 19. **CORRECTION 14.**

Sec. 2. **LIMITATION OF INFRASTRUCTURE REINVESTMENT.**

None of the $750,000 made available by S.F. 1110, article 1, section 2, subdivision 7, from the public facilities authority under Minnesota Statutes, section 446A.071, for grant funds to a local unit of government for the development of infrastructure and planning for redevelopment, in response to the memorandum of understanding for the regional treatment centers, may be used to purchase land on which prison buildings will be placed or to pay for utilities to the prison site and hazardous waste issues or other subgrade condition costs.

Sec. 20. **EFFECTIVE DATE.**

Unless provided otherwise, each section of this act takes effect at the time that the section of law enacted in 1995 that it amends or cites takes effect.

Presented to the governor May 30, 1995

Signed by the governor June 1, 1995, 11:45 a.m.

CHAPTER 264—H.F.No. 1864

An act relating to the financing and operation of government in this state; adopting federal income tax law changes; modifying certain tax rates, credits, refunds, bases, and exemptions; modifying property tax exemption, valuation, and classification provisions; providing for deduction of property tax refunds from property taxes; modifying or restricting certain requirements or uses of tax increment financing; modifying certain motor vehicle registration taxes; establishing a sales tax advisory council; authorizing certain local taxes, special districts and other local authority; modifying provisions relating to local excise taxes; modifying certain duties imposed on local units of government and the department of revenue; authorizing issuance of bonds and tax anticipation certificates; modifying certain taconite occupation

and production provisions; modifying the duties of the board of government innovation and cooperation; changing certain aids to local governments; modifying revenue recapture rules; changing the property tax treatment of certain wind property; adjusting the amount of the budget reserve; providing for dedication of certain revenues; making technical changes, corrections, and clarifications; making tax policy, collection, and administrative changes; requiring studies; imposing penalties; appropriating money; amending Minnesota Statutes 1994, sections 14.61; 14.62, by adding a subdivision; 15.039, by adding a subdivision; 16A.152, subdivision 1; 60A.15, subdivisions 1 and 12; 60A.199, subdivisions 8 and 10; 69.021, subdivisions 2 and 5; 124.2131, by adding a subdivision; 124.918, subdivisions 1 and 2; 168.012, subdivision 9; 168.013, subdivision 1a; 168.017, subdivision 3, and by adding a subdivision; 216C.01, subdivisions 1a and 1b; 246.18, subdivision 4, as amended, and by adding a subdivision; 270.47; 270.48; 270.485; 270.494; 270.50; 270.52; 270.53; 270.69, subdivision 10; 270.72, subdivisions 1, 2, and 3; 270.79, subdivision 4; 270A.03, subdivision 7; 270A.07, subdivision 2; 270A.09, by adding a subdivision; 270A.11; 270B.03, subdivision 1; 270B.12, subdivision 2, and by adding a subdivision; 270B.14, subdivision 11; 272.02, subdivision 1; 272.115, subdivision 1; 272.121, subdivision 2; 273.11, subdivision 16; 273.124, subdivisions 1, 3, 6, 11, and 13; 273.13, subdivisions 24 and 25; 273.1398, subdivision 1, and by adding a subdivision; 273.1399, subdivisions 1, 2, 6, and by adding subdivisions; 273.17, subdivision 2; 273.37, by adding a subdivision; 274.01, subdivision 1; 274.14; 275.065, subdivisions 1, 3, and 6; 275.07, subdivision 1; 275.08, subdivision 1b; 276.04, subdivision 2; 276.09; 276.111; 276.131; 279.01, subdivision 1, and by adding a subdivision; 284.28, subdivision 2; 289A.18, subdivisions 2 and 4; 289A.20, subdivision 2; 289A.26, subdivision 2a; 289A.38, subdivision 7; 289A.40, subdivision 1; 289A.43; 289A.50, subdivision 1, and by adding a subdivision; 289A.55, subdivision 7; 289A.60, subdivisions 2, 12, and by adding a subdivision; 290.01, subdivisions 7b and 19; 290.015, subdivision 1; 290.032, subdivisions 1 and 2; 290.067, subdivision 1, as amended; 290.191, subdivisions 1, 5, and 6; 290.92, subdivisions 1 and 23; 290.9201, subdivision 3; 290A.03, subdivisions 6 and 13; 290A.04, subdivisions 2h, 3, and 6; 290A.07; 290A.15; 290A.18; 294.09, subdivisions 1 and 4; 295.50, subdivisions 1 and 4; 295.53, subdivisions 1, 2, and 5; 295.55, by adding a subdivision; 295.57; 296.01, subdivisions 30, 34, and by adding subdivisions; 296.02, subdivisions 1, 1a, and 1b; 296.025, subdivisions 1, 1a, and by adding a subdivision; 296.0261, by adding a subdivision; 296.12, subdivisions 3, 4, and 11; 296.141, subdivisions 1, 2, and 6; 296.17, subdivisions 1, 3, 5, and 11; 296.18, subdivisions 1, 2, and 5; 297.08, subdivisions 1 and 3; 297.35, subdivision 1; 297.43, subdivision 2; 297A.01, subdivision 3, and by adding a subdivision; 297A.02, subdivision 4; 297A.135, subdivision 1; 297A.15, by adding a subdivision; 297A.25, subdivisions 9, 11, 57, 59, and by adding subdivisions; 297A.45; 297B.01, subdivision 5; 297B.02, subdivision 3; 297B.025, subdivision 2; 297B.032; 297C.02, subdivision 2; 297C.07; 297C.14, subdivision 2; 297E.02, subdivisions 1, 6, and 11; 297E.031, subdivision 1; 297E.11, subdivision 4; 297E.12, subdivision 2; 297E.13, subdivision 5; 298.01, subdivision 4; 298.227; 298.24, subdivision 1; 298.25; 298.28, subdivision 9a; 298.296, subdivision 4; 298.75, subdivision 2; 299F.26, subdivisions 1 and 4; 325D.33, subdivision 4; 349.12, subdivision 25; 349.163, subdivision 5; 349A.10, subdivision 5; 375.192, by adding a subdivision; 375.83; 428A.01, subdivision 5; 428A.03, by adding a subdivision; 428A.05; 465.795, subdivision 7; 465.796, subdivision 2; 465.797, subdivision 5; 465.798; 465.799; 465.801; 465.81, subdivision 1; 465.82, subdivision 2; 465.84; 465.85; 465.87; 469.169, subdivision 9, and by adding a subdivision; 469.174, subdivisions 4, 19, 21, and by adding subdivisions; 469.175, subdivisions 1, 3, 5, 6, and 6a; 469.176, subdivisions 4b, 4c, 7, and by adding a subdivision; 469.1763, subdivisions 2 and 4;

469.177, subdivisions 1, 1a, 2, 6, 9, and by adding a subdivision; 469.1771, subdivision 1; 473.446, subdivision 1; 473.711, subdivision 2; 477A.011, subdivision 36; 477A.0121, subdivision 4; 477A.0132; and 477A.03, subdivision 2; Laws 1985, chapter 302, section 2, subdivision 1, as amended; Laws 1986, chapter 400, section 44; Laws 1991, chapter 291, article 8, section 28, subdivision 1; Laws 1992, chapter 511, article 2, sections 45, subdivisions 1, 7, and by adding a subdivision; and 46, subdivisions 1, 7, and by adding a subdivision; Laws 1993, chapter 375, article 5, sections 40, subdivision 3; and 44; Laws 1994, chapter 587, articles 1, section 27; 3, section 21; 5, section 27; and 9, section 10, subdivision 6; proposing coding for new law in Minnesota Statutes, chapters 16A; 270; 272; 276; 282; 290A; 296; 340A; 410; 465; 469; and 473; repealing Minnesota Statutes 1994, sections 60A.15, subdivision 7; 168.013, subdivision 1j; 245.48; 270.49; 270.493; 270.70, subdivisions 8, 9, and 10; 290A.04, subdivision 2i; 296.0261; 297A.136; 297A.212; 297A.38; and 469.175, subdivision 7a; Laws 1988, chapter 698, section 5; and Laws 1989, First Special Session chapter 1, article 7, section 9.

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

ARTICLE 1

INCOME AND FRANCHISE TAXES

Section 1. Minnesota Statutes 1994, section 289A.50, is amended by adding a subdivision to read:

Subd. 10. **LIMITATION ON REFUND.** If an addition to federal taxable income under section 290.01, subdivision 19a, clause (1), is judicially determined to discriminate against interstate commerce, the legislature intends that the discrimination be remedied by adding interest on obligations of Minnesota governmental units and Indian tribes to federal taxable income. This subdivision applies beginning with the taxable years that begin during the calendar year in which the court's decision is final. Other remedies apply for previous taxable years.

Sec. 2. Minnesota Statutes 1994, section 290.01, subdivision 19, is amended to read:

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

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

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

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

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

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

The Internal Revenue Code of 1986, as amended through December 31, 1986, shall be in effect for taxable years beginning after December 31, 1986. The provisions of sections 10104, 10202, 10203, 10204, 10206, 10212, 10221, 10222, 10223, 10226, 10227, 10228, 10611, 10631, 10632, and 10711 of the Omnibus Budget Reconciliation Act of 1987, Public Law Number 100-203, the provisions of sections 1001, 1002, 1003, 1004, 1005, 1006, 1008, 1009, 1010, 1011, 1011A, 1011B, 1012, 1013, 1014, 1015, 1018, 2004, 3041, 4009, 6007, 6026, 6032, 6137, 6277, and 6282 of the Technical and Miscellaneous Revenue Act of 1988, Public Law Number 100-647, and the provisions of sections 7811, 7816, and 7831 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, shall be effective at the time they become effective for federal income tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1987, shall be in effect for taxable years beginning after December 31, 1987. The provisions of sections 4001, 4002, 4011, 5021, 5041, 5053, 5075, 6003, 6008, 6011, 6030, 6031, 6033, 6057, 6064, 6066, 6079, 6130, 6176, 6180, 6182, 6280, and 6281 of the Technical and Miscellaneous Revenue Act of 1988, Public Law Number 100-647, the provisions of sections 7815 and 7821 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, and the provisions of section 11702 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, shall become effective at the time they become effective for federal tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1988, shall be in effect for taxable years beginning after December 31, 1988. The provisions of sections 7101, 7102, 7104, 7105, 7201, 7202, 7203, 7204, 7205, 7206, 7207, 7210, 7211, 7301, 7302, 7303, 7304, 7601, 7621, 7622, 7641, 7642, 7645, 7647, 7651, and 7652 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, the provision of section 1401 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Public Law Number 101-73, and the provisions of sections 11701 and 11703 of the Revenue Rec-

onciliation Act of 1990, Public Law Number 101-508, shall become effective at the time they become effective for federal tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1989, shall be in effect for taxable years beginning after December 31, 1989. The provisions of sections 11321, 11322, 11324, 11325, 11403, 11404, 11410, and 11521 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, and the provisions of sections 13224 and 13261 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1990, shall be in effect for taxable years beginning after December 31, 1990.

The provisions of section 13431 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, shall become effective at the time they became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1991, shall be in effect for taxable years beginning after December 31, 1991.

The provisions of sections 1936 and 1937 of the Comprehensive National Energy Policy Act of 1992, Public Law Number 102-486, and the provisions of sections 13101, 13114, 13122, 13141, 13150, 13151, 13174, 13239, 13301, and 13442 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1992, shall be in effect for taxable years beginning after December 31, 1992.

The provisions of sections 13116, 13121, 13206, 13210, 13222, 13223, 13231, 13232, 13233, 13239, 13262, and 13321 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1993, shall be in effect for taxable years beginning after December 31, 1993.

The provision of section 741 of Legislation to Implement Uruguay Round of General Agreement on Tariffs and Trade, Public Law Number 103-465, and the provisions of sections 1, 2, and 3, of the Self-Employed Health Insurance Act of 1995, Public Law Number 104-7, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1994, shall be in effect for taxable years beginning after December 31, 1994.

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

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 3. **FEDERAL CHANGES.**

The changes made by sections 721, 722, 723, and 744 of Legislation to Implement Uruguay Round of General Agreement on Tariffs and Trade, Public Law Number 103-465 and section 4 of the Self-Employed Health Insurance Act of 1995, Public Law Number 104-7, which affect the computation of the Minnesota working family credit under Minnesota Statutes, section 290.0671, subdivision 1, and the computation of the substantial understatement of liability penalty of Minnesota Statutes, section 289A.60, subdivision 4, shall become effective at the same time the changes become effective for federal purposes.

Sec. 4. **INSTRUCTION TO REVISOR.**

In the next edition of Minnesota Statutes, the revisor of statutes shall substitute the phrase "Internal Revenue Code of 1986, as amended through April 15, 1995," for the words "Internal Revenue Code of 1986, as amended through December 31, 1993," wherever the phrase occurs in chapters 289A, 290, 290A, 291, 297, 298, and 469, except section 290.01, subdivision 19.

Sec. 5. **EFFECTIVE DATE.**

Section 1 is effective the day following final enactment.

ARTICLE 2

SALES AND EXCISE TAX

Section 1. Minnesota Statutes 1994, section 15.039, is amended by adding a subdivision to read:

Subd. 8. **TRANSFER OF PROPERTY; SALES TAX.** All transfers of motor vehicles or other tangible personal property between agencies or political subdivisions under this section are exempt from the motor vehicle sales tax under chapter 297B and the general sales tax under chapter 297A.

Sec. 2. Minnesota Statutes 1994, section 168.013, subdivision 1a, is amended to read:

Subd. 1a. **PASSENGER AUTOMOBILES; HEARSES.** (a) On passenger automobiles as defined in section 168.011, subdivision 7, and hearses, except as otherwise provided, the tax shall be $10 plus an additional tax equal to 1.25 percent of the base value.

(b) Subject to the classification provisions herein, "base value" means the manufacturer's suggested retail price of the vehicle including destination charge ~~as reflected on the price listing affixed to the vehicle in conformity with United States Code, title 15, sections 1231 to 1233 (Public Law Number 85-506) or otherwise suggested~~ using list price information published by the manufacturer or

determined by the registrar if no suggested retail price exists, and shall not include the cost of each accessory or item of optional equipment separately added to the vehicle and the suggested retail price.

(c) If the manufacturer's list price information contains a single vehicle identification number followed by various descriptions and suggested retail prices, the registrar shall select from those listings only the lowest price for determining base value.

(d) If unable to determine the base value because the vehicle is specially constructed, or for any other reason, the registrar may establish such value upon the cost price to the purchaser or owner as evidenced by a certificate of cost but not including Minnesota sales or use tax or any local sales or other local tax.

~~(d)~~ (e) The registrar shall classify every vehicle in its proper base value class as follows:

FROM	TO
$ 0	$199.99
200	399.99

and thereafter a series of classes successively set in brackets having a spread of $200 consisting of such number of classes as will permit classification of all vehicles.

~~(e)~~ (f) The base value for purposes of this section shall be the middle point between the extremes of its class.

~~(f)~~ (g) The registrar shall establish the base value, when new, of every passenger automobile and hearse registered prior to the effective date of Extra Session Laws 1971, chapter 31, using list price information published by the manufacturer or any nationally recognized firm or association compiling such data for the automotive industry. If unable to ascertain the base value of any registered vehicle in the foregoing manner, the registrar may use any other available source or method. The tax on all previously registered vehicles shall be computed upon the base value thus determined taking into account the depreciation provisions of paragraph ~~(g)~~ (h).

~~(g)~~ (h) Except as provided in paragraph ~~(h)~~ (i), the annual additional tax computed upon the base value as provided herein, during the first and second years of vehicle life shall be computed upon 100 percent of the base value; for the third and fourth years, 90 percent of such value; for the fifth and sixth years, 75 percent of such value; for the seventh year, 60 percent of such value; for the eighth year, 40 percent of such value; for the ninth year, 30 percent of such value; for the tenth year, ten percent of such value; for the 11th and each succeeding year, the sum of $25.

In no event shall the annual additional tax be less than $25.

~~(h)~~ (i) The annual additional tax under paragraph ~~(g)~~ (h) on a motor vehicle

on which the first annual tax was paid before January 1, 1990, must not exceed the tax that was paid on that vehicle the year before.

Sec. 3. Minnesota Statutes 1994, section 168.017, subdivision 3, is amended to read:

Subd. 3. **EXCEPTIONS.** All vehicles subject to registration under the monthly series system shall be registered by the registrar for a period of 12 consecutive calendar months, except as follows:

(a) if the application is an original rather than renewal application; or,

(b) if the applicant is a licensed motor vehicle lessor under section 168.27, in which case the applicant may apply for original registration of a ~~group of ten or more vehicles~~ vehicle for a period of four or more months, the month of expiration to be designated by the applicant at the time of registration. However, to qualify for this exemption, the applicant must present the application to the registrar at St. Paul, or at deputy registrar offices as the registrar may designate.

In any instance except that of a licensed motor vehicle lessor, the registrar may register the vehicle which is the subject of the application for a period of not less than three nor more than 15 calendar months, when the registrar determines that to do so will help to equalize the registration and renewal work load of the department.

Sec. 4. Minnesota Statutes 1994, section 168.017, is amended by adding a subdivision to read:

Subd. 5. (a) Notwithstanding subdivisions 3 and 4, a person leasing for at least one year a vehicle registered under this section may obtain an extension of the motor vehicle's registration period for the unexpired portion of the lease period, for a period not to exceed 11 months beyond the expiration of the registration period.

(b) In order to obtain an extension under this subdivision a lessee must

(1) apply to the registrar on a form the registrar prescribes,

(2) submit to the registrar a copy of the lease,

(3) pay an administrative fee of $5, and

(4) pay a tax of one-twelfth of the tax for the registration period being extended for each month of the extension.

(c) On an applicant's compliance with paragraph (b) the registrar shall issue the applicant a license plate tab or sticker designating the new month of expiration of the registration. The extended registration expires on the tenth day of the month following the month designated on the tab or sticker.

(d) All fees collected under paragraph (b), clause (3), must be deposited in the highway user tax distribution fund.

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 5. Minnesota Statutes 1994, section 216C.01, subdivision 1a, is amended to read:

Subd. 1a. **ALTERNATIVE FUEL.** "Alternative fuel" means natural gas; liquefied petroleum gas; hydrogen; coal-derived liquefied fuels; electricity; methanol, denatured ethanol, and other alcohols; mixtures containing 85 percent or more, or other percentage as may be set by regulation by the Secretary of the United States Department of Energy, by volume of methanol, denatured ethanol, and other alcohols with gasoline or other fuels; fuels other than alcohol that are derived from biological materials; and other fuel that the Secretary of the United States Department of Energy determines by regulation to be an alternative fuel within the meaning of section 301(2) of the National Energy Policy Act of 1992 and intended for use in motor vehicles.

Sec. 6. Minnesota Statutes 1994, section 216C.01, subdivision 1b, is amended to read:

Subd. 1b. **ALTERNATIVE FUEL VEHICLE.** "Alternative fuel vehicle" means a dedicated, flexible, or ~~a~~ dual-fuel vehicle operated primarily on an alternative fuel.

Sec. 7. Minnesota Statutes 1994, section 296.01, is amended by adding a subdivision to read:

Subd. 5. **ALTERNATIVE FUEL VEHICLE.** "Alternative fuel vehicle" means a dedicated, flexible, or dual-fuel vehicle operated primarily on alternative transportation fuel.

Sec. 8. Minnesota Statutes 1994, section 296.01, is amended by adding a subdivision to read:

Subd. 11a. **COMPRESSED NATURAL GAS.** "Compressed natural gas" or CNG means natural gas, primarily methane, condensed under high pressure and stored in specially designed storage tanks at between 2,000 and 3,600 pounds per square inch. For purposes of this chapter, the energy content of CNG will be considered to be 1,000 BTUs per cubic foot.

Sec. 9. Minnesota Statutes 1994, section 296.01, is amended by adding a subdivision to read:

Subd. 15c. **E85.** "E85" means a petroleum product that is a blend of agriculturally derived denatured ethanol and gasoline that typically contains 85 percent ethanol by volume, but at a minimum must contain at least 60 percent ethanol by volume. For the purposes of this chapter, the energy content of E85 will be considered to be 82,000 BTUs per gallon.

Sec. 10. Minnesota Statutes 1994, section 296.01, is amended by adding a subdivision to read:

Subd. 23a. **LIQUEFIED NATURAL GAS.** "Liquefied natural gas" or LNG

means natural gas, primarily methane, which has been condensed through a cryogenic cooling process and is stored in special pressurized and insulated storage tanks. For purposes of this chapter, the energy content of LNG will be considered to be 69,000 BTUs per gallon.

Sec. 11. Minnesota Statutes 1994, section 296.01, is amended by adding a subdivision to read:

Subd. 23b. **LIQUEFIED PETROLEUM GAS.** "Liquefied petroleum gas" or LPG or propane means a product made of short hydrocarbon chains and containing primarily propane and butane that is stored in specialized tanks at moderate pressure. For purposes of this chapter, the energy content of LPG or propane will be considered to be 86,000 BTUs per gallon.

Sec. 12. Minnesota Statutes 1994, section 296.01, is amended by adding a subdivision to read:

Subd. 24b. **M85.** "M85" means a petroleum product that is a liquid fuel blend of methanol and gasoline that contains at least 85 percent methanol by volume. For the purposes of this chapter, the energy content of M85 will be considered to be 65,000 BTUs per gallon.

Sec. 13. Minnesota Statutes 1994, section 296.01, subdivision 30, is amended to read:

Subd. 30. **PETROLEUM PRODUCTS.** "Petroleum products" means all of the products defined in subdivisions 2, 7, 8, 10, 13, 14, 15c, ~~and~~ 17 to 22, and 24b.

Sec. 14. Minnesota Statutes 1994, section 296.01, subdivision 34, is amended to read:

Subd. 34. **SPECIAL FUEL.** "Special fuel" means (1) all combustible gases and liquid petroleum products or substitutes therefor including clear diesel fuel, except gasoline, gasoline blended with ethanol, and agricultural alcohol gasoline which are delivered into the supply tank of a licensed motor vehicle or into storage tanks maintained by an owner or operator of a licensed motor vehicle as a source of supply for such vehicle; (2) all combustible gases and liquid petroleum products or substitutes therefor, except gasoline, gasoline blended with ethanol, and agricultural alcohol gasoline, when delivered to a licensed special fuel dealer or to the retail service station storage of a distributor who has elected to pay the special fuel excise tax as provided in section 296.12, subdivision 3; (3) all combustible gases and liquid petroleum products or substitutes therefor, except gasoline, which are used as aviation fuel; or (4) dyed fuel that is being used illegally in a licensed motor vehicle.

Sec. 15. Minnesota Statutes 1994, section 296.02, subdivision 1, is amended to read:

Subdivision 1. **TAX IMPOSED; EXCEPTION FOR QUALIFIED SER-**

VICE STATION. There is imposed an excise tax on gasoline, gasoline blended with ethanol, and agricultural alcohol gasoline, used in producing and generating power for propelling motor vehicles used on the public highways of this state. For purposes of this section, gasoline is defined in section 296.01, subdivisions 10, 15b, 18, 19, 20, and 24a. This tax is payable at the times, in the manner, and by persons specified in this chapter. The tax is payable at the rate specified in subdivision 1b, subject to the exceptions and reductions specified in this section.

(a) Notwithstanding any other provision of law to the contrary, the tax imposed on special fuel sold by a qualified service station may not exceed, or the tax on gasoline delivered to a qualified service station must be reduced to, a rate not more than three cents per gallon above the state tax rate imposed on such products sold by a service station in a contiguous state located within the distance indicated in clause (b).

(b) A "qualifying service station" means a service station located within 7.5 miles, measured by the shortest route by public road, from a service station selling like product in the contiguous state.

(c) A qualified service station shall be allowed a credit by the supplier or distributor, or both, for the amount of reduction computed in accordance with clause (a).

A qualified service station, before receiving the credit, shall be registered with the commissioner of revenue.

Sec. 16. Minnesota Statutes 1994, section 296.02, subdivision 1a, is amended to read:

Subd. 1a. **TRANSIT SYSTEMS AND ALTERNATIVE FUELS EXEMPT.** The provisions of subdivision 1 do not apply to ~~(1)~~ gasoline purchased by a transit system or transit provider receiving financial assistance or reimbursement under section 174.24, 256B.0625, subdivision 17, or 473.384 ~~or (2) sales of compressed natural gas or propane for use in vehicles displaying a valid annual alternate fuel permit~~.

Sec. 17. Minnesota Statutes 1994, section 296.02, subdivision 1b, is amended to read:

Subd. 1b. **RATES IMPOSED.** The gasoline excise tax is imposed at the following ~~rate~~ rates:

(1) E85 is taxed at the rate of 14.2 cents per gallon;

(2) M85 is taxed at the rate of 11.4 cents per gallon; and

(3) ~~For the period on and after May 1, 1988,~~ all other gasoline is taxed at the rate of 20 cents per gallon.

Sec. 18. Minnesota Statutes 1994, section 296.025, subdivision 1, is amended to read:

Subdivision 1. **TAX IMPOSED.** There is hereby imposed an excise tax ~~of the same rate per gallon as the gasoline excise tax~~ on all special fuel at the rates specified in subdivision 1b. For clear diesel fuel, the tax is imposed on the first distributor who received the product in Minnesota. For dyed fuel being used illegally in a licensed motor vehicle, the tax is imposed on the owner or operator of the motor vehicle, or in some instances, on the dealer who supplied the fuel. For dyed fuel used in a motor vehicle but subject to a federal exemption, although no federal tax may be imposed, the fuel is subject to the state tax. For other fuels, including jet fuel, propane, and compressed natural gas, the tax is imposed on the distributor, special fuel dealer, or bulk purchaser. This tax is payable at the time and in the manner specified in this chapter. For purposes of this section, "owner or operator" means the operation of licensed motor vehicles, whether loaded or empty, whether for compensation or not for compensation, and whether owned by or leased to the motor carrier who operates them or causes them to be operated.

Sec. 19. Minnesota Statutes 1994, section 296.025, subdivision 1a, is amended to read:

Subd. 1a. **TRANSIT SYSTEMS AND ALTERNATIVE FUELS EXEMPT.** The provisions of subdivision 1 do not apply to ~~(1)~~ special fuel purchased by a transit system or transit provider receiving financial assistance or reimbursement under section 174.24, 256B.0625, subdivision 17, or 473.384 ~~or (2) sales of compressed natural gas or propane for use in vehicles displaying a valid annual alternate fuel permit~~.

Sec. 20. Minnesota Statutes 1994, section 296.025, is amended by adding a subdivision to read:

Subd. 1b. **TAX RATES.** The special fuel excise tax is imposed at the following rates:

(1) Liquefied petroleum gas or propane is taxed at the rate of 15 cents per gallon.

(2) Liquefied natural gas is taxed at the rate of 12 cents per gallon.

(3) Compressed natural gas is taxed at the rate of $1.739 per thousand cubic feet; or 20 cents per gasoline equivalent, as defined by the National Conference on Weights and Measures, which is 5.66 pounds of natural gas.

(4) All other special fuel is taxed at the same rate as the gasoline excise tax.

Sec. 21. Minnesota Statutes 1994, section 296.0261, is amended by adding a subdivision to read:

Subd. 10. **CREDIT; REFUNDS.** (a) A purchaser of an alternative fuel vehicle permit under subdivisions 1 to 9, prior to July 1, 1995, shall receive a credit for the unused portion of the permit fee. The amount of the credit shall be equal to the original permit fee and prorated to the number of months from July 1,

1995, until the expiration date of the permit. The credit shall reduce the amount of the vehicle's annual motor vehicle registration tax as calculated under section 168.013. The credit shall be applied to the first motor vehicle registration tax payable after July 1, 1995.

(b) If the amount of the credit calculated under paragraph (a) exceeds the amount of motor vehicle registration tax due, the registrar shall pay to the vehicle owner a cash refund equal to the difference between the motor vehicle registration tax and the credit due. The amount necessary to pay the refunds under this paragraph is appropriated for fiscal year 1996 to the commissioner of public safety from the highway user tax distribution fund. The appropriation is available until the refunds have been paid.

Sec. 22. Minnesota Statutes 1994, section 297A.01, subdivision 3, is amended to read:

Subd. 3. A "sale" and a "purchase" includes, but is not limited to, each of the following transactions:

(a) Any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, and the leasing of or the granting of a license to use or consume tangible personal property other than manufactured homes used for residential purposes for a continuous period of 30 days or more, for a consideration in money or by exchange or barter;

(b) The production, fabrication, printing, or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing, or processing;

(c) The furnishing, preparing, or serving for a consideration of food, meals, or drinks. "Sale" does not include:

(1) meals or drinks served to patients, inmates, or persons residing at hospitals, sanitariums, nursing homes, senior citizens homes, and correctional, detention, and detoxification facilities;

(2) meals or drinks purchased for and served exclusively to individuals who are 60 years of age or over and their spouses or to the handicapped and their spouses by governmental agencies, nonprofit organizations, agencies, or churches or pursuant to any program funded in whole or part through 42 USCA sections 3001 through 3045, wherever delivered, prepared or served; or

(3) meals and lunches served at public and private schools, universities, or colleges. Notwithstanding section 297A.25, subdivision 2, taxable food or meals include, but are not limited to, the following:

(i) heated food or drinks;

(ii) sandwiches prepared by the retailer;

(iii) single sales of prepackaged ice cream or ice milk novelties prepared by the retailer;

(iv) hand-prepared or dispensed ice cream or ice milk products including cones, sundaes, and snow cones;

(v) soft drinks and other beverages prepared or served by the retailer;

(vi) gum;

(vii) ice;

(viii) all food sold in vending machines;

(ix) party trays prepared by the retailers; and

(x) all meals and single servings of packaged snack food, single cans or bottles of pop, sold in restaurants and bars;

(d) The granting of the privilege of admission to places of amusement, recreational areas, or athletic events, except a world championship football game sponsored by the national football league, and the privilege of having access to and the use of amusement devices, tanning facilities, reducing salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

(e) The furnishing for a consideration of lodging and related services by a hotel, rooming house, tourist court, motel or trailer camp and of the granting of any similar license to use real property other than the renting or leasing thereof for a continuous period of 30 days or more;

(f) The furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state, or local exchange telephone service, intrastate toll service, and interstate toll service, if that service originates from and is charged to a telephone located in this state. Telephone service includes paging services and private communication service, as defined in United States Code, title 26, section 4252(d), except for private communication service purchased by an agent acting on behalf of the state lottery. The furnishing for a consideration of access to telephone services by a hotel to its guests is a sale under this clause. Sales by municipal corporations in a proprietary capacity are included in the provisions of this clause. The furnishing of water and sewer services for residential use shall not be considered a sale. The sale of natural gas to be used as a fuel in vehicles propelled by natural gas shall not be considered a sale for the purposes of this section;

(g) The furnishing for a consideration of cable television services, including charges for basic service, charges for premium service, and any other charges for any other pay-per-view, monthly, or similar television services;

(h) ~~Notwithstanding section 297A.25, subdivisions 9 and 12, the sales of racehorses including claiming sales and fees paid for breeding racehorses or~~

~~horses previously used for racing shall be considered a "sale" and a "purchase." "Racehorse" means a horse that is or is intended to be used for racing and whose birth has been recorded by the Jockey Club or the United States Trotting Association or the American Quarter Horse Association. "Sale" does not include fees paid for breeding horses that are not racehorses;~~

~~(i)~~ The furnishing for a consideration of parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

~~(j)~~ (j) The furnishing for a consideration of services listed in this paragraph:

(i) laundry and dry cleaning services including cleaning, pressing, repairing, altering, and storing clothes, linen services and supply, cleaning and blocking hats, and carpet, drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not include services provided by coin operated facilities operated by the customer;

(ii) motor vehicle washing, waxing, and cleaning services, including services provided by coin-operated facilities operated by the customer, and rustproofing, undercoating, and towing of motor vehicles;

(iii) building and residential cleaning, maintenance, and disinfecting and exterminating services;

(iv) services provided by detective agencies, security services, burglar, fire alarm, and armored car services not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1;

(v) pet grooming services;

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; tree, bush, shrub and stump removal; and tree trimming for public utility lines. Services performed under a construction contract for the installation of shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

(vii) mixed municipal solid waste ~~collection and disposal~~ management services as described in section 297A.45;

(viii) massages, except when provided by a licensed health care facility or professional or upon written referral from a licensed health care facility or professional for treatment of illness, injury, or disease; and

(ix) the furnishing for consideration of lodging, board and care services for animals in kennels and other similar arrangements, but excluding veterinary and horse boarding services.

The services listed in this paragraph are taxable under section 297A.02 if the service is performed wholly within Minnesota or if the service is performed

partly within and partly without Minnesota and the greater proportion of the service is performed in Minnesota, based on the cost of performance. In applying the provisions of this chapter, the terms "tangible personal property" and "sales at retail" include taxable services and the provision of taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable under this paragraph. Services performed by a partnership or association for another partnership or association are not taxable under this paragraph if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of this section, "affiliated group of corporations" includes those entities that would be classified as a member of an affiliated group under United States Code, title 26, section 1504, and who are eligible to file a consolidated tax return for federal income tax purposes;

~~(k)~~ (j) A "sale" and a "purchase" includes the transfer of computer software, meaning information and directions that dictate the function performed by data processing equipment. A "sale" and a "purchase" does not include the design, development, writing, translation, fabrication, lease, or transfer for a consideration of title or possession of a custom computer program; and

~~(l)~~ (k) The granting of membership in a club, association, or other organization if:

(1) the club, association, or other organization makes available for the use of its members sports and athletic facilities (without regard to whether a separate charge is assessed for use of the facilities); and

(2) use of the sports and athletic facilities is not made available to the general public on the same basis as it is made available to members.

Granting of membership includes both one-time initiation fees and periodic membership dues. Sports and athletic facilities include golf courses, tennis, racquetball, handball and squash courts, basketball and volleyball facilities, running tracks, exercise equipment, swimming pools, and other similar athletic or sports facilities. The provisions of this paragraph do not apply to camps or other recreation facilities owned and operated by an exempt organization under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, for educational and social activities for young people primarily age 18 and under.

Sec. 23. Minnesota Statutes 1994, section 297A.01, is amended by adding a subdivision to read:

Subd. 21. **MIXED MUNICIPAL SOLID WASTE MANAGEMENT SERVICES.** "Mixed municipal solid waste management services" or "waste management services" means services relating to the management of mixed municipal solid waste from collection to disposal, including transportation and management at waste facilities. The definitions in section 115A.03 apply to this subdivision.

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 24. Minnesota Statutes 1994, section 297A.02, subdivision 4, is amended to read:

Subd. 4. **MANUFACTURED HOUSING AND PARK TRAILERS.** Notwithstanding the provisions of subdivision 1, for sales at retail of new manufactured homes used for residential purposes and new or used park trailers, as defined in section 168.011, subdivision 8, paragraph (b), the excise tax is imposed upon 65 percent of the sales price of the home or park trailer.

Sec. 25. Minnesota Statutes 1994, section 297A.135, subdivision 1, is amended to read:

Subdivision 1. **TAX IMPOSED.** A tax is imposed on the lease or rental in this state for not more than 28 days of a passenger automobile as defined in section 168.011, subdivision 7, a van as defined in section 168.011, subdivision 28, or a pickup truck as defined in section 168.011, subdivision 29. A van designed or adapted primarily for transporting property rather than passengers is exempt from the tax imposed under this section. The tax is imposed at the rate of 6.2 percent of the sales price as defined for the purpose of imposing the sales and use tax in this chapter. The tax does not apply to the lease or rental of a hearse or limousine used in connection with a burial or funeral service. It applies whether or not the vehicle is licensed in the state.

Sec. 26. Minnesota Statutes 1994, section 297A.15, is amended by adding a subdivision to read:

Subd. 7. **REFUND; APPROPRIATION; ADULT AND JUVENILE CORRECTIONAL FACILITIES.** (a) If construction materials and supplies described in paragraph (b) are purchased by a contractor, subcontractor, or builder as part of a lump-sum contract or similar type of contract with a price covering both labor and materials for use in the project, a refund equal to 20 percent of the taxes paid by the contractor, subcontractor, or builder must be paid to the governmental subdivision. An application must be submitted by the governmental subdivision and must include sufficient information to permit the commissioner to verify the sales taxes paid for the project. The contractor, subcontractor, or builder must furnish to the governmental subdivision a statement of the cost of the construction materials and supplies and the sales taxes paid on them. The amount required to make the refunds is annually appropriated to the commissioner. Interest must be paid on the refund at the rate in section 270.76 from 60 days after the date the refund claim is filed with the commissioner.

(b) Construction materials and supplies qualify for the refund under this section if: (1) the materials and supplies are for use in a project to construct or improve an adult or juvenile correctional facility in a county, home rule charter city, or statutory city, and (2) the project is mandated by state or federal law, rule, or regulation. The refund applies regardless of whether the materials and supplies are purchased by the city or county, or by a contractor, subcontractor, or builder under a contract with the city or county.

Sec. 27. Minnesota Statutes 1994, section 297A.25, subdivision 9, is amended to read:

Subd. 9. **MATERIALS CONSUMED IN PRODUCTION.** 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 are exempt. Seeds, trees, fertilizers, and herbicides purchased for use by farmers in the Conservation Reserve Program under United States Code, title 16, section 590h, the Integrated Farm Management Program under section 1627 of Public Law Number 101-624, the Wheat and Feed Grain Programs under sections 301 to 305 and 401 to 405 of Public Law Number 101-624, and the conservation reserve program under sections 103F.505 to 103F.531, are included in this exemption. Sales to a veterinarian of materials used or consumed in the care, medication, and treatment of agricultural production animals and horses used in agricultural production are exempt under this subdivision. Chemicals used for cleaning food processing machinery and equipment are included in this exemption. Materials, including chemicals, fuels, and electricity purchased by persons engaged in agricultural or industrial production to treat waste generated as a result of the production process are included in this exemption. Such production shall include, but is not limited to, research, development, design or production of any tangible personal property, manufacturing, processing (other than by restaurants and consumers) of agricultural products whether vegetable or animal, commercial fishing, refining, smelting, reducing, brewing, distilling, printing, mining, quarrying, lumbering, generating electricity and the production of road building materials. Such production shall not include painting, cleaning, repairing or similar processing of property except as part of the original manufacturing process. Machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture and fixtures, used in such production and fuel, electricity, gas or steam used for space heating or lighting, are not included within this exemption; however, accessory tools, equipment and other short lived items, which are separate detachable units used in producing a direct effect upon the product, where such items have an ordinary useful life of less than 12 months, are included within the exemption provided herein. Electricity used to make snow for outdoor use for ski hills, ski slopes, or ski trails is included in this exemption.

Sec. 28. Minnesota Statutes 1994, section 297A.25, subdivision 11, is amended to read:

Subd. 11. **SALES TO GOVERNMENT.** 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, the University of Minnesota, state universities, community colleges, technical colleges, state academies, the Minnesota center for arts education, and school districts are exempt.

As used in this subdivision, "school districts" means public school entities and districts of every kind and nature organized under the laws of the state of Minnesota, including, without limitation, school districts, intermediate school districts, education districts, educational cooperative service units, secondary vocational cooperative centers, special education cooperatives, joint purchasing cooperatives, telecommunication cooperatives, regional management information centers, technical colleges, joint vocational technical districts, and any instrumentality of a school district, as defined in section 471.59.

Sales exempted by this subdivision include sales under section 297A.01, subdivision 3, paragraph (f), but do not include sales under section 297A.01, subdivision 3, paragraph (j), clause (vii).

Sales to hospitals and nursing homes owned and operated by political subdivisions of the state are exempt under this subdivision.

The sales to and exclusively for the use of libraries of books, periodicals, audio-visual materials and equipment, photocopiers for use by the public, and all cataloging and circulation equipment, and cataloging and circulation software for library use are exempt under this subdivision. For purposes of this paragraph "libraries" means libraries as defined in section 134.001, county law libraries under chapter 134A, the state library under section 480.09, and the legislative reference library.

Sales of supplies and equipment used in the operation of an ambulance service owned and operated by a political subdivision of the state are exempt under this subdivision provided that the supplies and equipment are used in the course of providing medical care. Sales to a political subdivision of repair and replacement parts for emergency rescue vehicles and fire trucks and apparatus are exempt under this subdivision.

Sales to a political subdivision of machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste ~~collection and disposal~~ management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10, are exempt under this subdivision.

Sales to political subdivisions of chore and homemaking services to be provided to elderly or disabled individuals are exempt.

Sales of telephone services to the department of administration that are used to provide telecommunications services through the intertechnologies revolving fund are exempt under this subdivision.

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.

This exemption does not apply to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5, except for leases entered into by the United States or its agencies or instrumentalities.

The tax imposed on sales to political subdivisions of the state under this section applies to all political subdivisions other than those explicitly exempted under this subdivision, notwithstanding section 115A.69, subdivision 6, 116A.25, 360.035, 458A.09, 458A.30, 458D.23, 469.101, subdivision 2, 469.127, 473.394, 473.448, 473.545, or 473.608 or any other law to the contrary enacted before 1992.

Sales exempted by this subdivision include sales made to other states or political subdivisions of other states, if the sale would be exempt from taxation if it occurred in that state, but do not include sales under section 297A.01, subdivision 3, paragraphs (c) and (e).

Sec. 29. Minnesota Statutes 1994, section 297A.25, subdivision 57, is amended to read:

Subd. 57. **HORSES.** The gross receipts from the sale of horses ~~other than~~, including racehorses ~~taxable under section 297A.01, subdivision 3, paragraph (h)~~, and all sales to persons who raise or board horses, of all materials, including feed and bedding, used or consumed in the breeding, raising, and keeping of horses, are exempt. Machinery, equipment, implements, tools, appliances, furniture, and fixtures, used in the breeding, raising, and keeping of horses, are not included within this exemption.

Sec. 30. Minnesota Statutes 1994, section 297A.25, subdivision 59, is amended to read:

Subd. 59. **FARM MACHINERY.** From July 1, 1994, until June 30, ~~1995~~ 1996, the gross receipts from the sale of used farm machinery are exempt.

Sec. 31. Minnesota Statutes 1994, section 297A.25, is amended by adding a subdivision to read:

Subd. 60. **CONSTRUCTION MATERIALS; STATE CONVENTION CENTER.** Construction materials and supplies are exempt from the tax imposed under this chapter, regardless of whether purchased by the owner or a contractor, subcontractor, or builder, if:

(1) the materials and supplies are used or consumed in constructing improvements to a state convention center located in a city located outside of

the metropolitan area as defined in section 473.121, subdivision 2, and the center is governed by an 11-person board of which four are appointed by the governor; and

(2) the improvements are financed in whole or in part by nonstate resources including, but not limited to, revenue or general obligations issued by the state convention center board of the city in which the center is located.

The exemption provided by this subdivision applies to construction materials and supplies purchased prior to December 31, 1998.

Sec. 32. Minnesota Statutes 1994, section 297A.25, is amended by adding a subdivision to read:

Subd. 61. **CONSTRUCTION MATERIALS FOR INDOOR ICE ARENAS.** The gross receipts from the sale of construction materials and supplies are exempt if:

(1) the materials and supplies are to be used in constructing an indoor ice arena intended to be used predominantly for youth athletic activities; and

(2) a school district is a party to a joint powers agreement that governs the ownership, operation, and maintenance of the facility.

This exemption applies regardless of whether the purchases are made by the owner of the facility or a contractor.

Sec. 33. Minnesota Statutes 1994, section 297A.45, is amended to read:

297A.45 **MIXED MUNICIPAL SOLID WASTE ~~COLLECTION AND DISPOSAL~~ MANAGEMENT SERVICES.**

Subdivision 1. **DEFINITIONS.** The definitions in sections 115A.03 and 297A.01 apply to this section.

Subd. 2. **APPLICATION.** The taxes imposed by sections 297A.02 and 297A.021 apply to all public and private mixed municipal solid waste ~~collection and disposal~~ management services.

Notwithstanding section 297A.25, subdivision 11, a political subdivision that purchases ~~collection or disposal~~ waste management services on behalf of its citizens shall pay the taxes.

If a political subdivision provides ~~collection or disposal services~~ a waste management service to its residents at a cost in excess of the total direct charge to the residents for the service, the political subdivision shall pay the taxes based on its cost of providing the service in excess of the direct charges.

A person who transports mixed municipal solid waste generated by that person or by another person without compensation shall pay the taxes at the ~~disposal or resource recovery~~ waste facility based on the disposal charge or tipping fee.

Subd. 3. **EXEMPTIONS.** (a) The cost of a service or the portion of a service to collect and manage recyclable materials separated from mixed municipal solid waste by the waste generator is exempt from the taxes imposed in sections 297A.02 and 297A.021.

(b) The amount of a surcharge or fee imposed under section 115A.919, 115A.921, 115A.923, or 473.843 is exempt from the taxes imposed in sections 297A.02 and 297A.021.

(c) Waste from a recycling facility that separates or processes recyclable materials and that reduces the volume of the waste by at least 85 percent is exempt from the taxes imposed in sections 297A.02 and 297A.021. To qualify for the exemption under this paragraph, the waste exempted must be ~~collected and disposed of~~ managed separately from other solid waste.

(d) The following costs are exempt from the taxes imposed in sections 297A.02 and 297A.021:

(1) costs of providing educational materials and other information to residents;

(2) costs of managing solid waste other than mixed municipal solid waste, including household hazardous waste; and

(3) costs of court litigation and associated damages.

(e) The cost of a waste management service is exempt from the taxes imposed in sections 297A.02 and 297A.021 to the extent that the cost was previously subject to the tax.

Subd. 4. **CITY SALES TAX MAY NOT BE IMPOSED.** Notwithstanding any other law or charter provision to the contrary, a home rule charter or statutory city that imposes a general sales tax may not impose the sales tax on solid waste ~~disposal and collection~~ management services that are subject to the tax under this section. This subdivision does not apply to a tax imposed under section 297A.021.

Subd. 5. **SEPARATE ACCOUNTING.** The commissioner shall account for revenue collected from public and private mixed municipal solid waste ~~collection and disposal~~ management services under this section separately from other tax revenue collected under this chapter.

Sec. 34. Minnesota Statutes 1994, section 297B.01, subdivision 5, is amended to read:

Subd. 5. **MOTOR VEHICLE.** "Motor vehicle" means any self-propelled vehicle not operated exclusively upon railroad tracks and any vehicle propelled or drawn by a self-propelled vehicle for which registration is required by chapter 168. Motor vehicle includes vehicles known as trackless trolleys which are propelled by electric power obtained from overhead trolley wires but not operated

upon rails and motor vehicles that are purchased on Indian reservations where the tribal council has entered into a sales tax on motor vehicles refund agreement with the state of Minnesota. Motor vehicle does not include snowmobiles or manufactured homes. ~~For purposes of taxation only under this section, "motor vehicle" includes a park trailer as defined in section 168.011, subdivision 8, paragraph (b).~~

Sec. 35. Minnesota Statutes 1994, section 297B.02, subdivision 3, is amended to read:

Subd. 3. **IN LIEU FOR COLLECTOR VEHICLES.** In lieu of the tax imposed in subdivision 1, there is imposed a tax of $90 on the purchase price of a passenger automobile or a fire truck described in section 297B.025, subdivision 2.

Sec. 36. Minnesota Statutes 1994, section 297B.025, subdivision 2, is amended to read:

Subd. 2. **COLLECTOR VEHICLES.** A passenger automobile that is registered under section 168.10, subdivision 1a, 1b, 1c, 1d, or 1h, or a fire truck registered under section 168.10, subdivision 1c, shall be taxed under section 297B.02, subdivision 3, and the registrar shall not designate as an above-market automobile a passenger automobile or a fire truck registered under those subdivisions. If the vehicle is subsequently registered in another class not under section 168.10, subdivision 1a, 1b, 1c, 1d, or 1h, within one year of the date of registration under those subdivisions, it shall be subject to the full excise tax imposed under subdivision 1.

Sec. 37. Minnesota Statutes 1994, section 297B.032, is amended to read:

297B.032 **REFUND ON PARK TRAILERS; APPROPRIATION.**

Notwithstanding the provisions of section 297B.02, or any other law to the contrary, a portion of the sales tax on motor vehicles paid on park trailers, as defined in section 168.011, subdivision 8, paragraph (b), under this chapter shall be refunded by the commissioner of revenue provided the following conditions are met:

(1) the park trailer is purchased after January 1, 1993, and before January 1, 1997;

(2) the owner paid the sales tax on motor vehicles on the park trailer;

(3) property taxes have been imposed upon the park trailer for at least the last two taxes payable years; and

(4) property taxes on the park trailer for the years cited in clause (3) have been paid by the owner of the park trailer.

Upon application by the purchaser, on forms prescribed by the commis-

sioner of revenue, a refund equal to 35 percent of the actual taxes paid, shall be paid to the purchaser. The application must include sufficient information, including a copy of the sales invoice for the park trailer, and the property tax statements for the years cited in clause (3), or a reproduction thereof, with a notation from the county treasurer that the taxes have been paid on the park trailer.

The amounts required to make the refunds are annually appropriated to the commissioner of revenue from the general fund. The amount to be refunded shall bear interest at the rate in section 270.76 after 60 days after the refund claim was made until the date the refund is paid.

Sec. 38. Laws 1991, chapter 291, article 8, section 28, subdivision 1, is amended to read:

Subdivision 1. **AUTHORIZATION.** Notwithstanding Minnesota Statutes, section 469.190, 477A.016, or other law, in addition to the tax authorized in Minnesota Statutes, section 469.190, the city of Winona may, by ordinance, impose a tax of up to one percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more. The city may, by ordinance, impose the tax authorized under this section on the camping site receipts of a municipal campground.

Fifty percent of the proceeds of this tax shall be used to retire the indebtedness of the Julius C. Wilke Steamboat Center ~~and~~. Upon retirement of the debt, 50 percent of the proceeds shall be used as directed in Minnesota Statutes, section 469.190, subdivision 3. The balance ~~shall be used in the manner~~ of the tax proceeds may be used to promote tourist activities, as determined by resolution of the council, for the following purposes:

(1) improvements to the levee and its adjacent area;

(2) improvements to Prairie Island shoreline;

(3) improvements to the municipal marina; or

(4) as directed in Minnesota Statutes, section 469.190, subdivision 3. ~~Upon retirement of the debt, the council shall by ordinance reduce the tax by one-half percent or dedicate the entire one percent in the manner directed in Minnesota Statutes, section 469.190, subdivision 3.~~

The tax shall be collected in the same manner as other taxes authorized under Minnesota Statutes, section 469.190.

Sec. 39. Laws 1986, chapter 400, section 44, is amended to read:

Sec. 44. **DOWNTOWN TAXING AREA.**

If a bill is enacted into law in the 1986 legislative session which authorizes

the city of Minneapolis to issue bonds and expend certain funds including taxes to finance the acquisition and betterment of a convention center and related facilities, which authorizes certain taxes to be levied in a downtown taxing area, then, notwithstanding the provisions of that law "downtown taxing area" shall mean the geographic area bounded by the portion of the Mississippi River between I-35W and Washington Avenue, the portion of Washington Avenue between the river and I-35W, the portion of I-35W between Washington Avenue and 8th Street South, the portion of 8th Street South between I-35W and Portland Avenue South, the portion of Portland Avenue South between 8th Street South and I-94, the portion of I-94 from the intersection of Portland Avenue South to the intersection of I-94 and the Burlington Northern Railroad tracks, the portion of the Burlington Northern Railroad tracks from I-94 to Main Street and including Nicollet Island, and the portion of Main Street to Hennepin Avenue and the portion of Hennepin Avenue between Main Street and 2nd Street S.E., and the portion of 2nd Street S.E. between Main Street and Bank Street, and the portion of Bank Street between 2nd Street S.E. and University Avenue S.E., and the portion of University Avenue S.E. between Bank Street and I-35W, and by I-35W from University Avenue S.E., to the river. The downtown taxing area excludes the area bounded on the south and west by Oak Grove Street, on the east by Spruce Place, and on the north by West 15th Street.

Sec. 40. **EVALUATION.**

The commissioner of revenue shall conduct an evaluation to determine the accuracy of taxes paid by counties on solid waste collection and disposal services as required by Minnesota Statutes 1994, section 297A.45. The commissioner shall report, by January 1, 1996, the results of the evaluation, both in the aggregate and by county, to the chairs of the house committee on taxes and the senate committee on taxes and tax laws, and to the co-chairs of the legislative commission on waste management. The final results of the evaluation are classified as public data. The commissioner shall not initiate or continue any action to collect any underpayment from counties, or to reimburse any overpayment to counties, of taxes on solid waste collection and disposal services pursuant to Minnesota Statutes 1994, section 297A.45, until June 1, 1996. The statute of limitations for assessing, collecting, or refunding taxes subject to the provisions of this section is tolled from the date of enactment until June 1, 1996.

Sec. 41. **AGRICULTURE PROCESSING FACILITY MATERIALS; EXEMPTION.**

Subdivision 1. **EXEMPTION; DEFINITION.** Purchases of construction materials and supplies are exempt from the sales and use taxes imposed under this chapter, regardless of whether purchased by the owner or a contractor, if the materials and supplies are used or consumed in constructing an agriculture processing facility that meets the requirements of this section. For purposes of this section, "agricultural processing facility" means land, buildings, structures, fixtures, and improvements used or operated primarily for the processing or production of marketable products from agricultural crops, including waste and

residues from agricultural crops, but not including livestock or livestock products, poultry or poultry products, or wood or wood products. For purposes of this section, "agricultural processing facility" does not include an ethanol production facility.

Subd. 2. **QUALIFICATIONS.** An agricultural processing facility qualifies for the exemption provided under this section if it meets each of the following requirements:

(a) The total investment in the facility must be at least $8,500,000.

(b) The facility must be located in a municipality that has a median household income that does not exceed $18,000 according to the 1990 federal census information on income and poverty status in 1989.

(c) The total investment in the facility must exceed an amount equal to $12,000 per resident of the municipality in which the facility is located.

Subd. 3. **COLLECTION AND REFUND OF TAX.** The tax shall be imposed and collected as if the rates under sections 297A.02, subdivision 1, and 297A.021, applied, and then refunded in the manner provided in section 297A.15, subdivision 5.

Subd. 4. **EFFECTIVE DATE.** This section is effective for sales made after March 31, 1995, and before March 31, 1996.

Sec. 42. **ADVISORY COUNCIL; SALES TAX.**

Subdivision 1. **CREATION; MEMBERSHIP.** (a) A state advisory council is established to study the general and motor vehicle sales and use taxes under Minnesota Statutes 1994, chapters 297A and 297B, and to make recommendations to the 1996 legislature. The study shall be completed and findings reported to the legislature by February 1, 1996.

(b) The advisory council consists of 17 members who serve at the pleasure of the appointing authority as follows:

(1) ten legislators; five members of the senate, including two members of the minority party, appointed by the subcommittee on committees of the committee on rules and administration and five members of the house of representatives, including two members of the minority party, appointed by the speaker;

(2) the commissioner of revenue or the commissioner's designee; and

(3) six members of the public; two appointed by the subcommittee on committees of the committee on rules and administration of the senate, two appointed by the speaker of the house, and two appointed by the governor. At least one member of the public that is appointed by each entity must represent a consumer interest group or other private citizen group, public policy organization, or university department of public policy or economics.

Subd. 2. **SCOPE OF STUDY.** (a) The purpose of the advisory council is to:

(1) develop a framework of appropriate tax policy goals, including but not limited to goals related to issues of equity, efficiency, and understandability, to be used in evaluating the overall sales tax system;

(2) evaluate the current sales and use tax system as it relates to these policy goals, including identification of current inconsistencies in treatment of various industries, problems with compliance and administration, and the economic impact of the system;

(3) analyze changes in the global and regional economy and the potential problems that might arise in sales tax collection and administration due to these changes, including but not limited to impacts of international trade agreements (GATT and NAFTA), and changes in technology and telecommunications;

(4) suggest options for changing the sales tax system, including eliminating or changing exemptions, broadening the tax base, or replacing it with an alternative tax system such as value added tax or another form of consumption tax. The options should be evaluated in terms of advancing the policy goals established under clause (1).

(b) The advisory council's report to the legislature must include recommendations for modifying the sales and use tax system in light of the tax policy goals established by the council. The report must also establish a tax policy framework for evaluating other proposed changes in the sales tax.

Subd. 3. **STAFF.** The department of revenue and legislative staff shall provide administrative and staff assistance when requested by the advisory council.

Subd. 4. **COOPERATION BY OTHER AGENCIES.** The commissioners of the department of trade and economic development, the department of finance, and any other state department or agency shall, upon request by the advisory council, provide data or other information that is collected or possessed by their agencies and that is necessary or useful in conducting the study and preparing the report required by this section.

Sec. 43. **REPEALER.**

(a) Minnesota Statutes 1994, section 296.0261, is repealed.

(b) Minnesota Statutes 1994, section 297A.136, is repealed.

Sec. 44. **EFFECTIVE DATE.**

Section 1 is effective the day following final enactment.

Sections 3 and 4 are effective June 1, 1995. Section 4 is repealed June 1, 2000.

Sections 5 to 21 and 43, paragraph (a), are effective July 1, 1995.

New language is indicated by underline, deletions by ~~strikeout~~.

Sections 23, 28, 33, 40, 42, and the part of section 22 amending language in paragraph (i), clause (vii), are effective the day following final enactment.

Sections 24 and 34 are effective for sales made after December 31, 1996.

Section 25 is effective beginning with leases or rentals made after June 30, 1995.

Section 26 is effective retroactively for sales after May 31, 1992.

Section 27 is effective for sales made after June 30, 1995.

Section 29 and the part of section 22 striking the language after paragraph (h) are effective for sales after June 30, 1995.

Section 32 is effective for sales made after June 30, 1995, and before July 1, 1996.

Sections 35 and 36 are effective for sales or transfers made after June 30, 1995.

Section 38 is effective the day after the governing body of the city of Winona complies with Minnesota Statutes,section 645.021, subdivision 3.

Section 39 is effective upon compliance by the Minneapolis city council with Minnesota Statutes, section 645.021, subdivision 3.

Section 43, paragraph (b), is effective for sales of 900 information services made after June 30, 1995.

ARTICLE 3

PROPERTY TAXES

Section 1. Minnesota Statutes 1994, section 124.918, subdivision 1, is amended to read:

Subdivision 1. **CERTIFY LEVY LIMITS.** By September ~~1~~ 8, the commissioner shall notify the school districts of their levy limits. The commissioner shall certify to the county auditors the levy limits for all school districts headquartered in the respective counties together with adjustments for errors in levies not penalized pursuant to section 124.918, subdivision 3, as well as adjustments to final pupil unit counts. A school district may require the commissioner to review the certification and to present evidence in support of modification of the certification.

The county auditor shall reduce levies for any excess of levies over levy limitations pursuant to section 275.16. Such reduction in excess levies may, at the discretion of the school district, be spread over two calendar years.

Sec. 2. Minnesota Statutes 1994, section 124.918, subdivision 2, is amended to read:

Subd. 2. **NOTICE TO COMMISSIONER; FORMS.** By September ~~15~~ 30 of each year each district shall notify the commissioner of education of the proposed levies in compliance with the levy limitations of this chapter and chapters 124A, 124B, 136C, and 136D. By January 15 of each year each district shall notify the commissioner of education of the final levies certified. The commissioner of education shall prescribe the form of these notifications and may request any additional information necessary to compute certified levy amounts.

Sec. 3. Minnesota Statutes 1994, section 168.012, subdivision 9, is amended to read:

Subd. 9. **MANUFACTURED HOMES AND PARK TRAILERS.** Manufactured homes and park trailers 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 273.125, manufactured homes and park trailers 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 and park trailers, except such manufactured homes as are held by a licensed dealer and exempted as inventory. Travel trailers not conspicuously displaying current registration plates on the property tax assessment date shall be taxed as manufactured homes if occupied as human dwelling places. ~~Park trailers not used on the highway during any calendar year must be taxed as manufactured homes if occupied as human dwelling places. Park trailers used on the highway during any calendar year must be taxed under section 168.013, subdivision 1j.~~

Sec. 4. Minnesota Statutes 1994, 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.

(6) Institutions of purely public charity except parcels of property containing structures and the structures described in section 273.13, subdivision 25, paragraph (c), clauses (1), (2), and (3), or paragraph (d), other than those that qualify for exemption under clause (25).

(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, 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; 273.124, subdivision 7; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;

(e) manufactured homes and sectional structures, including storage sheds, decks, and similar removable improvements constructed on the site of a manufactured home, sectional structure, park trailer or travel trailer as provided in section 273.125, subdivision 8, paragraph (f); and

(f) flight property as defined in section 270.071.

(9) Personal property used primarily for the abatement and control of air, water, or land pollution to the extent that it is so used, and real property which is used primarily for abatement and control of air, water, or land pollution as part of an agricultural operation, as a part of a centralized treatment and recovery facility operating under a permit issued by the Minnesota pollution control agency pursuant to chapters 115 and 116 and Minnesota Rules, parts 7001.0500 to 7001.0730, and 7045.0020 to 7045.1260, as a wastewater treatment facility and for the treatment, recovery, and stabilization of metals, oils, chemicals, water, sludges, or inorganic materials from hazardous industrial wastes, or as part of an electric generation system. For purposes of this clause, personal property includes ponderous machinery and equipment used in a business or production activity that at common law is considered real property.

Any taxpayer requesting exemption of all or a portion of any real property or any equipment or device, or part thereof, operated primarily for the control or abatement of air or water pollution shall file an application with the commissioner of revenue. The equipment or device shall meet standards, rules, 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. On determining that property qualifies for exemption, the commissioner 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: (i) land described in section 103G.005, subdivision 18; (ii) 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; or (iii) land in a wetland preservation area under sections 103F.612 to 103F.616. "Wetlands" under items (i) and (ii) include adjacent land which is not suitable for agricultural purposes due to the presence of the wetlands, but do 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. Upon receipt of an application for the exemption provided in this clause 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 the 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 1986, as amended through December 31, 1992, 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 facil-

ity 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 103G.535.

(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; and

(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.

An exemption provided by clause (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 have passed from the date of the transmittal by the governing body to the board of the information on the fiscal impact, whichever occurs first.

(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.

(18) Electric power distribution lines and their attachments and appurtenances, that are used primarily for supplying electricity to farmers at retail.

(19) Transitional housing facilities. "Transitional housing facility" means a facility that meets the following requirements. (i) It provides temporary housing

to individuals, couples, or families. (ii) It has the purpose of reuniting families and enabling parents or individuals to obtain self-sufficiency, advance their education, get job training, or become employed in jobs that provide a living wage. (iii) It provides support services such as child care, work readiness training, and career development counseling; and a self-sufficiency program with periodic monitoring of each resident's progress in completing the program's goals. (iv) It provides services to a resident of the facility for at least three months but no longer than three years, except residents enrolled in an educational or vocational institution or job training program. These residents may receive services during the time they are enrolled but in no event longer than four years. (v) It is owned and operated or under lease from a unit of government or governmental agency under a property disposition program and operated by one or more organizations exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992. This exemption applies notwithstanding the fact that the sponsoring organization receives financing by a direct federal loan or federally insured loan or a loan made by the Minnesota housing finance agency under the provisions of either Title II of the National Housing Act or the Minnesota housing finance agency law of 1971 or rules promulgated by the agency pursuant to it, and notwithstanding the fact that the sponsoring organization receives funding under Section 8 of the United States Housing Act of 1937, as amended.

(20) Real and personal property, including leasehold or other personal property interests, owned and operated by a corporation if more than 50 percent of the total voting power of the stock of the corporation is owned collectively by: (i) the board of regents of the University of Minnesota, (ii) the University of Minnesota Foundation, an organization exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, and (iii) a corporation organized under chapter 317A, which by its articles of incorporation is prohibited from providing pecuniary gain to any person or entity other than the regents of the University of Minnesota; which property is used primarily to manage or provide goods, services, or facilities utilizing or relating to large-scale advanced scientific computing resources to the regents of the University of Minnesota and others.

(21)(a) Wind energy conversion systems, as defined in section 216C.06, subdivision 12, installed after January 1, 1991, and before January 2, 1995, and used as an electric power source, are exempt.

(b) Wind energy conversion systems, as defined in section 216C.06, subdivision 12, installed after January 1, 1995, including the foundation or support pad, which are (i) used as an electric power source; (ii) located within one county and owned by the same owner; and (iii) produce two megawatts or less of electricity as measured by nameplate ratings, are exempt.

(c) Wind energy conversion systems, as defined in section 216C.06, subdivision 12, installed after January 1, 1995, and used as an electric power source but not exempt under item (b), are treated as follows: (i) the foundation and support

pad are taxable; (ii) the associated supporting and protective structures are exempt for the first five assessment years after they have been constructed, and thereafter, 30 percent of the market value of the associated supporting and protective structures are taxable; and (iii) the turbines, blades, transformers, and its related equipment, are exempt.

(22) Containment tanks, cache basins, and that portion of the structure needed for the containment facility used to confine agricultural chemicals as defined in section 18D.01, subdivision 3, as required by the commissioner of agriculture under chapter 18B or 18C.

(23) Photovoltaic devices, as defined in section 216C.06, subdivision 13, installed after January 1, 1992, and used to produce or store electric power.

(24) 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 for an ice arena or ice rink, and used primarily for youth and high school programs.

(25) A structure that is situated on real property that is used for:

(i) housing for the elderly or for low- and moderate-income families as defined in Title II of the National Housing Act, as amended through December 31, 1990, and funded by a direct federal loan or federally insured loan made pursuant to Title II of the act; or

(ii) housing lower income families or elderly or handicapped persons, as defined in section 8 of the United States Housing Act of 1937, as amended.

In order for a structure to be exempt under (i) or (ii), it must also meet each of the following criteria:

(A) is owned by an entity which is operated as a nonprofit corporation organized under chapter 317A;

(B) is owned by an entity which has not entered into a housing assistance payments contract under section 8 of the United States Housing Act of 1937, or, if the entity which owns the structure has entered into a housing assistance payments contract under section 8 of the United States Housing Act of 1937, the contract provides assistance for less than 90 percent of the dwelling units in the structure, excluding dwelling units intended for management or maintenance personnel;

(C) operates an on-site congregate dining program in which participation by residents is mandatory, and provides assisted living or similar social and physical support services for residents; and

(D) was not assessed and did not pay tax under chapter 273 prior to the 1991 levy, while meeting the other conditions of this clause.

An exemption under this clause remains in effect for taxes levied in each year or partial year of the term of its permanent financing.

(26) Real and personal property that is located in the Superior National Forest, and owned or leased and operated by a nonprofit organization that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, and primarily used to provide recreational opportunities for disabled veterans and their families.

(27) Manure pits and appurtenances, which may include slatted floors and pipes, installed or operated in accordance with a permit, order, or certificate of compliance issued by the Minnesota pollution control agency. The exemption shall continue for as long as the permit, order, or certificate issued by the Minnesota pollution control agency remains in effect.

(28) Notwithstanding clause (8), item (a), attached machinery and other personal property which is part of a facility containing a cogeneration system as described in section 216B.166, subdivision 2, paragraph (a), if the cogeneration system has met the following criteria: (i) the system utilizes natural gas as a primary fuel and the cogenerated steam initially replaces steam generated from existing thermal boilers utilizing coal; (ii) the facility developer is selected as a result of a procurement process ordered by the public utilities commission; and (iii) construction of the facility is commenced after July 1, 1994, and before July 1, 1997.

(29) Real property acquired by a home rule charter city, statutory city, county, town, or school district under a lease purchase agreement or an installment purchase contract during the term of the lease purchase agreement as long as and to the extent that the property is used by the city, county, town, or school district and devoted to a public use and to the extent it is not subleased to any private individual, entity, association, or corporation in connection with a business or enterprise operated for profit.

Sec. 5. **[272.027] PERSONAL PROPERTY USED TO GENERATE ELECTRICITY FOR PRODUCTION AND RESALE.**

Personal property used to generate electric power is exempt from property taxation if the electric power is used to manufacture or produce goods, products, or services, other than electric power, by the owner of the electric generation plant. The exemption does not apply to property used to produce electric power for sale to others and does not apply to real property. In determining the value subject to tax, a proportionate share of the value of the generating facilities, equal to the proportion that the power sold to others bears to the total generation of the plant, is subject to the general property tax in the same manner as other property. Power generated in such a plant and exchanged for an equivalent amount of power that is used for the manufacture or production of goods, products, or services other than electric power by the owner of the generating plant is considered to be used by the owner of the plant.

Sec. 6. Minnesota Statutes 1994, section 272.115, subdivision 1, is amended to read:

Subdivision 1. Whenever any real estate is sold for a consideration in excess of $1,000, whether by warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor, grantee or the legal agent of either shall file a certificate of value with the county auditor in the county in which the property is located when the deed or other document is presented for recording. Contract for deeds are subject to recording under section 507.235, subdivision 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration thereof, paid or to be paid, including the amount of any lien or liens assumed. The items and value of personal property transferred with the real property must be listed and deducted from the sale price. The certificate of value shall include the classification to which the property belongs for the purpose of determining the fair market value of the property. The certificate shall include financing terms and conditions of the sale which are necessary to determine the actual, present value of the sale price for purposes of the sales ratio study. The commissioner of revenue shall promulgate administrative rules specifying the financing terms and conditions which must be included on the certificate. Pursuant to the authority of the commissioner of revenue in section 270.066, the certificate of value must include the social security number or the federal employer identification number of the grantors and grantees. The identification numbers of the grantors and grantees are private data on individuals or nonpublic data as defined in section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or nonpublic data may be disclosed to the commissioner of revenue for purposes of tax administration.

Sec. 7. Minnesota Statutes 1994, section 273.124, subdivision 1, is amended to read:

Subdivision 1. **GENERAL RULE.** (a) 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 residential homestead.

Agricultural land, as defined in section 273.13, subdivision 23, that is occupied and used as a homestead by its owner, who must be a Minnesota resident, is an agricultural homestead.

Dates for establishment of a homestead and homestead treatment provided to particular types of property are as provided in this section.

Property of a trustee, beneficiary, or grantor of a trust is not disqualified from receiving homestead benefits if the homestead requirements under this chapter are satisfied.

The assessor shall require proof, as provided in subdivision 13, of the facts upon which classification as a homestead may be determined. Notwithstanding any other law, the assessor may at any time require a homestead application to be filed in order to verify that any property classified as a homestead continues to be eligible for homestead status.

When there is a name change or a transfer of homestead property, the assessor may reclassify the property in the next assessment unless a homestead application is filed to verify that the property continues to qualify for homestead classification.

(b) 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.

(c) Residential real estate that is occupied and used for purposes of a homestead by a relative of the owner is a homestead but only to the extent of the homestead treatment that would be provided if the related owner occupied the property. For purposes of this paragraph and paragraph (f), "relative" means a parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, or aunt. This relationship may be by blood or marriage. Property ~~that was~~ classified as seasonal recreational residential property ~~at the time when treatment under this paragraph would first apply shall continue to be classified as seasonal recreational residential property for the first four assessment years beginning after the date when the relative of the owner occupies the property as a homestead~~ will not be reclassified as a homestead unless it is occupied as a homestead by the owner; this ~~delay~~ prohibition also applies to property that, in the absence of this paragraph, would have been classified as seasonal recreational residential property at the time when the residence was constructed. Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative. In the case of a residence located on agricultural land, only the house, garage, and immediately surrounding one acre of land shall be classified as a homestead under this paragraph, except as provided in paragraph (d).

(d) Agricultural property that is occupied and used for purposes of a homestead by a relative of the owner, is a homestead, only to the extent of the homestead treatment that would be provided if the related owner occupied the property, and only if all of the following criteria are met:

(1) the relative who is occupying the agricultural property is a son, daughter, father, or mother of the owner of the agricultural property or a son or daughter of the spouse of the owner of the agricultural property,

(2) the owner of the agricultural property must be a Minnesota resident,

(3) the owner of the agricultural property must not receive homestead treatment on any other agricultural property in Minnesota, and

(4) the owner of the agricultural property is limited to only one agricultural homestead per family under this paragraph.

Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative qualifying under this paragraph. For purposes of this paragraph, "agricultural property" means the house, garage, other farm buildings and structures, and agricultural land.

Application must be made to the assessor by the owner of the agricultural property to receive homestead benefits under this paragraph. The assessor may require the necessary proof that the requirements under this paragraph have been met.

(e) In the case of property owned by a property owner who is married, the assessor must not deny homestead treatment in whole or in part if only one of the spouses occupies the property and the other spouse is absent due to: (1) marriage dissolution proceedings, (2) legal separation, (3) employment or self-employment in another location ~~as provided under subdivision 13~~, ~~or~~ (4) residence in a nursing home or boarding care facility, or (5) other personal circumstances causing the spouses to live separately, not including an intent to obtain two homestead classifications for property tax purposes. To qualify under clause (3), the spouse's place of employment or self-employment must be at least 50 miles distant from the other spouse's place of employment, and the homesteads must be at least 50 miles distant from each other. Homestead treatment, in whole or in part, shall not be denied to the spouse of an owner if he or she previously occupied the residence with the owner and the absence of the owner is due to one of the exceptions provided in this paragraph.

(f) If an individual is purchasing property with the intent of claiming it as a homestead and is required by the terms of the financing agreement to have a relative shown on the deed as a coowner, the assessor shall allow a full homestead classification. This provision only applies to first-time purchasers, whether married or single, or to a person who had previously been married and is purchasing as a single individual for the first time. The application for homestead benefits must be on a form prescribed by the commissioner and must contain the data necessary for the assessor to determine if full homestead benefits are warranted.

Sec. 8. Minnesota Statutes 1994, section 273.124, subdivision 13, is amended to read:

Subd. 13. **HOMESTEAD APPLICATION.** (a) A person who meets the homestead requirements under subdivision 1 must file a homestead application with the county assessor to initially obtain homestead classification.

(b) On or before January 2, 1993, each county assessor shall mail a homestead application to the owner of each parcel of property within the county which was classified as homestead for the 1992 assessment year. The format and contents of a uniform homestead application shall be prescribed by the commis-

sioner of revenue. The commissioner shall consult with the chairs of the house and senate tax committees on the contents of the homestead application form. The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property or by the qualifying relative and returned to the county assessor in order for the property to continue receiving homestead treatment. The envelope containing the homestead application shall clearly identify its contents and alert the taxpayer of its necessary immediate response.

(c) Every property owner applying for homestead classification must furnish to the county assessor the social security number of each occupant who is listed as an owner of the property on the deed of record, the name and address of each owner who does not occupy the property, and the name and social security number of each owner's spouse who occupies the property. The application must be signed by each owner who occupies the property and by each owner's spouse who occupies the property, or, in the case of property that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

If a property owner occupies a homestead, the property owner's spouse may not claim another property as a homestead unless the property owner and the property owner's spouse file with the assessor an affidavit or other proof required by the assessor stating that the property ~~owner's spouse does not occupy the homestead because marriage dissolution proceedings are pending, the spouses are legally separated, or the spouse's employment or self-employment location requires the spouse to have a separate homestead. The assessor may require proof of employment or self-employment and employment or self-employment location, or proof of dissolution proceedings or legal separation~~ qualifies as a homestead under subdivision 1, paragraph (e).

~~If the social security number or affidavit or other proof is not provided, the county assessor shall classify the property as nonhomestead.~~ Owners or spouses occupying residences owned by their spouses and previously occupied with the other spouse, either of whom fail to include the other spouse's name and social security number of the homestead application or provide the affidavits or other proof requested, will be deemed to have elected to receive only partial homestead treatment of their residence. The remainder of the residence will be classified as nonhomestead residential. When an owner or spouse's name and social security number appear on homestead applications for two separate residences and only one application is signed, the owner or spouse will be deemed to have elected to homestead the residence for which the application was signed.

The social security numbers or affidavits or other proofs of the property owners and spouses are private data on individuals as defined by section 13.02, subdivision 12, but, notwithstanding that section, the private data may be disclosed to the commissioner of revenue, or, for purposes of proceeding under the revenue recapture act to recover personal property taxes owing, to the county treasurer.

(d) If residential real estate is occupied and used for purposes of a homestead by a relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for the property to receive homestead status, a homestead application must be filed with the assessor. The social security number of each relative occupying the property and the social security number of each owner who is related to an occupant of the property shall be required on the homestead application filed under this subdivision. If a different relative of the owner subsequently occupies the property, the owner of the property must notify the assessor within 30 days of the change in occupancy. The social security number of a relative occupying the property is private data on individuals as defined by section 13.02, subdivision 12, but may be disclosed to the commissioner of revenue.

(e) The homestead application shall also notify the property owners that the application filed under this section will not be mailed annually and that if the property is granted homestead status for the 1993 assessment, or any assessment year thereafter, that same property shall remain classified as homestead until the property is sold or transferred to another person, or the owners, the spouse of the owner, or the relatives no longer use the property as their homestead. Upon the sale or transfer of the homestead property, a certificate of value must be timely filed with the county auditor as provided under section 272.115. Failure to notify the assessor within 30 days that the property has been sold, transferred, or that the owner, the spouse of the owner, or the relative is no longer occupying the property as a homestead, shall result in the penalty provided under this subdivision and the property will lose its current homestead status.

(f) If the homestead application is not returned within 30 days, the county will send a second application to the present owners of record. The notice of proposed property taxes prepared under section 275.065, subdivision 3, shall reflect the property's classification. Beginning with assessment year 1993 for all properties, If a homestead application has not been filed with the county by December 15, the assessor shall classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner may be entitled to receive the homestead classification by proper application under section 375.192.

(g) At the request of the commissioner, each county must give the commissioner a list that includes the name and social security number of each property owner and the property owner's spouse occupying the property, or relative of a property owner, applying for homestead classification under this subdivision. The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

(h) If, in comparing the lists supplied by the counties, the commissioner finds that a property owner ~~is~~ may be claiming ~~more than one~~ a fraudulent homestead, the commissioner shall notify the appropriate counties. Within 90 days of the notification, the county assessor shall investigate to determine if the

homestead classification was properly claimed. If the property owner does not qualify, the county assessor shall notify the county auditor who will determine the amount of homestead benefits that had been improperly allowed. For the purpose of this section, "homestead benefits" means the tax reduction resulting from the classification as a homestead under section 273.13, the taconite homestead credit under section 273.135, and the supplemental homestead credit under section 273.1391.

The county auditor shall send a notice to the owners of the affected property, demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent of the homestead benefits. The property owners may appeal the county's determination by filing a notice of appeal with the Minnesota tax court within 60 days of the date of the notice from the county. If the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of taxes and penalty to the succeeding year's tax list to be collected as part of the property taxes. In the case of a manufactured home, the amount shall be certified to the current year's tax list for collection.

(i) Any amount of homestead benefits recovered by the county from the property owner shall be distributed to the county, city or town, and school district where the property is located in the same proportion that each taxing district's levy was to the total of the three taxing districts' levy for the current year. Any amount recovered attributable to taconite homestead credit shall be transmitted to the St. Louis county auditor to be deposited in the taconite property tax relief account. The total amount of penalty collected must be deposited in the county general fund.

(j) If a property owner has applied for more than one homestead and the county assessors cannot determine which property should be classified as homestead, the county assessors will refer the information to the commissioner. The commissioner shall make the determination and notify the counties within 60 days.

(k) In addition to lists of homestead properties, the commissioner may ask the counties to furnish lists of all properties and the record owners.

Sec. 9. Minnesota Statutes 1994, section 273.13, subdivision 24, is amended to read:

Subd. 24. **CLASS 3.** (a) Commercial and industrial property and utility real and personal property, except class 5 property as identified in subdivision 31, clause (1), is class 3a. It has a class rate of three percent of the first $100,000 of market value for taxes payable in 1993 and thereafter, and 5.06 percent of the market value over $100,000. In the case of state-assessed commercial, industrial, and utility property owned by one person or entity, only one parcel has a reduced class rate on the first $100,000 of market value. In the case of other commercial, industrial, and utility property owned by one person or entity, only one parcel in each county has a reduced class rate on the first $100,000 of market value, except that:

(1) if the market value of the parcel is less than $100,000, and additional parcels are owned by the same person or entity in the same city or town within that county, the reduced class rate shall be applied up to a combined total market value of $100,000 for all parcels owned by the same person or entity in the same city or town within the county;

(2) in the case of grain, fertilizer, and feed elevator facilities, as defined in section 18C.305, subdivision 1, or 232.21, subdivision 8, the limitation to one parcel per owner per county for the reduced class rate shall not apply, but there shall be a limit of $100,000 of preferential value per site of contiguous parcels owned by the same person or entity. Only the value of the elevator portion of each parcel shall qualify for treatment under this clause. For purposes of this subdivision, contiguous parcels include parcels separated only by a railroad or public road right-of-way; and

(3) in the case of property owned by a nonprofit charitable organization that qualifies for tax exemption under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1993, if the property is used as a business incubator, the limitation to one parcel per owner per county for the reduced class rate shall not apply, provided that the reduced rate applies only to the first $100,000 of value per parcel owned by the organization. As used in this clause, a "business incubator" is a facility used for the development of nonretail businesses, offering access to equipment, space, services, and advice to the tenant businesses, for the purpose of encouraging economic development, diversification, and job creation in the area served by the organization.

To receive the reduced class rate on additional parcels under clause (1), (2), or (3), the taxpayer must notify the county assessor that the taxpayer owns more than one parcel that qualifies under clause (1), (2), or (3).

(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b and has a class rate of 2.3 percent of the first $50,000 of market value and 3.6 percent of the remainder, except that for employment property located in a border city enterprise zone designated pursuant to section 469.168, subdivision 4, paragraph (c), the class rate of the first $100,000 of market value and the class rate of the remainder is determined under paragraph (a), 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 469.171, subdivision 1.

(c) Structures which are (i) located on property classified as class 3a, (ii) constructed under an initial building permit issued after January 2, 1996, (iii) located in a transit zone as defined under section 473.3915, subdivision 3, (iv) located within the boundaries of a school district, and (v) not primarily used for retail or transient lodging purposes, shall have a class rate of four percent on

that portion of the market value in excess of $100,000 and any market value under $100,000 that does not qualify for the three percent class rate under paragraph (a). As used in item (v), a structure is primarily used for retail or transient lodging purposes if over 50 percent of its square footage is used for those purposes. The four percent rate shall also apply to improvements to existing structures that meet the requirements of items (i) to (v) if the improvements are constructed under an initial building permit issued after January 2, 1996, even if the remainder of the structure was constructed prior to January 2, 1996. For the purposes of this paragraph, a structure shall be considered to be located in a transit zone if any portion of the structure lies within the zone. If any property once eligible for treatment under this paragraph ceases to remain eligible due to revisions in transit zone boundaries, the property shall continue to receive treatment under this paragraph for a period of three years.

Sec. 10. Minnesota Statutes 1994, section 273.13, subdivision 25, is amended to read:

Subd. 25. **CLASS 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. 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 in a city with a population of 5,000 or less, that is (1) located outside of the metropolitan area, as defined in section 473.121, subdivision 2, or outside any county contiguous to the metropolitan area, and (2) whose city boundary is at least 15 miles from the boundary of any city with a population greater than 5,000 has a class rate of ~~3.5 percent of market value for taxes payable in 1992, and 3.4~~ 2.3 percent of market value for taxes payable in ~~1993~~ 1996 and thereafter. All other class 4a property has a class rate of 3.4 percent of market value for taxes payable in 1996 and thereafter. For purposes of this paragraph, population has the same meaning given in section 477A.011, subdivision 3.

(b) Class 4b includes:

(1) residential real estate containing less than four units, other than seasonal residential, and recreational;

(2) manufactured homes not classified under any other provision;

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4b property has a class rate of 2.8 percent of market value for taxes payable in 1992, 2.5 percent of market value for taxes payable in 1993, and 2.3 percent of market value for taxes payable in 1994 and thereafter.

(c) Class 4c property includes:

(1) a structure that is:

(i) situated on real property that is used for housing for the elderly or for low- and moderate-income families as defined in Title II, as amended through December 31, 1990, of the National Housing Act or the Minnesota housing finance agency law of 1971, as amended, or rules promulgated by the agency and financed by a direct federal loan or federally insured loan made pursuant to Title II of the Act; or

(ii) situated on real property that is used for housing the elderly or for low- and moderate-income families as defined by the Minnesota housing finance agency law of 1971, as amended, or rules adopted by the agency pursuant thereto and financed by a loan made by the Minnesota housing finance agency pursuant to the provisions of the act.

This clause applies only to property of a nonprofit or limited dividend entity. Property is classified as class 4c under this clause for 15 years from the date of the completion of the original construction or substantial rehabilitation, or for the original term of the loan.

(2) a structure that is:

(i) 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

(ii) 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. Property is classified as class 4c under this clause for the term of the housing assistance payments contract, including all renewals, or for the term of its permanent financing, whichever is shorter; and

(3) a qualified low-income building as defined in section 42(c)(2) of the Internal Revenue Code of 1986, as amended through December 31, 1990, that (i) receives a low-income housing credit under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1990; or (ii) meets the requirements of that section and receives public financing, except financing provided under sections 469.174 to 469.179, which contains terms restricting the rents; or (iii) meets the requirements of section 273.1317. Classification pursuant to this clause is limited to a term of 15 years. The public financing received must be from at least one of the following sources: government issued bonds exempt from taxes under section 103 of the Internal Revenue Code of 1986, as amended through December 31, 1993, the proceeds of which are used for the acquisition or rehabilitation of the building; programs under section 221(d)(3), 202, or 236, of Title II of the National Housing Act; rental housing program funds under Section 8 of the United States Housing Act of 1937 or the market rate family graduated payment mortgage program funds administered by the Minnesota housing finance agency that are used for the acquisition or rehabilita-

tion of the building; public financing provided by a local government used for the acquisition or rehabilitation of the building, including grants or loans from federal community development block grants, HOME block grants, or residential rental bonds issued under chapter 474A; or other rental housing program funds provided by the Minnesota housing finance agency for the acquisition or rehabilitation of the building.

For all properties described in clauses (1), (2), and (3) and in paragraph (d), the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents unless the owner of the property elects to have the property assessed under Laws 1991, chapter 291, article 1, section 55. If the owner of the property elects to have the market value determined on the basis of the actual restricted rents, as provided in Laws 1991, chapter 291, article 1, section 55, the property will be assessed at the rate provided for class 4a or class 4b property, as appropriate. Properties described in clauses (1)(ii), (3), and (4) may apply to the assessor for valuation under Laws 1991, chapter 291, article 1, section 55. The land on which these structures are situated has the class rate given in paragraph (b) if the structure contains fewer than four units, and the class rate given in paragraph (a) if the structure contains four or more units. This clause applies only to the property of a nonprofit or limited dividend entity.

(4) 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 or individuals. This clause does not apply to any portion of the land or improvements used for nonresidential purposes. For purposes of this clause, a lower income family is a family with an income that does not exceed 65 percent of the median family income for the area, and a lower income individual is an individual whose income does not exceed 65 percent of the median individual income for the area, as determined by the United States Secretary of Housing and Urban Development. For purposes of this clause, "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:

(a) it is a nonprofit corporation organized under chapter 317A;

(b) it has as its principal purpose providing housing for lower income families in a specific geographic community designated in its articles or bylaws;

(c) it limits membership with voting rights to residents of the designated community; and

(d) 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; and

(5) except as provided in subdivision 22, paragraph (c), real property devoted to temporary and seasonal residential occupancy for recreation purposes, including real property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c 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 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Class 4c property classified in this clause also includes the remainder of class 1c resorts. Owners of real property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c or 4c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located will be designated class 1c or 4c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The first $100,000 of the market value of the remainder of the cabins or units and a proportionate share of the land on which they are located shall have a class rate of three percent. The owner of property desiring designation as class 1c or 4c property must provide guest registers or other records demonstrating that the units for which class 1c or 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes shall not qualify for class 1c or 4c;

(6) 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 clause, 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 1986, as amended through December 31, 1990. For purposes of this clause, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is

used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property 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;

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

(8) manufactured home parks as defined in section 327.14, subdivision 3.

Class 4c property has a class rate of 2.3 percent of market value, except that (i) for each parcel of seasonal residential recreational property not used for commercial purposes under clause (5) ~~has a class rate of 2.2 percent of market value for taxes payable in 1992, and for taxes payable in 1993 and thereafter,~~ the first $72,000 of market value on each parcel has a class rate of ~~two~~ 1.9 percent for taxes payable in 1997 and 1.8 percent for taxes payable in 1998 and thereafter, and the market value of each parcel that exceeds $72,000 has a class rate of 2.5 percent, and (ii) manufactured home parks assessed under clause (8) have a class rate of two percent for taxes payable in ~~1993, 1994, and 1995 only~~ 1996, and thereafter.

(d) Class 4d property includes:

(1) a structure that is:

(i) 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;

(ii) located in a municipality of less than 10,000 population; and

(iii) financed by a direct loan or insured loan from the Farmers Home Administration. Property is classified under this clause for 15 years from the date of the completion of the original construction or for the original term of the loan.

The class rates in paragraph (c), clauses (1), (2), and (3) and this clause apply to the properties described in them, 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; or financing of the project had been approved by a federal or state agency prior to June 30, 1983. For those properties, 4c or 4d classification is available only for those units meeting the requirements of section 273.1318.

Classification under this clause is only available to property of a nonprofit or limited dividend entity.

In the case of a structure financed or refinanced under any federal or state mortgage insurance or direct loan program exclusively for housing for the elderly or for housing for the handicapped, a unit shall be considered occupied so long as it is actually occupied by an elderly or handicapped person or, if vacant, is held for rental to an elderly or handicapped person.

(2) For taxes payable in 1992, 1993, and 1994, only, buildings and appurtenances, together with the land upon which they are located, leased by the occupant under the community lending model lease-purchase mortgage loan program administered by the Federal National Mortgage Association, provided the occupant's income is no greater than 60 percent of the county or area median income, adjusted for family size and the building consists of existing single family or duplex housing. The lease agreement must provide for a portion of the lease payment to be escrowed as a nonrefundable down payment on the housing. To qualify under this clause, the taxpayer must apply to the county assessor by May 30 of each year. The application must be accompanied by an affidavit or other proof required by the assessor to determine qualification under this clause.

(3) Qualifying buildings and appurtenances, together with the land upon which they are located, leased for a period of up to five years by the occupant under a lease-purchase program administered by the Minnesota housing finance agency or a housing and redevelopment authority authorized under sections 469.001 to 469.047, provided the occupant's income is no greater than 80 percent of the county or area median income, adjusted for family size, and the building consists of two or less dwelling units. The lease agreement must provide for a portion of the lease payment to be escrowed as a nonrefundable down payment on the housing. The administering agency shall verify the occupants income eligibility and certify to the county assessor that the occupant meets the income criteria under this paragraph. To qualify under this clause, the taxpayer must apply to the county assessor by May 30 of each year. For purposes of this section, "qualifying buildings and appurtenances" shall be defined as one or two unit residential buildings which are unoccupied and have been abandoned and boarded for at least six months.

Class 4d property has a class rate of two percent of market value except that property classified under clause (3), shall have the same class rate as class 1a property.

(e) Residential rental property that would otherwise be assessed as class 4 property under paragraph (a); paragraph (b), clauses (1) and (3); paragraph (c),

clause (1), (2), (3), or (4), is assessed at the class rate applicable to it under Minnesota Statutes 1988, section 273.13, if it is found to be a substandard building under section 273.1316. Residential rental property that would otherwise be assessed as class 4 property under paragraph (d) is assessed at 2.3 percent of market value if it is found to be a substandard building under section 273.1316.

Sec. 11. Minnesota Statutes 1994, section 273.1398, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** (a) In this section, the terms defined in this subdivision have the meanings given them.

(b) "Unique taxing jurisdiction" means the geographic area subject to the same set of local tax rates.

(c) "Net tax capacity" means the product of (i) the appropriate net class rates for the year in which the aid is payable, except that for aid payable in ~~1993~~ 1996 the class rate applicable to all class 4a shall be ~~3.5~~ 3.4 percent; ~~and the class rate applicable to class 4b shall be 2.65 percent; and for aid payable in 1994 the class rate applicable to class 4b shall be 2.4 percent and the class rate applicable to class 2a property over $115,000 market value and less than 320 acres is 1.15 percent,~~ and (ii) estimated market values for the assessment two years prior to that in which aid is payable. ~~The exclusion of the value of the house, garage, and one acre from the first tier of agricultural homestead property must not be considered in determining net tax capacity for purposes of this paragraph for aids payable in 1994.~~ "Total net tax capacity" means the net tax capacities for all property within the unique taxing jurisdiction. The total net tax capacity used shall be reduced by the sum of (1) the unique taxing jurisdiction's net tax capacity of commercial industrial property as defined in section 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 6, for the municipality, as defined in section 473F.02, subdivision 8, in which the unique taxing jurisdiction is located, (2) the net tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the net tax capacity of transmission lines deducted from a local government's total net tax capacity under section 273.425. For purposes of determining the net tax capacity of property referred to in clauses (1), (2), and (3), the net tax capacity shall be multiplied by the ratio of the highest class rate for class 3a property for taxes payable in the year in which the aid is payable to the highest class rate for class 3a property in the prior year. Net tax capacity cannot be less than zero.

(d) "Previous net tax capacity" means the product of the appropriate net class rates for the year previous to the year in which the aid is payable, and estimated market values for the assessment two years prior to that in which aid is payable. "Total previous net tax capacity" means the previous net tax capacities for all property within the unique taxing jurisdiction. The total previous net tax capacity shall be reduced by the sum of (1) the unique taxing jurisdiction's previous net tax capacity of commercial-industrial property as defined in section

473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 6, for the municipality, as defined in section 473F.02, subdivision 8, in which the unique taxing jurisdiction is located, (2) the previous net tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the previous net tax capacity of transmission lines deducted from a local government's total net tax capacity under section 273.425. Previous net tax capacity cannot be less than zero.

(e) "Equalized market values" are market values that have been equalized by dividing the assessor's estimated market value for the second year prior to that in which the aid is payable by the assessment sales ratios determined by class in the assessment sales ratio study conducted by the department of revenue pursuant to section 124.2131 in the second year prior to that in which the aid is payable. The equalized market values shall equal the unequalized market values divided by the assessment sales ratio.

(f) "Equalized school levies" means the amounts levied for:

(1) general education under section 124A.23, subdivision 2;

(2) supplemental revenue under section 124A.22, subdivision 8a;

(3) capital expenditure facilities revenue under section 124.243, subdivision 3;

(4) capital expenditure equipment revenue under section 124.244, subdivision 2;

(5) basic transportation under section 124.226, subdivision 1; and

(6) referendum revenue under section 124A.03.

(g) "Current local tax rate" means the quotient derived by dividing the taxes levied within a unique taxing jurisdiction for taxes payable in the year prior to that for which aids are being calculated by the total previous net tax capacity of the unique taxing jurisdiction.

(h) For purposes of calculating and allocating homestead and agricultural credit aid authorized pursuant to subdivision 2 and the disparity reduction aid authorized in subdivision 3, "gross taxes levied on all properties," "gross taxes," or "taxes levied" means the total net tax capacity based taxes levied on all properties except that levied on the captured value of tax increment districts as defined in section 469.177, subdivision 2, and that levied on the portion of commercial industrial properties' assessed value or gross tax capacity, as defined in section 473F.02, subdivision 3, subject to the areawide tax as provided in section 473F.08, subdivision 6, in a unique taxing jurisdiction. "Gross taxes" are before any reduction for disparity reduction aid but "taxes levied" are after any reduction for disparity reduction aid. Gross taxes levied or taxes levied cannot be less than zero.

"Taxes levied" excludes equalized school levies.

(i) "Human services aids" means:

(1) aid to families with dependent children under sections 256.82, subdivision 1, and 256.935, subdivision 1;

(2) medical assistance under sections 256B.041, subdivision 5, and 256B.19, subdivision 1;

(3) general assistance medical care under section 256D.03, subdivision 6;

(4) general assistance under section 256D.03, subdivision 2;

(5) work readiness under section 256D.03, subdivision 2;

(6) emergency assistance under section 256.871, subdivision 6;

(7) Minnesota supplemental aid under section 256D.36, subdivision 1;

(8) preadmission screening and alternative care grants;

(9) work readiness services under section 256D.051;

(10) case management services under section 256.736, subdivision 13;

(11) general assistance claims processing, medical transportation and related costs; and

(12) medical assistance, medical transportation and related costs.

(j) "Household adjustment factor" means the number of households for the second most recent year preceding that in which the aids are payable divided by the number of households for the third most recent year. The household adjustment factor cannot be less than one.

(k) "Growth adjustment factor" means the household adjustment factor in the case of counties. In the case of cities, towns, school districts, and special taxing districts, the growth adjustment factor equals one. The growth adjustment factor cannot be less than one.

(l) For aid payable in 1992 and subsequent years, "homestead and agricultural credit base" means the previous year's certified homestead and agricultural credit aid determined under subdivision 2 less any permanent aid reduction in the previous year to homestead and agricultural credit aid under section 477A.0132, plus, for aid payable in 1992, fiscal disparity homestead and agricultural credit aid under subdivision 2b.

(m) "Net tax capacity adjustment" means (1) the total previous net tax capacity minus the total net tax capacity, multiplied by (2) the unique taxing jurisdiction's current local tax rate. The net tax capacity adjustment cannot be less than zero.

(n) "Fiscal disparity adjustment" means the difference between (1) a taxing jurisdiction's fiscal disparity distribution levy under section 473F.08, subdivision 3, clause (a), for taxes payable in the year prior to that for which aids are being calculated, and (2) the same distribution levy multiplied by the ratio of the highest class rate for class 3 property for taxes payable in the year prior to that for which aids are being calculated to the highest class rate for class 3 property for taxes payable in the second prior year to that for which aids are being calculated. In the case of school districts, the fiscal disparity distribution levy shall exclude that part of the levy attributable to equalized school levies.

Sec. 12. Minnesota Statutes 1994, section 273.37, is amended by adding a subdivision to read:

Subd. 3. Taxable wind energy conversion systems, as defined in section 216C.06, subdivision 12, which are not owned, operated, and exclusively controlled by the owner of the land upon which the system is situated, must be listed and assessed as personal property in the name of the owner of the system in the taxing district where it is situated.

Sec. 13. Minnesota Statutes 1994, section 274.01, subdivision 1, is amended to read:

Subdivision 1. **ORDINARY BOARD; MEETINGS, DEADLINES, GRIEVANCES.** (a) The town board of a town, or the council or other governing body of a city, is the board of review except in cities whose charters provide for a board of equalization. The county assessor shall fix a day and time when the board or the board of equalization shall meet in the assessment districts of the county. On or before February 15 of each year the assessor shall give written notice of the time to the city or town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings must be held between April 1 and May 31 each year. The clerk shall give published and posted notice of the meeting at least ten days before the date of the meeting. If in any county, at least 25 percent of the total net tax capacity of a city or town is noncommercial seasonal residential recreational property classified under section 273.13, subdivision 25, the county must hold two county-wide informational meetings on Saturdays. The meetings will allow noncommercial seasonal residential recreational taxpayers to discuss their property valuation with the appropriate assessment staff. These Saturday informational meetings must be scheduled to allow the owner of the noncommercial seasonal residential recreational property the opportunity to attend one of the meetings prior to the scheduled board of review for their city or town. The Saturday meeting dates must be contained on the notice of valuation of real property under section 273.121. The board shall meet at the office of the clerk to review the assessment and classification of property in the town or city. No changes in valuation or classification which are intended to correct errors in judgment by the county assessor may be made by the county assessor after the board of review or the county board of equalization has adjourned; however, corrections of errors that are merely clerical in nature or changes that extend homestead treatment to property are permitted after adjournment until the tax

extension date for that assessment year. The changes must be fully documented and maintained in the assessor's office and must be available for review by any person. A copy of the changes made during this period must be sent to the county board no later than December 31 of the assessment year.

(b) The board shall determine whether the taxable property in the town or city has been properly placed on the list and properly valued by the assessor. If real or personal property has been omitted, the board shall place it on the list with its market value, and correct the assessment so that each tract or lot of real property, and each article, parcel, or class of personal property, is entered on the assessment list at its market value. No assessment of the property of any person may be raised unless the person has been duly notified of the intent of the board to do so. On application of any person feeling aggrieved, the board shall review the assessment or classification, or both, and correct it as appears just.

(c) A local board of review may reduce assessments upon petition of the taxpayer but the total reductions must not reduce the aggregate assessment made by the county assessor by more than one percent. If the total reductions would lower the aggregate assessments made by the county assessor by more than one percent, none of the adjustments may be made. The assessor shall correct any clerical errors or double assessments discovered by the board of review without regard to the one percent limitation.

(d) A majority of the members may act at the meeting, and adjourn from day to day until they finish hearing the cases presented. The assessor shall attend, with the assessment books and papers, and take part in the proceedings, but must not vote. The county assessor, or an assistant delegated by the county assessor shall attend the meetings. The board shall list separately, on a form appended to the assessment book, all omitted property added to the list by the board and all items of property increased or decreased, with the market value of each item of property, added or changed by the board, placed opposite the item. The county assessor shall enter all changes made by the board in the assessment book.

(e) If a person fails to appear in person, by counsel, or by written communication before the board after being duly notified of the board's intent to raise the assessment of the property, or if a person feeling aggrieved by an assessment or classification fails to apply for a review of the assessment or classification, the person may not appear before the county board of equalization for a review of the assessment or classification. This paragraph does not apply if an assessment was made after the board meeting, as provided in section 273.01, or if the person can establish not having received notice of market value at least five days before the local board of review meeting.

(f) The board of review or the board of equalization must complete its work and adjourn within 20 days from the time of convening stated in the notice of the clerk, unless a longer period is approved by the commissioner of revenue. No action taken after that date is valid. All complaints about an assessment or

classification made after the meeting of the board must be heard and determined by the county board of equalization. A nonresident may, at any time, before the meeting of the board of review file written objections to an assessment or classification with the county assessor. The objections must be presented to the board of review at its meeting by the county assessor for its consideration.

Sec. 14. Minnesota Statutes 1994, section 275.065, subdivision 1, is amended to read:

Subdivision 1. **PROPOSED LEVY.** (a) Notwithstanding any law or charter to the contrary, on or before September 15, each taxing authority, other than a school district, shall adopt a proposed budget and ~~each taxing authority~~ shall certify to the county auditor the proposed or, in the case of a town, the final property tax levy for taxes payable in the following year.

(b) On or before September 30, each school district shall certify to the county auditor the proposed property tax levy for taxes payable in the following year. The school district may certify the proposed levy as (1) a specific dollar amount, or (2) an amount equal to the maximum levy limitation certified by the commissioner of education to the county auditor according to section 124.918, subdivision 1.

(c) If the board of estimate and taxation or any similar board that establishes maximum tax levies for taxing jurisdictions within a first class city certifies the maximum property tax levies for funds under its jurisdiction by charter to the county auditor by September 15, the city shall be deemed to have certified its levies for those taxing jurisdictions.

(d) For purposes of this section, "taxing authority" includes all home rule and statutory cities, towns, counties, school districts, and special taxing districts as defined in section 275.066. Intermediate school districts that levy a tax under chapter 124 or 136D, joint powers boards established under sections 124.491 to 124.495, and common school districts No. 323, Franconia, and No. 815, Prinsburg, are also special taxing districts for purposes of this section.

Sec. 15. Minnesota Statutes 1994, section 275.065, subdivision 3, is amended to read:

Subd. 3. **NOTICE OF PROPOSED PROPERTY TAXES.** (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24 each year, by first class mail to each taxpayer at the address listed on the county's current year's assessment roll, a notice of proposed property taxes and, in the case of a town, final property taxes.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority other than a town proposes to collect for taxes payable the following year and, for a town, the amount of its final levy. It must

clearly state that each taxing authority, including regional library districts established under section 134.201, and including the metropolitan taxing districts as defined in paragraph (i), but excluding all other special taxing districts and towns, will hold a public meeting to receive public testimony on the proposed budget and proposed or final property tax levy, or, in case of a school district, on the current budget and proposed property tax levy. It must clearly state the time and place of each taxing authority's meeting and an address where comments will be received by mail. ~~The notice must include the estimated percentage increase in Minnesota personal income, provided by the commissioner of revenue under section 275.064, in a way to facilitate comparison of the proposed budget and levy increases with the increase in personal income. For 1993, the notice must clearly state that each taxing authority holding a public meeting will describe the increases or decreases of the total budget, including employee and independent contractor compensation in the prior year, current year, and the proposed budget year.~~

(d) The notice must state for each parcel:

(1) the market value of the property as determined under section 273.11, and used for computing property taxes payable in the following year and for taxes payable in the current year; and, in the case of residential property, whether the property is classified as homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

(2) by county, city or town, school district excess referenda levy, remaining school district levy, regional library district, if in existence, the total of the metropolitan special taxing districts as defined in paragraph (i) and the sum of the remaining special taxing districts, and as a total of the taxing authorities, including all special taxing districts, the proposed or, for a town, final net tax on the property for taxes payable the following year and the actual tax for taxes payable the current year. For the purposes of this subdivision, "school district excess referenda levy" means school district taxes for operating purposes approved at referendums, including those taxes based on net tax capacity as well as those based on market value. "School district excess referenda levy" does not include school district taxes for capital expenditures approved at referendums or school district taxes to pay for the debt service on bonds approved at referenda. In the case of the city of Minneapolis, the levy for the Minneapolis library board and the levy for Minneapolis park and recreation shall be listed separately from the remaining amount of the city's levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease in the amounts in clause (2) from taxes payable in the current year to proposed or, for a town, final taxes payable the following year, expressed as a dollar amount and as a percentage.

(e) The notice must clearly state that the proposed or final taxes do not include the following:

(1) special assessments;

(2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda, school district levy referenda, and levy limit increase referenda;

(3) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;

(4) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

(5) the contamination tax imposed on properties which received market value reductions for contamination.

(f) Except as provided in subdivision 7, failure of the county auditor to prepare or the county treasurer to deliver the notice as required in this section does not invalidate the proposed or final tax levy or the taxes payable pursuant to the tax levy.

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead and the homeowner provides satisfactory documentation to the county assessor that the property is owned and has been used as the owner's homestead prior to June 1 of that year, the assessor shall reclassify the property to homestead for taxes payable in the following year.

(h) In the case of class 4 residential property used as a residence for lease or rental periods of 30 days or more, the taxpayer must either:

(1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or

(2) post a copy of the notice in a conspicuous place on the premises of the property.

(i) For purposes of this subdivision, subdivisions 5a and 6, "metropolitan special taxing districts" means the following taxing districts in the seven-county metropolitan area that levy a property tax for any of the specified purposes listed below:

(1) metropolitan council under section 473.132, 473.167, 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;

(2) metropolitan airports commission under section 473.667, 473.671, or 473.672; and

(3) metropolitan mosquito control commission under section 473.711.

For purposes of this section, any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be included with the appropriate county's levy and shall be discussed at that county's public hearing.

The notice must be mailed or posted by the taxpayer by November 27 or within three days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to which the notice must be mailed in order to fulfill the requirements of this paragraph.

Sec. 16. Minnesota Statutes 1994, section 276.131, is amended to read:

276.131 **DISTRIBUTION OF PENALTIES, INTEREST, AND COSTS.**

The penalties, interest, and costs collected on special assessments and real and personal property taxes must be distributed as follows:

(1) all penalties and interest collected on special assessments against real or personal property must be distributed to the taxing jurisdiction that levied the assessment;

(2) 50 percent of all penalties and interest collected on real and personal property taxes must be distributed to the county in which the property is located, and the other 50 percent must be distributed to the school ~~district in which the property is located~~ districts within the county. The distribution to the school district must be in accordance with the provisions of section 124.10; and

(3) all costs collected by the county on special assessments and on delinquent real and personal property taxes must be distributed to the county in which the property is located.

Sec. 17. **[276.20] WIND ENERGY TAX; DEFINITIONS.**

Subdivision 1. **TERMS.** For the purposes of this section and section 276.21, the following terms shall have these meanings, unless otherwise provided to the contrary.

Subd. 2. **WIND ENERGY SYSTEM.** "Wind energy system" means a wind energy conversion system defined under section 216C.06, subdivision 12, which is used as an electric power source.

Subd. 3. **AREA.** "Area" means the counties of Lincoln and Pipestone.

Subd. 4. **HOME COUNTY.** "Home county" means the county of Pipestone.

Subd. 5. **MUNICIPALITY.** "Municipality" means any city or town that is located in the area.

Subd. 6. **QUALIFYING WIND ENERGY SYSTEM NET TAX CAPACITY.** "Qualifying wind energy system net tax capacity" means:

(a) the taxable portion of the net tax capacity of any wind energy system located in the area installed after January 1, 1995;

(b) the portion of the hypothetical net tax capacity of a wind energy system located in the area installed after January 1, 1991, and before January 2, 1995, that would be computed if the property were subject to taxation under section 272.02, subdivision 1, clause (21), paragraph (c).

Sec. 18. **[276.21] WIND ENERGY TAX.**

Subdivision 1. **DETERMINING LOCAL TAX RATES.** In determining the local tax rate under section 275.08 for the county and for any municipality in which one or more wind energy systems are located, the county auditor shall deduct the qualifying wind energy system net tax capacity as defined under section 276.20, subdivision 6, clause (a), from the total net tax capacity of the county and each municipality containing this property.

Subd. 2. **COUNTY WIND ENERGY TAX.** Each county auditor shall determine the county wind energy tax by multiplying the county tax rate times the net tax capacity of the taxable wind energy system property located within the county. The sum of these amounts for each county in the area shall be called the "county wind energy distribution pool."

Subd. 3. **MUNICIPAL WIND ENERGY TAX.** Each county auditor shall determine the municipal wind energy tax by multiplying each municipality's tax rate times the net tax capacity of the taxable wind energy system property located within the municipality. The sum of these amounts for all municipalities in the area shall be calledthe "municipal wind energy distribution pool."

Subd. 4. **COUNTY WIND ENERGY DISTRIBUTION.** Each county within the area is entitled to receive a distribution from the county wind energy distribution pool equal to its proportion of qualifying wind energy system net tax capacity relative to the total for all counties in the area, provided that each county in the area shall be entitled to a distribution equal to the greater of (a) ten percent of the total county wind energy distribution pool, or (b) 50 percent of the county's wind energy tax.

Subd. 5. **MUNICIPAL WIND ENERGY DISTRIBUTION.** Each municipality within the area is entitled to receive a distribution from the municipal wind energy distribution pool equal to its proportion of qualifying wind energy system net tax capacity relative to the total for all municipalities in the area.

Subd. 6. **WIND ENERGY TAX SETTLEMENT; PAYMENT.** The home county auditor shall determine for each county in the area the difference between the amount of the county wind energy tax under subdivision 2 and the county wind energy distribution under subdivision 4. The home county auditor shall also determine for each municipality within each county in the area, the difference between the amount of the municipal wind energy tax under subdivision 3 and the municipal wind energy distribution under subdivision 5. On or

before May 16 of each year, the home county shall certify the differences so determined to each county auditor in the area. In addition, the home county auditor shall certify to those county auditors in the area whose county and municipal wind energy tax exceeds the total county and municipal wind energy tax distribution, the settlement the county is to make to the other counties. On or before June 15 and November 15 of each year, each county treasurer in a county in the area having a total wind energy tax in excess of the total wind energy distribution shall pay one-half of the excess to the other counties in accordance with the home county auditor's certification. On or before June 25 and November 25 of each year, each county treasurer in the area shall pay the county and each municipality its wind energy distribution amount.

Sec. 19. Minnesota Statutes 1994, section 279.01, subdivision 1, is amended to read:

Subdivision 1. Except as provided in subdivision 3 or 4, on May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, a penalty shall accrue and thereafter be charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer. The penalty shall be at a rate of two percent on homestead property until May 31 and four percent on June 1. The penalty on nonhomestead property shall be at a rate of four percent until May 31 and eight percent on June 1. This penalty shall not accrue until June 1 of each year, or 21 days after the postmark date on the envelope containing the property tax statements, whichever is later, on commercial use real property used for seasonal residential recreational purposes and classified as class 1c or 4c, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. Any property owner of such class 3a property who pays the first half of the tax due on the property after May 15 and before June 1, or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, shall attach an affidavit to the payment attesting to compliance with the income provision of this subdivision. Thereafter, for both homestead and nonhomestead property, on the first day of each month beginning July 1, up to and including October 1 following, an additional penalty of one percent for each month shall accrue and be charged on all such unpaid taxes provided that if the due date was extended beyond May 15 as the result of any delay in mailing property tax statements no additional penalty shall accrue if the tax is paid by the extended due date. If the tax is not paid by the extended due date, then all penalties that would have accrued if the due date had been May 15 shall be charged. When the taxes against any tract or lot exceed $50, one-half thereof may be paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later; and, if so paid, no penalty 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 two percent shall accrue thereon for homestead property and a penalty of four percent on nonhomestead property. Thereafter, for homestead property, on the first day of November an additional penalty of four percent shall accrue and

on the first day of December following, an additional penalty of two percent shall accrue and be charged on all such unpaid taxes. Thereafter, for nonhomestead property, on the first day of November and December following, an additional penalty of four percent for each month shall accrue and be charged on all such unpaid taxes. If one-half of such taxes shall not be paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, the same may be paid at any time prior to October 16, with accrued penalties to the date of payment added, and thereupon no penalty shall attach to the remaining one-half until October 16 following.

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

A county may provide by resolution that in the case of a property owner that has multiple tracts or parcels with aggregate taxes exceeding $50, payments may be made in installments as provided in this subdivision.

The county treasurer may accept payments of more or less than the exact amount of a tax installment due. If the accepted payment is less than the amount due, payments must be applied first to the penalty accrued for the year the payment is made. Acceptance of partial payment of tax does not constitute a waiver of the minimum payment required as a condition for filing an appeal under section 278.03 or any other law, nor does it affect the order of payment of delinquent taxes under section 280.39.

Sec. 20. Minnesota Statutes 1994, section 279.01, is amended by adding a subdivision to read:

Subd. 4. **SEASONAL RESIDENTIAL RECREATIONAL PROPERTY.** In the case of class 4c seasonal residential recreational property not used for commercial purposes, penalties shall accrue and be charged on unpaid taxes at the times and at the rates provided in subdivision 1 for homestead property.

Sec. 21. **[282.135] DELEGATION BY COUNTY BOARD.**

Except as provided in section 282.13 and notwithstanding any other law to the contrary, the county board may delegate to the county auditor any authority, power, or responsibility relating generally to the administration of tax-forfeited land assigned to the county board this chapter. This delegation includes, but is not limited to, the authority, power, and responsibility to classify tax-forfeited land as conservation or nonconservation property; set the appraisal values and terms of sale and sell at public auction; initiate legal proceedings to cancel purchase and repurchase contracts in default status; authorize reinstatement of canceled tax-forfeited contracts; and authorize former owners and other eligible parties to repurchase tax-forfeited land. If delegation is granted under this section, the county board shall prescribe the conditions for delegation and may revoke the delegation without good cause or prior notice. If the county auditor holds elective office, no delegation shall be made under this section unless the county auditor concurs in the delegation.

Sec. 22. Minnesota Statutes 1994, section 290A.03, subdivision 6, is amended to read:

Subd. 6. **HOMESTEAD.** "Homestead" means the dwelling occupied as the claimant's 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 22, except for agricultural land assessed as part of a homestead pursuant to section 273.13, subdivision 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 multidwelling or multipurpose building and the land on which it is built. A manufactured home, as defined in section 273.125, subdivision 8, or a park trailer taxed as a manufactured home under section 168.012, subdivision 9, assessed as personal property may be a dwelling for purposes of this subdivision.

Sec. 23. Minnesota Statutes 1994, 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 under section 273.13 but after deductions made under sections 273.135, 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 274.19, subdivision 8, and for homesteads which are park trailers taxed as manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall also include 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 whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year in which

the tax is payable and (i) the property must have been classified as homestead property pursuant to section 273.13, subdivision 22 or 23, on or before December 15 of the assessment year to which the "property taxes payable" relate; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made on or before December 15 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

Sec. 24. Minnesota Statutes 1994, 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 refund allowed at various levels of income and assessment. The table shall follow the schedule of income percentages, maximums and other provisions specified in subdivision 2, 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.

The commissioner shall include on the form an appropriate space or method for the claimant to identify if the property taxes paid are for a manufactured home, as defined in section 273.125, subdivision 8, paragraph (c), or a park trailer taxed as a manufactured home under section 168.012, subdivision 9.

Sec. 25. Minnesota Statutes 1994, section 290A.07, subdivision 2a, is amended to read:

Subd. 2a. A claimant who is a renter or a homeowner who occupies a manufactured home, as defined in section 273.125, subdivision 8, paragraph (c), or a park trailer taxed as a manufactured home under section 168.012, subdivision 9, shall receive full payment after August 1 and before August 15 or 60 days after receipt of the application, whichever is later.

Sec. 26. Minnesota Statutes 1994, section 375.192, is amended by adding a subdivision to read:

Subd. 4. **DELEGATION BY COUNTY BOARD.** Notwithstanding any law to the contrary, the county board may delegate to the county auditor any authority, power, or responsibility assigned to the county board in this section. If delegation is granted under this subdivision, the county board shall prescribe the conditions for the delegation and may revoke delegation without good cause or prior notice. If the county auditor holds elective office, no delegation shall be made under this subdivision unless the county auditor concurs in the delegation.

Sec. 27. **[473.3915] TRANSIT ZONES.**

Subdivision 1. **DEFINITIONS.** For the purposes of this section, the terms defined in subdivisions 2 and 3 have the meanings given them.

Subd. 2. **REGULAR ROUTE TRANSIT SERVICE.** "Regular route transit

service" means services as defined in section 473.385, subdivision 1, paragraph (b), with at least two scheduled runs per hour between 7:00 a.m. and 6:30 p.m., Monday to Friday, and regularly scheduled service on Saturday, Sunday, and holidays, and weekdays after 6:30 p.m.

Subd. 3. **TRANSIT ZONE.** "Transit zone" means the area within one-quarter of a mile of a route along which regular route transit service is provided that is also within the metropolitan urban service area, as determined by the council. "Transit zone" includes any light rail transit route for which funds for construction have been committed.

Subd. 4. **TRANSIT ZONES; MAP AND PLAN.** For the purposes of section 273.13, subdivision 24, the council shall designate transit zones and identify them on a detailed map and in a plan. The council shall review the map and plan once a year and revise them as necessary to indicate the current transit zones. The council shall provide each county and city assessor in the metropolitan area a copy of the current map and plan.

Subd. 5. **TRANSIT ZONE MAP; DATE FIRST PRODUCED.** The metropolitan council shall produce an initial version of the transit zone map required under subdivision 4 by January 1, 1996.

Subd. 6. **APPLICATION.** This section applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 28. Laws 1985, chapter 302, section 2, subdivision 1, as amended by Laws 1993, chapter 375, article 5, section 36, subdivision 1, is amended to read:

Subdivision 1. **ORDINANCE.** The governing body of the city may adopt ordinances:

(a) establishing a special service district in the part of Minneapolis which is south of 28th Street, west of Dupont Avenue South, north of 31st Street, and east of East Calhoun Parkway and East Lake of the Isles Parkway; ~~and~~

(b) establishing a special service district south of Sixth Street southeast, west of Sixteenth Avenue Southeast, north of a line parallel to and 200 feet south of University Avenue and east of Twelfth Avenue Southeast;

(c) establishing a special service district that includes that part of Minneapolis lying within the following described line: commencing at the intersection of Grant Street with LaSalle Avenue, South on LaSalle Avenue to Franklin Avenue south on Blaisdell Avenue to 29th Street, east on 29th Street to 1st Avenue South, north on 1st Avenue South to a point on a line parallel to and 200 feet south of 26th Street, east on that line to 3rd Avenue South, north on 3rd Avenue South to a point on a line parallel to and 200 feet north of 26th Street, west on that line to 1st Avenue South, north on 1st Avenue South to Grant Street, west on Grant Street to the point of origin;

(d) establishing a special service district south of Saint Anthony Parkway,

west of a line parallel to and 300 feet east of Central Avenue, north of Broadway Street, and east of a line parallel to and 300 feet west of Central Avenue; and

(e) establishing a special service district that includes that portion of Minneapolis lying within the following described line: commencing at the intersection of the Mississippi River and Interstate Highway 94, northwesterly along the Mississippi River to its intersection with Interstate Highway 35W, southwesterly on Interstate Highway 35W to its intersection with Hiawatha Avenue extended (Trunk Highway 55), southeasterly on Hiawatha Avenue to its intersection with Franklin Avenue, easterly on Franklin Avenue to its intersection with 20th Avenue South extended, northerly on 20th Avenue South to its intersection with Interstate Highway 94, and easterly on Interstate Highway 94 to the point of origin.

Only property which is zoned for commercial, business, or industrial use under a municipal zoning ordinance may be included in a special service district. The ordinance shall describe with particularity the areas to be included in the district and the special services to be furnished. The ordinance may not be adopted until after a public hearing on the question. Notice of the hearing shall include:

(1) the time and place of the hearing;

(2) a map showing the boundaries of the proposed district; and

(3) a statement that all persons owning property in the proposed district will be given an opportunity to be heard at the hearing.

Subd. 2. **LOCAL APPROVAL.** This section is effective the day after the governing body of the city of Minneapolis complies with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 29. Laws 1992, chapter 511, article 2, section 45, subdivision 1, is amended to read:

Subdivision 1. **EXEMPTION.** As provided in this section, qualified student housing at the Duluth technical college is exempt from ad valorem property taxation and in lieu payments under Minnesota Statutes, section 469.040, subdivision 3. In order to qualify for the exemption, the requirements in subdivisions 2 to 6 must be met.

Sec. 30. Laws 1992, chapter 511, article 2, section 45, is amended by adding a subdivision to read:

Subd. 6a. **HOUSING REDEVELOPMENT AUTHORITY; EXCEPTIONS.** The requirements of subdivisions 2, 3, 4, and 5 do not apply in order to qualify for the exemption if the student housing is owned by the local housing and redevelopment authority, the reduced cost of development due to the exemption is reflected in lower rents, and a reasonable system is used to provide priority to students in renting the dwelling units.

Sec. 31. Laws 1992, chapter 511, article 2, section 45, subdivision 7, is amended to read:

Subd. 7. **EXPIRATION.** ~~This section applies to student housing approved by the state board before January 1, 1997.~~ The property tax exemption for a student housing development is limited to 20 years from the date of first occupancy. This section expires January 1, 2018.

Sec. 32. Laws 1992, chapter 511, article 2, section 46, subdivision 1, is amended to read:

Subdivision 1. **EXEMPTION.** As provided in this section, qualified student housing at the Thief River Falls technical college is exempt from ad valorem property taxation and in lieu payments under Minnesota Statutes, section 469.040, subdivision 3. In order to qualify for the exemption, the requirements in subdivisions 2 to 6 must be met.

Sec. 33. Laws 1992, chapter 511, article 2, section 46, is amended by adding a subdivision to read:

Subd. 6a. **HOUSING REDEVELOPMENT AUTHORITY; EXCEPTIONS.** The requirements of subdivisions 2, 3, 4, and 5 do not apply in order to qualify for the exemption if the student housing is owned by the local housing and redevelopment authority or by a multicounty housing and redevelopment authority on land leased from a city or school district, the reduced cost of development due to the exemption is reflected in lower rents, and a reasonable system is used to provide priority to students in renting the dwelling units.

Sec. 34. Laws 1992, chapter 511, article 2, section 46, subdivision 7, is amended to read:

Subd. 7. **EXPIRATION.** ~~This section applies to student housing approved by the state board before January 1, 1997.~~ The property tax exemption for a student housing development is limited to 20 years from the date of first occupancy. This section expires January 1, 2018.

Sec. 35. Laws 1993, chapter 375, article 5, section 40, subdivision 3, is amended to read:

Subd. 3. **ESTABLISHMENT OF SPECIAL SERVICE DISTRICT; AREA.** The governing body of the city may establish a special service district in the city. The district shall be bounded on the northwest by Interstate Highway 35, on the northeast by the centerline of Sixth Avenue West and as the same is extended to the United States Harbor Line in St. Louis Bay, on the southeast by said Harbor Line and on the southwest by the centerline of ~~Ninth~~ Tenth Avenue West and as the same is extended to said Harbor Line.

Sec. 36. Laws 1993, chapter 375, article 5, section 44, is amended to read:

Sec. 44. **EFFECTIVE DATE.**

Section 1 is effective April 1, 1994.

Sections 2, 3, clause (26), and 43, paragraph (b), are effective for taxes levied in 1993, payable in 1994, and thereafter.

Section 3, clause (25), is effective for taxes levied in 1991, payable in 1992, and thereafter. Upon application to and approval by the county auditor, the county treasurer shall refund to the taxpayer any taxes paid for 1992 that are exempt under section 3, clause (25). The refund shall be paid without interest. Each taxing jurisdiction must reimburse the county for the refund in the same proportion as the taxing jurisdiction's levy bears to the total levies of all jurisdictions for taxes payable in 1992. The amount of the reimbursement may be deducted in the next distribution of tax proceeds to the taxing jurisdiction.

Sections 4 to 7, 17, and 43, paragraph (a), are effective the day following final enactment, except that section 17, paragraphs (c) and (d) are effective for taxes payable in 1994 and thereafter.

Sections 8 to 10, 12, 19, 21 to 27, and 30 are effective for 1993 assessments for taxes payable in 1994 and subsequent years, except if provided otherwise.

Section 11, clauses (1) and (2), are effective for the 1992 assessment, taxes payable in 1993 and thereafter. Section 11, clause (3), is effective for the 1993 assessment, taxes payable in 1994 and thereafter.

Section 13 is effective for qualifying improvements made after January 2, 1993; except that in the case of improvements made under a city-sponsored interest rate incentive program, section 13 is also effective for improvements made between January 1, 1992, and January 1, 1993, provided that the market value of those improvements shall initially be excluded from the property's 1995 assessment and are subject to all other limitations under Minnesota Statutes 1994, section 273.11, subdivision 16.

Sections 14 and 15 are effective for the 1994 assessment, payable in 1995, and thereafter. Notwithstanding Minnesota Statutes, section 273.112, subdivision 6, in order to qualify for valuation under Minnesota Statutes, section 273.112, for the 1994 assessment, the taxpayer of the property devoted to golf and operated by private clubs, that does not meet the requirement of Minnesota Statutes, section 273.112, subdivision 3, for the 1993 assessment year, must submit an affidavit or other written verification to the assessor showing that the bylaws in rules and regulations of the private club meet the eligibility requirements of Minnesota Statutes, section 273.112, by January 1, 1994.

Sections 16 and 18 are effective for assessment year 1994 and subsequent years.

Section 20 is effective for taxes payable in 1995 and thereafter.

Section 28 is effective for taxes payable in 1994 and thereafter.

New language is indicated by underline, deletions by ~~strikeout~~.

Section 29 is effective for the 1991 assessment and thereafter, for taxes payable in 1992 and thereafter. For taxes payable in 1992 and 1993, any amounts paid by the property owner in excess of the amounts required by section 29 shall be paid by the county treasurer to the property owner under the abatement procedures.

Section 31 is effective for applications for reductions or abatements filed after the day of final enactment.

Section 33 is effective for assessments certified after July 1, 1993.

Section 40 is effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of the city of Duluth.

Section 43, clause (c) is repealed effective January 2, 1993, provided that any improvements made prior to January 2, 1993, shall continue to qualify for the delayed assessment provisions under section 383C.78 for the duration of the period provided in that section.

Sec. 37. Laws 1994, chapter 587, article 9, section 10, subdivision 6, is amended to read:

Subd. 6. **EFFECTIVE DATE.** ~~This section~~ (a) Laws 1994, chapter 587, article 9, section 10, is effective in any of the following cities or towns the day after compliance by the governing body of a city or town with Minnesota Statutes, section 645.021, subdivision 3: the cities of Nashwauk, Keewatin, Marble, Taconite, and Calumet, and the towns of Feely, Goodland, Iron Range, Greenway, Lone Pine, Lawrence, Nashwauk, Balsam, and Bearville ~~the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of each. This section.~~ Laws 1994, chapter 587, article 9, section 10, is effective for unorganized territories described in subdivision 1, paragraph (a), clauses (12) to (18), the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the Itasca county board.

(b) Notwithstanding the time limitations for filing local approval under Minnesota Statutes, section 645.021, subdivision 3, the certificate of approval of any of the cities, towns, or counties named in this subdivision may be filed with the secretary of state at any time after May 6, 1994, and the law approved by the certificate is then effective as to the certifying city, town, or unorganized territory.

Sec. 38. Laws 1994, chapter 587, article 5, section 27, is amended as follows:

Sec. 27. **RENTAL TAX EQUITY; SAINT PAUL PILOT PROJECT.**

Subdivision 1. **PILOT; TERM.** A pilot project for rental tax equity in the city of Saint Paul is established. The program is for property taxes payable in 1995 and 1996. The program is available to owners of single- and two-family nonhomestead property.

Subd. 2. **PRIMARY OBJECTIVE.** The pilot project's primary objective is to ~~help stabilize costs for the conscientious, industrious landlord who is already providing safe, decent, and affordable housing. The property tax reduction provided by the program is intended to~~ give an incentive to ~~other~~ landlords to improve their tenant-occupied property and still offer affordable housing.

Subd. 3. **PROPERTY TAX TREATMENT.** (a) Single- and two-family nonhomestead property located in the city of Saint Paul and existing on the effective date of this section, that is classified under Minnesota Statutes, section 273.13, subdivision 25, paragraph (b), clause (1), and that meets the requirements of this section, is eligible for the property tax credit under subdivision 8.

(b) The program is not a housing or building code enforcement program.

(c) Participation in the program is voluntary.

(d) If reimbursements under subdivision 8 limit the number of participants in this program, priority shall be given to landlords who live in the city of Saint Paul.

Subd. 4. **NOTIFICATION TO OWNERS.** The city of Saint Paul shall notify the owner of each single- and two-family nonhomestead property located in the city that the property may be eligible to receive a property tax credit as provided in this section.

Subd. 5. **PROGRAM STEPS.** (a) A landlord who owns eligible property and who wishes to participate must arrange for a certified evaluator who is licensed by the city of Saint Paul to evaluate the property.

(b) The landlord must notify the tenant of the evaluation so that the tenant may be present if the tenant wishes.

(c) The evaluator must evaluate the property using program guidelines adopted by resolution of the Saint Paul city council prior to implementation of the program under this section.

(d) ~~If the evaluator determines that repairs are necessary, the landlord must make the repairs and call for a reinspection by the evaluator.~~ To receive the property tax credit under subdivision 9, the evaluator must have determined that repairs were necessary, and the landlord must make the repairs and call for a reinspection by the evaluator.

If the evaluator identifies life or safety hazards, the evaluator must notify appropriate city officials, who shall take immediate action to require and enforce repair of the life or safety hazard items.

(e) The evaluator must reinspect the property to see if the program guidelines have been followed.

(f) The evaluator must submit a report on the property's evaluation to the

appropriate city officials, the landlord, and the tenant. A filing fee must be paid at the time the report is submitted to the city.

(g) Appropriate city officials must review the report and approve it or issue orders for further repair. In so doing, city staff members may make an on-site review. The landlord may withdraw from the program at any time without making required repairs except those for life or safety hazards, which may be otherwise required. Property for which the evaluator's report is approved must be certified by the appropriate city officials to the county assessor. The city must limit the number of qualifying properties so that the credit payable under subdivision 8 will not, in the city's estimate, exceed $1,000,000.

(h) A landlord who chooses to participate must complete an application for certification by November 1, 1994, for taxes payable in 1995 and by September 1, 1995, for taxes payable in 1996.

(i) An owner may apply this program to no more than two nonhomestead, single- or two-family, tenant-occupied properties.

Subd. 6. **APPEALS.** (a) The board of equalization must serve as a board of review to hear appeals relating to the value of improvements and properties. Procedures for board actions and for appeals from board decisions are as provided for other matters decided by the board of equalization.

(b) The city may appoint a board of appeals to hear disputes regarding qualification. The board shall meet to hear appeals under this program between November 1 and December 1, 1994, for appeals for taxes payable in 1995 and between November 1 and December 1, 1995, for appeals for taxes payable in 1996.

Subd. 7. **CITY FEES.** The landlord must pay the housing evaluator a fee, as determined by the city, for the initial inspection and necessary reinspections. The evaluator must pay a filing fee, as determined by the city, to file the evaluator's report. The evaluator may be reimbursed by the landlord for this fee. The landlord must pay the city a fee, as determined by the city, to apply for recertification. If additional inspections are required, a reinspection fee, as determined by the city, must be paid by the landlord.

Subd. 8. **CREDIT AND REIMBURSEMENT.** (a) **CREDIT PROVIDED.** Property that meets the requirements under this section is eligible for a property tax credit equal to the difference between (1) the tax on the property and (2) the tax that would be payable if the property were classified under Minnesota Statutes, section 273.13, subdivision 22, paragraph (a).

(b) **PROPERTY TAX STATEMENTS.** The property tax statement provided under Minnesota Statutes, section 276.04, to an owner of property that receives the credit under this subdivision shall include information on the amount of the credit given to the property. The Ramsey county treasurer shall notify the commissioner of revenue on how the county plans to modify the property tax statements to include the necessary information.

(c) **GENERAL FUND; REPLACEMENT OF REVENUE.** Payment from the general fund shall be made as provided in this subdivision for the purpose of replacing revenue lost as a result of the reduction of property taxes provided in this subdivision.

The Ramsey county auditor shall certify to the commissioner of revenue the amount of reduction resulting from this subdivision. 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 Minnesota Statutes, section 275.29. The commissioner of revenue shall review the certification to determine its accuracy and make changes in the certification as necessary or return the certification to the county auditor for corrections.

Based on current year tax data reported in the abstracts of tax lists, the commissioner of revenue shall determine the taxing district distribution of the amounts certified. The commissioner of revenue shall pay to each taxing district, other than school districts, its total payment for the year at the times provided in Minnesota Statutes, section 473H.10. The credit reimbursement to school districts must be certified to the commissioner of education and paid as provided under Minnesota Statutes, section 273.1392.

The reimbursement paid under this subdivision shall be made ~~only~~ in 1995 and in 1996, and is limited to a total amount of $1,000,000 for the two years. To the extent the amount of credit originally certified exceeds $1,000,000, reimbursements to the taxing districts shall be prorated according to the proportions of their levies so as not to exceed $1,000,000.

Any amount remaining of the $1,000,000 total appropriation, after the reimbursement for taxes payable in 1995 have been paid, is available for taxes payable in 1996 provided, however, that the total amount available for both taxes payable in 1995 and 1996 shall not exceed the total $1,000,000 appropriation for both years.

Subd. 9. **REPORT TO THE LEGISLATURE.** By January 15, 1995, and by January 15, 1996, the Saint Paul city council shall provide a report to the committee on housing and the committee on taxes and tax laws of the senate and the housing committee and the tax committee of the house of representatives on the program. The report must include the program guidelines, housing costs, rents and the extent of participation in the program for the 1995 tax year and 1996 tax year, respectively.

Subd. 10. **EFFECTIVE DATE.** This section is effective the day following final enactment, upon compliance with Minnesota Statutes, section 645.021, subdivision 3, by the city of Saint Paul, and applies to property taxes payable in 1995 and in 1996 on nonhomestead, single- and two-family rental properties existing on the effective date.

Sec. 39. **CITY OF ROSEVILLE; ESTABLISHMENT OF SPECIAL SERVICE DISTRICTS.**

Subdivision 1. **DEFINITIONS.** (a) For the purpose of this section, the terms defined have the meanings given them.

(b) "City" means the city of Roseville.

(c) "Special services" means:

(1) all services rendered or contracted for by the city, including the repair, maintenance, operation, and construction of any improvement authorized by Minnesota Statutes, section 429.021;

(2) maintenance of landscape and streetscape improvements installed by the city; and

(3) any other service provided to the public by the city as authorized by law or charter.

Subd. 2. **ESTABLISHMENT OF DISTRICTS.** The governing body of the city of Roseville may adopt ordinances establishing special service districts. The provisions of Minnesota Statutes, chapter 428A, govern the establishment and operation of special service districts in the city.

Subd. 3. **EFFECTIVE DATE.** This section is effective the day following final enactment, after the governing body of the city of Roseville complies with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 40. **TAX-EXEMPT PROPERTY; EXCEPTION TO TIME REQUIREMENT.**

Subdivision 1. **EXCEPTION TO TIME REQUIREMENT.** Notwithstanding the time requirements of Minnesota Statutes, section 272.02, subdivision 4, paragraph (b), for taxes levied in 1991, payable in 1992, the governing body of a county that has a population exceeding 700,000 according to the most recent federal decennial census may grant a property tax exemption for property that (1) meets the requirements of exempt property under Minnesota Statutes, section 272.02, subdivision 4, paragraph (b), except for the July 1 date; (2) was an athletic facility classified as class 3 commercial and industrial property on January 2, 1991; and (3) was acquired during 1991 by a church.

Subd. 2. **EFFECTIVE DATE.** Subdivision 1 is effective the day following final enactment, and applies to property taxes levied in 1991, payable in 1992, only.

Sec. 41. **CITY OF ST. LOUIS PARK; ESTABLISHMENT OF SPECIAL SERVICE DISTRICTS.**

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

(b) "City" means the city of St. Louis Park.

(c) "Special services" means:

(1) all services rendered or contracted for by the city, including the repair, maintenance, operation, and construction of any improvement authorized by Minnesota Statutes, section 429.021;

(2) maintenance of landscape and streetscape improvements installed by the city; and

(3) any other service provided to the public by the city as authorized by law or charter.

Subd. 2. **ESTABLISHMENT OF DISTRICTS.** The governing body of the city of St. Louis Park may adopt ordinances establishing special service districts. The provisions of Minnesota Statutes, chapter 428A, govern the establishment and operation of special service districts in the city.

Subd. 3. **LOCAL APPROVAL.** This section is effective the day following final enactment, after the governing body of the city of St. Louis Park complies with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 42. **CITY OF RICHFIELD; FORMATION OF NONPROFIT HOUSING CORPORATIONS.**

Subdivision 1. **FORMATION OF NONPROFIT HOUSING CORPORATIONS.** The housing and redevelopment authority of the city of Richfield may form or consent to the formation of one or more corporations under Minnesota Statutes, chapter 317A, for the purpose of owning and operating housing developments financed with mortgages insured by the Federal Housing Administration of the United States Department of Housing and Urban Development to be occupied by low- and moderate-income persons and families.

Subd. 2. **CONTROL BY AUTHORITY.** The authority shall be a member of each corporation, and the members of the board of directors of each corporation shall be members or employees of the authority. The authority may capitalize a corporation and may acquire all or a part of the corporation's share or member certificates. The authority shall approve a corporation's articles of incorporation and bylaws, directors, projects, and expenditures, the sale or conveyance of projects, the issuance of obligations, and such other actions of a corporation as the authority may determine. The authority shall take title to property of a corporation upon its dissolution.

Subd. 3. **ISSUANCE OF BONDS.** A nonprofit corporation authorized to be formed under subdivision 1 may issue bonds for the purpose of financing the acquisition and operation of multifamily housing developments, in furtherance of the public purpose of provision of low- and moderate-income housing. The bonds shall be payable solely from the revenues of the developments and shall be issued upon such terms as the corporation shall determine, with the consent of the authority.

Subd. 4. **PROPERTY TAX EXEMPTION.** Property owned by a nonprofit corporation authorized to be formed under subdivision 1 shall be treated as public property exclusively used for a public purpose under Minnesota Statutes, section 272.02, subdivision 1.

Subd. 5. **EFFECTIVE DATE.** This section is effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the city council of the city of Richfield.

Sec. 43. **RENTAL TAX EQUITY; BROOKLYN PARK PILOT PROJECT; PAYABLE 1996 ONLY.**

Subdivision 1. **PILOT; TERM.** A pilot project for rental tax equity in the city of Brooklyn Park is established. The program is for property taxes payable in 1996 only. The program is available to owners of residential rental property.

Subd. 2. **PRIMARY OBJECTIVE.** The pilot project's primary objective is to give an incentive to landlords to improve their tenant-occupied property and still offer affordable housing.

Subd. 3. **DEFINITION; RESIDENTIAL RENTAL PROPERTY.** For the purposes of this section, "residential rental property" means privately owned property classified under section 273.13, subdivision 25, paragraph (a) or (b)(1), that is ten or more years old.

Subd. 4. **PROPERTY TAX TREATMENT.** (a) Residential rental property located in the city of Brooklyn Park that meets the requirements of this section, is eligible for the property tax credit under subdivision 9.

(b) The program is not a housing or building code enforcement program.

(c) Participation in the program is voluntary.

Subd. 5. **NOTIFICATION TO OWNERS.** The city of Brooklyn Park shall notify the owner of each residential rental property located in the city that the property may be eligible to receive a property tax credit as provided in this section.

Subd. 6. **PROGRAM STEPS.** (a) The Brooklyn Park city council shall adopt by resolution guidelines for implementation of the program under this section.

(b) A landlord who owns eligible property and who wishes to participate must arrange for a certified evaluator who is licensed by the city of Brooklyn Park to evaluate the property.

(c) The landlord must notify the tenant of the evaluation so that the tenant may be present if the tenant wishes.

(d) The evaluator must evaluate the property using program guidelines

adopted by resolution of the Brooklyn Park city council prior to implementation of the program under this section.

(e) To receive the property tax credit under subdivision 9, the evaluator must have determined that repairs were necessary, and the landlord must make the repairs and call for a reinspection by the evaluator. If the evaluator identifies life or safety hazards, the evaluator must notify appropriate city officials, who shall take immediate action to require and enforce repair of the life or safety hazard items.

(f) The evaluator must reinspect the property to see if the program guidelines have been followed.

(g) The evaluator must submit a report on the property's evaluation to the appropriate city officials, the landlord, and the tenant. A filing fee must be paid at the time the report is submitted to the city.

(h) Appropriate city officials must review the report and approve it or issue orders for further repair. In so doing, city staff members may make an on-site review. The landlord may withdraw from the program at any time without making required repairs except those for life or safety hazards, which may be otherwise required. Property for which the evaluator's report is approved must be certified by the appropriate city officials to the county assessor. The city must limit the number of qualifying properties so that the credit payable under subdivision 9 will not, in the city's estimate, exceed $350,000.

(i) A landlord who chooses to participate must complete an application for certification by November 1, 1995 for credit payable in 1996.

Subd. 7. **APPEALS.** (a) The board of equalization must serve as a board of review to hear appeals relating to the value of improvements and properties. Procedures for board actions and for appeals from board decisions are as provided for other matters decided by the board of equalization.

(b) The city may appoint a board of appeals to hear disputes regarding qualification. The board shall meet to hear appeals under this program between November 1 and December 1, 1995.

Subd. 8. **CITY FEES.** The landlord must pay the housing evaluator a fee, as determined by the city, for the initial inspection and necessary reinspections. The evaluator must pay a filing fee, as determined by the city, to file the evaluator's report. The evaluator may be reimbursed by the landlord for this fee. The landlord must pay the city a fee, as determined by the city, to apply for recertification. If additional inspections are required, a reinspection fee, as determined by the city, must be paid by the landlord.

Subd. 9. **CREDIT AND REIMBURSEMENT.** (a) **CREDIT PROVIDED.** Property that meets the requirements of this section is eligible for a property tax credit equal to the difference between (1) the tax on the property and (2) the tax

that would be payable if the property were classified under Minnesota Statutes, section 273.13, subdivision 22, paragraph (a). For the purposes of determining the tax that would be payable if the property were classified under section 273.13, subdivision 22, paragraph (a), the first $72,000 of market value shall be applied to the parcel as a whole.

(b) **PROPERTY TAX STATEMENTS.** The property tax statement provided under Minnesota Statutes, section 276.04, to an owner of property that receives the credit under this subdivision shall include information on the amount of the credit given to the property. The Hennepin county treasurer shall notify the commissioner of revenue on how the county plans to modify the property tax statements to include the necessary information.

(c) **GENERAL FUND; REPLACEMENT OF REVENUE.** Payment from the general fund shall be made as provided in this subdivision for the purpose of replacing revenue lost as a result of the reduction of property taxes provided in this subdivision.

The Hennepin county auditor shall certify to the commissioner of revenue the amount of reduction resulting from this subdivision. 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 Minnesota Statutes, section 275.29. The commissioner of revenue shall review the certification to determine its accuracy and make changes in the certification as necessary or return the certification to the county auditor for corrections.

Based on current year tax data reported in the abstracts of tax lists, the commissioner of revenue shall determine the taxing district distribution of the amounts certified. The commissioner of revenue shall pay to each taxing district, other than school districts, its total payment for the year at the times provided in Minnesota Statutes, section 473H.10. The credit reimbursement to school districts must be certified to the commissioner of education and paid as provided under Minnesota Statutes, section 273.1392.

The reimbursement paid under this subdivision shall be made only in 1996, and is limited to $350,000. To the extent the amount of credit originally certified exceeds $350,000, reimbursements to the taxing districts shall be prorated according to the proportions of their levies so as not to exceed $350,000.

Subd. 10. **REPORT TO THE LEGISLATURE.** By January 15, 1997, the Brooklyn Park city council shall provide a report to the legislature as provided in Minnesota Statutes, section 3.195. The council shall report to the committee on housing and the committee on taxes and tax laws of the senate, and the housing committee and the tax committee of the house of representatives on the program. The report must include the program guidelines, housing costs, rents, and the extent of participation in the program.

Subd. 11. **EFFECTIVE DATE.** This section is effective the day following final enactment, upon compliance with Minnesota Statutes, section 645.021,

subdivision 3, by the city of Brooklyn Park, and applies to property taxes payable in 1996 on residential rental properties.

Sec. 44. **PROPERTY TAX REFUNDS; BROOKLYN PARK RENTAL EQUITY PARTICIPANTS.**

Notwithstanding Minnesota Statutes, section 290A.03, subdivision 11, for purposes of calculating a claimant's property tax refund, in the case of a claimant who resides in a unit certified for participation in the rental equity project under section 43, the claimant's "rent constituting property taxes paid" for property taxes payable in 1996 only shall be 20 percent of gross rent actually paid in cash or its equivalent.

An owner or managing agent of a unit certified for participation in the rental equity project shall indicate that the unit was certified for participation on the rent certificate prescribed in Minnesota Statutes, section 290A.19, paragraph (a). In the event that the owner or managing agent fails to provide a rent certificate and the renter obtains a statement from the county treasurer, as prescribed in Minnesota Statutes, section 290A.19, paragraph (c), the county treasurer shall also indicate on the statement if the building was certified for participation in the rental equity project.

Sec. 45. **PROPERTY TAX REFUNDS; ST. PAUL RENTAL EQUITY PARTICIPANTS.**

Notwithstanding Minnesota Statutes, section 290A.03, subdivision 11, for purposes of calculating a claimant's property tax refund, in the case of a claimant who resides in a unit certified for participation in the St. Paul rental equity program under section 38, the claimant's "rent constituting property taxes paid" for property taxes payable in 1996 only shall be 20 percent of gross rent actually paid in cash or its equivalent.

An owner or managing agent of a unit certified for participation in the rental equity project shall indicate that the unit was certified for participation on the rent certificate prescribed in Minnesota Statutes, section 290A.19, paragraph (a). In the event that the owner or managing agent fails to provide a rent certificate and the renter obtains a statement from the county treasurer, as prescribed in Minnesota Statutes, section 290A.19, paragraph (c), the county treasurer shall also indicate on the statement if the building was certified for participation in the rental equity project.

Sec. 46. **STUDY OF APARTMENT PROPERTY TAX RELIEF.**

The commissioner of revenue, with the assistance of the executive director of the Minnesota housing finance agency, shall conduct a study on alternative methods of providing incentives to improve the stock of rental housing throughout the state.

(a) The study must specifically consider the following proposal as if it were

in effect for property taxes payable in 1998: Provide a two percent class rate for five assessment years on the market value of improvements made to class 4a apartment property if (i) the assessor's estimated market value of the improvements is at least 20 percent of the total estimated market value of the property, and (ii) the building is at least 25 years old. For purposes of this paragraph, "improvements" shall exclude adding square footage or amenities to the building.

(b) The study should also consider other policy alternatives that could be considered by the legislature in trying to encourage improvements to deteriorating apartment properties throughout the state.

(c) The study must include an analysis of the administrative feasibility, policy implications, and state and local fiscal impacts of the specific proposal described in paragraph (a), the St. Paul and Brooklyn Park rental equity programs and any other options resulting from paragraph (b) alternatives.

(d) On or before February 15, 1996, the commissioner shall report the findings of the study to the chairs of the House and the Senate Tax Committees, along with recommendations that would facilitate administration and improve the effectiveness of the proposal described in paragraph (a) and any other options considered.

Sec. 47. **STEARNS COUNTY; REFUND OF PURCHASE PRICE.**

Subdivision 1. **REFUND OF PURCHASE PRICE.** The governing body of Stearns county shall refund to the city of Melrose a portion of the amount paid by the city for the purchase on October 28, 1994, of property designated as PIN No. 66: 36648.000, located in the city of Melrose. The amount of the refund must equal the taxes, penalties, and interest paid on that property for taxes payable years 1990 and 1991.

Subd. 2. **EFFECTIVE DATE.** Subdivision 1 is effective the day following final enactment, after the Stearns county board complies with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 48. **[124.2134] COMPUTATION OF TAX RATES.**

In computing the basic transportation tax rate under section 124.226, subdivision 1, and the general education tax rate under section 124A.23, subdivision 1, the commissioner shall, notwithstanding section 124.2131, subdivision 1, use adjusted net tax capacities that do not reflect the class rate reductions for seasonal residential recreational property not used for commercial purposes, in section 10. Notwithstanding the dollar amounts specified in sections 124.226, subdivision 1, and 124A.23, subdivision 1, the resulting rate shall be applied to the adjusted net tax capacities as computed under section 124.2131, for purposes of determining the basic transportation levy under section 124.226, subdivision 1, and the general education levy under section 124A.23, subdivision 2. The equalizing factor under section 124A.02, shall be computed using the tax rate computed under this section.

Sec. 49. **WIND ENERGY; UPDATED OFFERS.**

The remaining companies after April 1, 1995, that are seeking to fulfill the wind generation requirements of Minnesota Statutes, section 116C.771, paragraph (b), through the competitive bidding process under Minnesota Statutes, section 216B.2422, subdivision 5, shall be permitted to update their offers to account for changes in the property tax treatment of wind energy conversion system property contained in 1995 H. F. No. 1864, if enacted. The public utility shall notify each of the remaining companies in writing of this provision and shall establish a schedule for updated offers. The public utilities commission shall not approve a contract until the public utility has demonstrated to the commission's satisfaction that it has provided the opportunity to each of the remaining companies to submit an updated bid.

Sec. 50. **APPROPRIATION.**

$350,000 is appropriated from the general fund to the commissioner of revenue for the biennium ending June 30, 1997, for purposes of the Brooklyn Park Rent Equity Program under section 43.

Sec. 51. **REPEALER.**

(a) Minnesota Statutes 1994, section 168.013, subdivision 1j, is repealed.

(b) Minnesota Statutes 1994, section 245.48, is repealed.

Sec. 52. **EFFECTIVE DATE.**

Sections 1, 2, and 36 are effective for the 1995 levy and thereafter, for taxes payable in 1996 and thereafter. Sections 3 and 13 are effective for taxes payable in 1997 and thereafter. Sections 4, 7, 8, 12, 17, and 18 are effective for the 1995 assessment and thereafter, payable in 1996 and thereafter, provided that the provisions of section 7 restricting homestead classification for seasonal recreational residential property apply to taxes payable in 1996 and thereafter regardless of the date of occupancy of the property or the date of filing of an application for homestead classification by the relative of the owner. Section 5 is effective for the 1996 assessment and thereafter. Sections 9 and 27 are effective for the 1997 assessment and thereafter, for taxes payable in 1998 and thereafter. Sections 14 and 15 are effective for notices and tax statements prepared in 1995 and thereafter, for taxes payable in 1996 and thereafter. Sections 19 and 20 are effective for taxes levied in 1995, payable in 1996, and thereafter. Sections 21, 26, 38, and 46 are effective the day following final enactment. Sections 22 to 25 are effective for refunds based on property taxes paid in 1997 and thereafter, and for rent paid in 1996 and thereafter. Sections 29 to 31 are effective the day after the governing body of Duluth complies with Minnesota Statutes, section 645.021, subdivision 3. Sections 32 to 34 are effective the day after the governing body of Thief River Falls complies with Minnesota Statutes, section 645.021, subdivision 3. Section 35 is effective the day after the governing body of the city of Duluth complies with Minnesota Statutes, section 645.021, subdi-

vision 3. Section 48 is effective for school aids payable in fiscal years 1998 and thereafter. Section 51, paragraph (a), is effective beginning January 1, 1997.

ARTICLE 4

PROPERTY TAX REFUND AS DEDUCTION ON TAX STATEMENT

Section 1. Minnesota Statutes 1994, section 270A.03, subdivision 7, is amended to read:

Subd. 7. **REFUND.** "Refund" means an individual income tax refund or political contribution refund~~,~~ pursuant to chapter 290~~;~~, or a property tax credit or refund~~,~~ pursuant to chapter 290A, other than a refund which has been certified to or calculated by the county auditor under section 276.012.

For purposes of this chapter, lottery prizes, as set forth in section 349A.08, subdivision 8, shall be treated as refunds.

In the case of a joint property tax refund payable to spouses under chapter 290A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total income determined under section 290A.03, subdivision 3. The commissioner shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, determine the amount of the refund belonging to that spouse and refund the amount to that spouse.

Sec. 2. Minnesota Statutes 1994, section 270B.12, is amended by adding a subdivision to read:

Subd. 11. **PROPERTY TAX REFUNDS.** The commissioner may disclose to a county auditor and treasurer, and to their designated agents or employees, the property tax refund amounts for each parcel of homestead property in the county as determined by the commissioner under chapter 290A.

Sec. 3. Minnesota Statutes 1994, section 273.124, subdivision 13, is amended to read:

Subd. 13. **HOMESTEAD APPLICATION.** (a) A person who meets the homestead requirements under subdivision 1 must file a homestead application with the county assessor to initially obtain homestead classification.

(b) On or before January 2, 1993, each county assessor shall mail a homestead application to the owner of each parcel of property within the county which was classified as homestead for the 1992 assessment year. The format and contents of a uniform homestead application shall be prescribed by the commissioner of revenue. The commissioner shall consult with the chairs of the house and senate tax committees on the contents of the homestead application form.

The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property or by the qualifying relative and returned to the county assessor in order for the property to continue receiving homestead treatment. The envelope containing the homestead application shall clearly identify its contents and alert the taxpayer of its necessary immediate response.

(c) Every property owner applying for homestead classification must furnish to the county assessor the social security number of each occupant who is listed as an owner of the property on the deed of record, the name and address of each owner who does not occupy the property, and the name and social security number of each owner's spouse who occupies the property. The application must be signed by each owner who occupies the property and by each owner's spouse who occupies the property, or, in the case of property that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

If a property owner occupies a homestead, the property owner's spouse may not claim another property as a homestead unless the property owner and the property owner's spouse file with the assessor an affidavit or other proof required by the assessor stating that the property owner's spouse does not occupy the homestead because marriage dissolution proceedings are pending, the spouses are legally separated, or the spouse's employment or self-employment location requires the spouse to have a separate homestead. The assessor may require proof of employment or self-employment and employment or self-employment location, or proof of dissolution proceedings or legal separation.

If the social security number or affidavit or other proof is not provided, the county assessor shall classify the property as nonhomestead.

The social security numbers or affidavits or other proofs of the property owners and spouses are private data on individuals as defined by section 13.02, subdivision 12, but, notwithstanding that section, the private data may be disclosed to the commissioner of revenue, or, for purposes of proceeding under the revenue recapture act to recover personal property taxes owing, to the county treasurer.

(d) If residential real estate is occupied and used for purposes of a homestead by a relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for the property to receive homestead status, a homestead application must be filed with the assessor. The social security number of each relative occupying the property and the social security number of each owner who is related to an occupant of the property shall be required on the homestead application filed under this subdivision. If a different relative of the owner subsequently occupies the property, the owner of the property must notify the assessor within 30 days of the change in occupancy. The social security number of a relative occupying the property is private data on individuals as defined by section 13.02, subdivision 12, but may be disclosed to the commissioner of revenue.

(e) The homestead application shall also notify the property owners that the application filed under this section will not be mailed annually and that if the property is granted homestead status for the 1993 assessment, or any assessment year thereafter, that same property shall remain classified as homestead until the property is sold or transferred to another person, or the owners or the relatives no longer use the property as their homestead. Upon the sale or transfer of the homestead property, a certificate of value must be timely filed with the county auditor as provided under section 272.115. Failure to notify the assessor within 30 days that the property has been sold, transferred, or that the owner or the relative is no longer occupying the property as a homestead, shall result in the penalty provided under this subdivision and the property will lose its current homestead status.

(f) If the homestead application is not returned within 30 days, the county will send a second application to the present owners of record. The notice of proposed property taxes prepared under section 275.065, subdivision 3, shall reflect the property's classification. Beginning with assessment year 1993 for all properties, If a homestead application has not been filed with the county by December 15, the assessor shall classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner may be entitled to receive the homestead classification by proper application under section 375.192.

(g) At the request of the commissioner, each county must give the commissioner a list that includes the name and social security number of each property owner and the property owner's spouse occupying the property, or relative of a property owner, applying for homestead classification under this subdivision. The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

(h) If, in comparing the lists supplied by the counties, the commissioner finds that a property owner is claiming more than one homestead, the commissioner shall notify the appropriate counties. Within 90 days of the notification, the county assessor shall investigate to determine if the homestead classification was properly claimed. If the property owner does not qualify, the county assessor shall notify the county auditor who will determine the amount of homestead benefits that had been improperly allowed. For the purpose of this section, "homestead benefits" means the tax reduction resulting from the classification as a homestead under section 273.13, the taconite homestead credit under section 273.135, ~~and~~ the supplemental homestead credit under section 273.1391, and the property tax refunds under chapter 290A deducted on the property tax statement.

The county auditor shall send a notice to the owners of the affected property, demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent of the homestead benefits. The property owners may appeal the county's determination by filing a notice of appeal with the Minnesota tax court

within 60 days of the date of the notice from the county. If the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of taxes and penalty to the succeeding year's tax list to be collected as part of the property taxes. In the case of a manufactured home, the amount shall be certified to the current year's tax list for collection.

(i) Any amount of homestead benefits recovered by the county from the property owner shall be distributed to the county, city or town, and school district where the property is located in the same proportion that each taxing district's levy was to the total of the three taxing districts' levy for the current year. Any amount recovered attributable to property tax refunds reimbursed to the county by the state shall be paid to the commissioner of revenue for deposit in the fund from which it was paid. Any amount recovered attributable to taconite homestead credit shall be transmitted to the St. Louis county auditor to be deposited in the taconite property tax relief account. The total amount of penalty collected must be deposited in the county general fund.

(j) If a property owner has applied for more than one homestead and the county assessors cannot determine which property should be classified as homestead, the county assessors will refer the information to the commissioner. The commissioner shall make the determination and notify the counties within 60 days.

(k) In addition to lists of homestead properties, the commissioner may ask the counties to furnish lists of all properties and the record owners.

Sec. 4. Minnesota Statutes 1994, section 275.065, subdivision 3, is amended to read:

Subd. 3. **NOTICE OF PROPOSED PROPERTY TAXES.** (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24 each year, by first class mail to each taxpayer at the address listed on the county's current year's assessment roll, a notice of proposed property taxes and, in the case of a town, final property taxes.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority other than a town proposes to collect for taxes payable the following year and, for a town, the amount of its final levy. It must clearly state that each taxing authority, including regional library districts established under section 134.201, and including the metropolitan taxing districts as defined in paragraph (i), but excluding all other special taxing districts and towns, will hold a public meeting to receive public testimony on the proposed budget and proposed or final property tax levy, or, in case of a school district, on the current budget and proposed property tax levy. It must clearly state the time and place of each taxing authority's meeting and an address where comments will be received by mail. The notice must include the estimated percentage

increase in Minnesota personal income, provided by the commissioner of revenue under section 275.064, in a way to facilitate comparison of the proposed budget and levy increases with the increase in personal income. For 1993, the notice must clearly state that each taxing authority holding a public meeting will describe the increases or decreases of the total budget, including employee and independent contractor compensation in the prior year, current year, and the proposed budget year.

(d) The notice must state for each parcel:

(1) the market value of the property as determined under section 273.11, and used for computing property taxes payable in the following year and for taxes payable in the current year; and, in the case of residential property, whether the property is classified as homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

(2) by county, city or town, school district excess referenda levy, remaining school district levy, regional library district, if in existence, the total of the metropolitan special taxing districts as defined in paragraph (i) and the sum of the remaining special taxing districts, and as a total of the taxing authorities, including all special taxing districts, the proposed or, for a town, final net tax on the property for taxes payable the following year, including separate deductions for the property tax refunds under section 290A.04, subdivisions 2 and 2h, and the actual tax for taxes payable the current year, including separate deductions for the property tax refunds under section 290A.04, subdivisions 2 and 2h. For the purposes of this subdivision, "school district excess referenda levy" means school district taxes for operating purposes approved at referendums, including those taxes based on net tax capacity as well as those based on market value. "School district excess referenda levy" does not include school district taxes for capital expenditures approved at referendums or school district taxes to pay for the debt service on bonds approved at referenda. In the case of the city of Minneapolis, the levy for the Minneapolis library board and the levy for Minneapolis park and recreation shall be listed separately from the remaining amount of the city's levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease in the amounts in clause (2) from taxes payable in the current year to proposed or, for a town, final taxes payable the following year, expressed as a dollar amount and as a percentage.

(e) The notice must clearly state that the proposed or final taxes do not include the following and that these items may increase the proposed tax shown on the notice:

(1) special assessments;

(2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda, school district levy referenda, and levy limit increase referenda;

(3) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;

(4) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

(5) the contamination tax imposed on properties which received market value reductions for contamination.

The notice must state that the deduction for a property tax refund under section 290A.04, subdivision 2h, is contingent upon continuity in ownership of the property.

(f) Except as provided in subdivision 7, failure of the county auditor to prepare or the county treasurer to deliver the notice as required in this section does not invalidate the proposed or final tax levy or the taxes payable pursuant to the tax levy.

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead and the homeowner provides satisfactory documentation to the county assessor that the property is owned and has been used as the owner's homestead prior to June 1 of that year, the assessor shall reclassify the property to homestead for taxes payable in the following year.

(h) In the case of class 4 residential property used as a residence for lease or rental periods of 30 days or more, the taxpayer must either:

(1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or

(2) post a copy of the notice in a conspicuous place on the premises of the property.

(i) For purposes of this subdivision, subdivisions 5a and 6, "metropolitan special taxing districts" means the following taxing districts in the seven-county metropolitan area that levy a property tax for any of the specified purposes listed below:

(1) metropolitan council under section 473.132, 473.167, 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;

(2) metropolitan airports commission under section 473.667, 473.671, or 473.672; and

(3) metropolitan mosquito control commission under section 473.711.

For purposes of this section, any levies made by the regional rail authorities

in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be included with the appropriate county's levy and shall be discussed at that county's public hearing.

The notice must be mailed or posted by the taxpayer by November 27 or within three days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to which the notice must be mailed in order to fulfill the requirements of this paragraph.

Sec. 5. **[276.012] COMPUTATION AND ADMINISTRATION OF PROPERTY TAX REFUNDS.**

(a) On or before October 1 each year, the commissioner of revenue shall certify to the county auditor the property tax refund amount under section 290A.04, subdivision 2, for each parcel of homestead property as defined in section 290A.03, subdivision 6, other than a manufactured home assessed under section 273.125, subdivision 8, paragraph (c), that qualifies for a refund relating to taxes payable in the current year.

(b) The county auditor shall compute the refund for purposes of the proposed property tax notice for each parcel of homestead property as defined in section 290A.03, subdivision 6, other than a manufactured home assessed under section 273.125, subdivision 8, paragraph (c), that may qualify for a refund under section 290A.04, subdivision 2h, for taxes payable in the subsequent year.

(c) After certification of the levies by taxing districts under section 275.07, the county auditor shall compute the refund for each parcel of homestead property as defined in section 290A.03, subdivision 6, other than a manufactured home assessed under section 273.125, subdivision 8, paragraph (c), that qualifies for a refund under section 290A.04, subdivision 2h, for taxes payable in the current year.

(d) The county auditor shall separately certify the amounts in paragraphs (a) and (c) to the county treasurer who shall reflect the amounts as property tax deductions on the property tax statement under section 276.04 for taxes payable in the current year, provided that to receive the refunds, the property must be classified as homestead property under section 273.13 for taxes payable in the year the refund is payable.

(e) The county auditor shall annually separately certify the costs of the property tax refunds under section 290A.04, subdivisions 2 and 2h, to the department of revenue with the abstract of tax lists under section 275.29.

Sec. 6. Minnesota Statutes 1994, section 276.04, subdivision 2, is amended to read:

Subd. 2. **CONTENTS OF TAX STATEMENTS.** (a) The treasurer shall provide for the printing of the tax statements. The commissioner of revenue

shall prescribe the form of the property tax statement and its contents. The statement must contain the parcel identification number and a county identification number as specified by the commissioner. The statement must contain the qualifying tax amount to be used by the taxpayer in claiming a property tax refund under section 290A.04, subdivision 2, in the form and location determined by the commissioner of revenue. The statement must contain a tabulated statement of the dollar amount due to each taxing authority from the parcel of real property for which a particular tax statement is prepared. The dollar amounts due the county, township or municipality, the total of the metropolitan special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), school district excess referenda levy, remaining school district levy, and the total of other voter approved referenda levies based on market value under section 275.61 must be separately stated. The amounts due all other special taxing districts, if any, may be aggregated. For the purposes of this subdivision, "school district excess referenda levy" means school district taxes for operating purposes approved at referenda, including those taxes based on market value. "School district excess referenda levy" does not include school district taxes for capital expenditures approved at referendums or school district taxes to pay for the debt service on bonds approved at referenda. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement. The statement shall include the following sentence, printed in upper case letters in boldface 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."

(b) The property tax statements for manufactured homes and sectional structures taxed as personal property shall contain the same information that is required on the tax statements for real property.

(c) Real and personal property tax statements must contain the following information in the order given in this paragraph. The information must contain the current year tax information in the right column with the corresponding information for the previous year in a column on the left:

(1) the property's estimated market value under section 273.11, subdivision 1;

(2) the property's taxable market value after reductions under section 273.11, subdivisions 1a and 16;

(3) the property's gross tax, calculated by multiplying the property's gross tax capacity times the total local tax rate and adding to the result the sum of the aids enumerated in clause (3);

(4) a total of the following aids:

(i) education aids payable under chapters 124 and 124A;

(ii) local government aids for cities, towns, and counties under chapter 477A; and

(iii) disparity reduction aid under section 273.1398;

(5) for homestead residential and agricultural properties, the homestead and agricultural credit aid apportioned to the property. This amount is obtained by multiplying the total local tax rate by the difference between the property's gross and net tax capacities under section 273.13. This amount must be separately stated and identified as "homestead and agricultural credit." For purposes of comparison with the previous year's amount for the statement for taxes payable in 1990, the statement must show the homestead credit for taxes payable in 1989 under section 273.13, and the agricultural credit under section 273.132 for taxes payable in 1989;

(6) any credits received under sections 273.119; 273.123; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief"; ~~and~~

(7) the net tax payable in the manner required in paragraph (a)~~.~~;

(8) for eligible homestead properties, the property tax refunds under section 290A.04, subdivisions 2 and 2h, if any, shown separately as deductions on the statement; and

(9) the tax after deduction of the property tax refunds under clause (8).

(d) The commissioner of revenue shall certify to the county auditor the actual or estimated aids enumerated in clauses (3) and (4) that local governments will receive in the following year. ~~In the case of a county containing a city of the first class, for taxes levied in 1991, and for all counties for taxes levied in 1992 and thereafter,~~ The commissioner must certify this amount by September 1.

Sec. 7. Minnesota Statutes 1994, section 276.09, is amended to read:

276.09 **SETTLEMENT BETWEEN AUDITOR AND TREASURER.**

On the later of May 20 of each year or 26 calendar days after the postmark date on the envelopes containing real or personal property tax statements, the county treasurer shall make full settlement with the county auditor of all receipts collected for all purposes, from the date of the last settlement up to and including each day mentioned. The county auditor shall, within 30 days after the settlement, send an abstract of it to the state auditor in the form prescribed by the state auditor. At the settlement the treasurer shall make complete returns of the

receipts on the current tax list, showing the amount collected on account of the several funds included in the list.

Settlement of receipts from the later of May 20 or the actual settlement date to December 31 of each year must be made as provided in section 276.111.

For purposes of this section, "receipts" includes all tax payments received by the county treasurer on or before the settlement date and all property tax refunds paid to the county treasurer under section 290A.07.

Sec. 8. Minnesota Statutes 1994, section 276.111, is amended to read:

276.111 **DISTRIBUTIONS AND FINAL YEAR-END SETTLEMENT.**

Within 14 business days after July 20, the county treasurer shall pay to each taxing district 100 percent of the estimated collections arising from taxes levied by and belonging to the taxing district from the settlement day determined in section 276.09 to July 25.

Within seven business days after October 15, the county treasurer shall pay to the school districts 50 percent of the estimated collections arising from taxes levied by and belonging to the school district from ~~the settlement day determined in section 276.09~~ July 25 to October 20. The remaining 50 percent of the estimated tax collections must be paid to the school district within the next seven business days. Within ten business days after November 15, the county treasurer shall pay to the school district 100 percent of the estimated collections arising from taxes levied by and belonging to the school districts from October 20 to November 20.

Within ten business days after November 15, the county treasurer shall pay to each taxing district, except any school district, 100 percent of the estimated collections arising from taxes levied by and belonging to each taxing district from ~~the settlement day determined in section 276.09~~ July 25 to November 20.

On or before January 5, the county treasurer shall make full settlement with the county auditor of all receipts collected from the settlement day determined in section 276.09 to December 31. After subtracting any tax distributions that have been made to the taxing districts in July, October, and November, the treasurer shall pay to each of the taxing districts on or before January 25, the balance of the tax amounts collected on behalf of each taxing district. Interest accrues at an annual rate of eight percent and must be paid to the taxing district if this final settlement amount is not paid by January 25. Interest must be paid upon appropriation from the general revenue fund of the county. If not paid, it may be recovered by the taxing district in a civil action.

Sec. 9. Minnesota Statutes 1994, section 289A.60, subdivision 12, is amended to read:

Subd. 12. **PENALTIES RELATING TO PROPERTY TAX REFUNDS.** (a) If the commissioner determines that a property tax refund claim is or was

excessive and was filed with fraudulent intent, the claim must be disallowed in full. If the claim has been paid, the amount disallowed may be recovered by assessment and collection.

(b) If it is determined that a property tax refund claim is excessive and was negligently prepared, ten percent of the corrected claim must be disallowed. If the claim has been paid, the amount disallowed must be recovered by assessment and collection.

(c) An owner or managing agent who knowingly fails to give a certificate of rent constituting property tax to a renter, as required by section 290A.19, paragraph (a), is liable to the commissioner for a penalty of $100 for each failure.

(d) If the owner or managing agent knowingly gives rent certificates that report total rent constituting property taxes in excess of the amount of actual rent constituting property taxes paid on the rented part of a property, the owner or managing agent is liable for a penalty equal to the greater of (1) $100 or (2) 50 percent of the excess that is reported. An overstatement of rent constituting property taxes is presumed to be knowingly made if it exceeds by ten percent or more the actual rent constituting property taxes.

(e) No property tax refund claim based on rent paid, or on property taxes payable in the case of a manufactured home assessed under section 273.125, subdivision 8, paragraph (c), is allowed if the initial claim is filed more than one year after the original due date for filing the claim.

(f) Except as provided in paragraph (e), no property tax refund claim based on property taxes payable filed after the original due date for filing the claim may be paid. No extensions of time for filing may be granted.

Sec. 10. Minnesota Statutes 1994, 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 under section 273.13 but~~ after deductions made under sections 273.135, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year other than property tax refunds determined under chapter 290A. 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 274.19, subdivision 8~~ assessed under section 273.125, subdivision 8, paragraph (c), "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 whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year ~~in which the tax is payable~~ to which the "property taxes payable" used in computing the refund relate, and (i) the property must have been classified as homestead property pursuant to section 273.13, subdivision 22 or 23, on or before December 15 of the assessment year to which the "property taxes payable" relate; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made on or before ~~December~~ August 15 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

No refunds under section 290A.04, subdivision 2 or 2h, may be deducted on the property tax statement unless the property is classified as homestead property for taxes payable in the year the property tax refund is paid.

Sec. 11. Minnesota Statutes 1994, section 290A.04, subdivision 2h, is amended to read:

Subd. 2h. (a) If the gross property taxes payable on a homestead increase more than 12 percent over the net property taxes payable in the prior year on the same property that is owned and occupied by the same owner on January 2 of both years, and the amount of that increase is $100 or more ~~for taxes payable in 1995 and 1996, a claimant who is,~~ a homeowner shall be allowed an additional refund equal to 60 percent of the amount of the increase over the greater of 12 percent of the prior year's net property taxes payable or $100 ~~for taxes payable in 1995 and 1996~~. This subdivision shall not apply to any increase in the gross property taxes payable attributable to improvements made to the homestead after the assessment date for the prior year's taxes.

The maximum refund allowed under this subdivision is $1,000.

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

(1) "Net property taxes payable" means property taxes payable minus refund amounts for which the claimant qualifies pursuant to subdivision 2 and this subdivision.

(2) "Gross property taxes" means net property taxes payable determined without regard to the refund allowed under this subdivision.

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

~~(d) On or before December 1, 1995, the commissioner shall estimate the cost of making the payments provided by this subdivision for taxes payable in 1996. Notwithstanding the open appropriation provision of section 290A.23, if the estimated total refund claims for taxes payable in 1996 exceed $5,500,000, the commissioner shall first reduce the 60 percent refund rate enough, but to no lower a rate than 50 percent, so that the estimated total refund claims do not exceed $5,500,000. If the commissioner estimates that total claims will exceed $5,500,000 at a 50 percent refund rate, the commissioner shall also reduce the $1,000 maximum refund amount by enough so that total estimated refund claims do not exceed $5,500,000.~~

~~The determinations of the revised thresholds by the commissioner are not rules subject to chapter 14.~~

~~(e) Upon request, the appropriate county official shall make available the names and addresses of the property taxpayers who may be eligible for the additional property tax refund under this section. The information shall be provided on a magnetic computer disk. The county may recover its costs by charging the person requesting the information the reasonable cost for preparing the data. The information may not be used for any purpose other than for notifying the homeowner of potential eligibility and assisting the homeowner, without charge, in preparing a refund claim.~~

Sec. 12. **[290A.055] PUBLIC DATA; NOTICE ON CLAIM FORM.**

The property tax refund claim form must contain a statement notifying claimants that the property tax refund amount is public data, and that it will appear on the property tax statement and on other county records.

Sec. 13. Minnesota Statutes 1994, section 290A.07, is amended to read:

290A.07 **TIME ~~FOR~~ AND MANNER OF PAYMENT.**

Subdivision 1. **GENERAL FUND.** Allowable claims filed pursuant to the provisions of this chapter and the refund under section 290A.04, subdivision 2h, shall be paid by the commissioner from the general fund as provided in this section.

Subd. 2a. **PAYMENT TO CLAIMANT.** A claimant who is a renter or a homeowner who occupies a manufactured home, as defined in section 273.125, subdivision 8, paragraph (c), shall receive full payment after August 1 and before August 15 or 60 days after receipt of the application, whichever is later.

Subd. 3. **PAYMENT ~~TO COUNTY TREASURER~~ AS DEDUCTION ON PROPERTY TAX STATEMENT.** ~~A claimant~~ In the case of property not included in subdivision 2a ~~shall receive full payment after September 15 and before September 30.~~, payment of a refund under section 290A.04, subdivision 2, is made as a deduction on the property tax statement for the homestead for taxes payable the following year, and payment of a refund under section 290A.04, subdivision 2h, is made as a deduction on the property tax statement for the homestead for taxes payable in the current year.

Subd. 4. **PAYMENT TO COUNTY TREASURER.** Annually on or before July 20, the commissioner shall pay the amount of the property tax refunds under section 290A.04, subdivisions 2 and 2h, certified by the county auditor under section 276.012, paragraph (e), to the county treasurer for settlement and distribution under sections 276.09 to 276.111.

Sec. 14. Minnesota Statutes 1994, section 290A.15, is amended to read:

290A.15 **CLAIM APPLIED AGAINST OUTSTANDING LIABILITY.**

The amount of any claim otherwise payable under this chapter may be applied by the commissioner against any delinquent tax liability of the claimant or spouse of the claimant payable to the department of revenue. This section does not apply to (1) refunds under section 290A.04, subdivision 2, that have been certified by the commissioner of revenue to the county auditor under section 276.012, or (2) refunds under section 290A.04, subdivision 2h, determined by the county auditor under section 276.012.

Sec. 15. Minnesota Statutes 1994, section 290A.18, is amended to read:

290A.18 **RIGHT TO FILE CLAIM; RIGHT TO RECEIVE CREDIT.**

Subdivision 1. **CLAIM BY SURVIVING SPOUSE OR DEPENDENT.** Except as provided in subdivision 3, if a person entitled to relief under this chapter dies prior to receiving relief, the surviving spouse or dependent of the person shall be entitled to file the claim and receive relief. If there is no surviving spouse or dependent, the right to the credit shall lapse.

Subd. 2. **CLAIMANT CANNOT BE LOCATED.** Except as provided in subdivision 3, if the commissioner cannot locate the claimant within two years from the date that the original warrant was issued, or if a claimant to whom a warrant has been issued does not cash that warrant within two years from the date the warrant was issued, the right to the credit shall lapse, and the warrant shall be deposited in the general fund.

Subd. 3. **RIGHT TO RECEIVE REFUND NOT PERSONAL TO CLAIMANT.** Property tax refunds under section 290A.04, subdivisions 2 and 2h, are paid as a deduction on the property tax statement of the property as provided in section 290A.07, subdivision 3. The right to receive the deduction is not personal to the claimant or to a surviving spouse or dependent of the claimant.

Sec. 16. **[290A.26] APPROPRIATION; COUNTY COSTS.**

$2,650,000 is appropriated for fiscal year 1998, and $2,370,000 is appropriated for fiscal year 1999, and each year thereafter, to the commissioner of revenue to pay counties for the costs of implementing and administering the property tax refunds for homeowners. The commissioner shall make the payments annually on July 20. The commissioner, after consultation with the Minnesota Association of County Officers, shall apportion the available appropriation among the counties.

Sec. 17. **1997 LEVY; TRUTH IN TAXATION NOTICE.**

For taxes payable in 1998 only, the notice of proposed property taxes under Minnesota Statutes, section 275.065, subdivision 3, shall state that beginning with property taxes payable in 1998, the homestead property tax refund calculated under Minnesota Statutes, section 290A.04, subdivision 2, and the special refund for property tax increases under Minnesota Statutes, section 290A.04, subdivision 2h, shall be paid as a deduction from the net tax on the property for all qualifying properties other than manufactured homes assessed under Minnesota Statutes, section 273.125, subdivision 8, paragraph (c). The notice shall clearly notify the taxpayer that these deductions are shown on the notice of proposed taxes for taxes payable in 1998, and that the actual tax for taxes payable in 1998 may be greater than the amount shown on the notice if the ownership or classification of the property changes before the refunds are paid. The commissioner of revenue shall prescribe the form and wording of the statement required in this section. The commissioner may prescribe that the statement be included with the notice of proposed property taxes as a separate addendum. At least five working days before distribution to the counties, the notice prescribed by the commissioner of revenue under this section must be submitted to the chairs of the senate committee on taxes and tax laws and the house tax committee for their advice and approval.

Sec. 18. **PROPERTY TAX REFUNDS FOR TAXES PAYABLE IN 1998; TRANSITION PROVISION.**

Notwithstanding the provisions of Minnesota Statutes, chapter 290A, or any other law to the contrary, the property tax refund amounts under Minnesota Statutes, section 290A.04, subdivisions 2 and 2h, relating to property taxes payable in 1997, as paid by the commissioner to the claimants under Minnesota Statutes, section 290A.07, subdivision 3, shall be the amounts certified on October 1, 1997, by the commissioner of revenue to the county auditors. The refund amounts under Minnesota Statutes, section 290A.04, subdivision 2, are the amounts that the county auditor shall show as a deduction on the property tax statement for taxes payable in 1998. The county auditor shall calculate the amounts of the refund under Minnesota Statutes, section 290A.04, subdivision 2h, for taxes payable in 1998, and show that amount as a deduction on the 1998 property tax statement.

Sec. 19. **APPROPRIATION.**

$95,000 is appropriated for the fiscal year ending June 30, 1998, from the general fund in the state treasury to the commissioner of revenue for purposes of implementing and administering this article.

Sec. 20. **EFFECTIVE DATE.**

Sections 1 to 15 are effective for property tax refunds payable as deductions on property tax statements in 1998 and thereafter.

ARTICLE 5

ECONOMIC DEVELOPMENT

Section 1. Minnesota Statutes 1994, section 124.2131, is amended by adding a subdivision to read:

Subd. 3a. **CAPTURED TAX CAPACITY ADJUSTMENT.** In calculating adjusted net tax capacity, the commissioner of revenue shall increase the adjusted net tax capacity of a school district containing a tax increment financing district for which an election is made under section 469.1782, subdivision 1, clause (1). The amount of the increase equals the captured net tax capacity of the tax increment financing district in the year preceding the first taxes payable year in which the special law permits collection beyond that permitted by the general law duration limit that otherwise would apply. The addition applies beginning for aid and levy for the first taxes payable year in which the special law permits collection of increment beyond that permitted by the general law duration limit that otherwise would apply. The addition continues to apply for each taxes payable year the district remains in effect.

Sec. 2. **[270.0683] REPORT ON THE EFFECT OF TAX INCENTIVES UPON THE NUMBER OF JOBS.**

On a biennial basis, the commissioner of trade and economic development shall analyze the effect of all business related tax reductions or waivers on the aggregate number of jobs created and wages paid in those new jobs. The commissioner of trade and economic development shall present the results of the analysis to the legislature.

Sec. 3. **[270.0684] GOALS FOR NEW TAX EXPENDITURES.**

Each newly enacted business related tax expenditure must include measurable goals for jobs and wages and require a biennial review conducted by the commissioner of trade and economic development for continuation based upon meeting those goals. The commissioner of trade and economic development shall report the results of the review to the legislature.

Sec. 4. Minnesota Statutes 1994, section 273.1399, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** For purposes of this section, the following terms have the meanings given.

(a) "Qualifying captured net tax capacity" means the following amounts:

(1) The captured net tax capacity of a new or the expanded part of an existing economic development ~~or soils condition~~ tax increment financing district~~, other than a qualified manufacturing district~~, for which certification was requested after April 30, 1990~~;~~.

(2) ~~the captured net tax capacity of a qualified manufacturing district, multiplied by the following percentage based on the number of years that have elapsed since the assessment year of the original net tax capacity. In no case may the final amounts be less than zero or greater than the total captured net tax capacity of the district:~~

~~Number of Years~~	~~Percentage~~
~~1~~	~~0~~
~~2~~	~~20~~
~~3~~	~~40~~
~~4~~	~~60~~
~~5~~	~~80~~
~~6 or more~~	~~100;~~

~~(3)~~ The captured net tax capacity of a new or the expanded part of an existing tax increment financing district, other than ~~a qualified housing district, qualified hazardous substance subdistrict, or~~ an economic development ~~or soils condition~~ district, for which certification was requested after April 30, 1990, multiplied by the following percentage based on the number of years that have elapsed since the assessment year of the original net tax capacity. In no case may the final amounts be less than zero or greater than the total captured net tax capacity of the district.

Number of years	Renewal and Renovation Districts	All other Districts
0 to 5	0	0
6	12.5	6.25
7	25	12.5
8	37.5	18.75
9	50	25
10	62.5	31.25
11	75	37.5
12	87.5	43.75
13	100	50
14	100	56.25
15	100	62.5
16	100	68.75
17	100	75
18	100	81.25

19	100	87.5
20	100	93.75
21 or more	100	100

~~In the case of~~ (3) The following rules apply to a hazardous substance subdistrict~~.~~. The applicable percentage under clause (2) must be determined under the "all other districts" category. The number of years must be measured from the date of certification of the subdistrict for purposes of the additional captured net tax capacity resulting from the reduction in the subdistrict's or site's original net tax capacity. After termination of the overlying district, captured net tax capacity includes the full amount that is captured by the subdistrict.

(4) Qualified captured tax capacity does not include the captured tax capacity of exempt districts under subdivisions 6 and 7.

(b) The terms defined in section 469.174 have the meanings given in that section.

(c) ~~"Qualified manufacturing district" means an economic development district that qualifies under section 469.176, subdivision 4c, paragraph (a), without regard to clauses (2) and (5), for which certification was requested after June 30, 1991, located in a home rule charter or statutory city that has a population under 10,000 according to the last federal census.~~

~~(d)~~ "Qualified housing district" means a housing district for a residential rental project or projects in which the only properties receiving assistance from revenues derived from tax increments from the district meet all of the requirements for a low-income housing credit under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1992, regardless of whether the project actually receives a low-income housing credit.

~~(e) "Qualified hazardous substance subdistrict" means a hazardous substance subdistrict in which the municipality has made an election to make an alternative local contribution as provided under section 469.175, subdivision 7a.~~

Sec. 5. Minnesota Statutes 1994, section 273.1399, subdivision 2, is amended to read:

Subd. 2. **REPORTING.** ~~The county auditor shall calculate the qualifying captured net tax capacity amount for each municipal part of each school district in the county and report the amounts to the commissioner of revenue at the time and in the manner prescribed by the commissioner.~~ (a) The commissioner of revenue shall use the retained captured value, tax increment, and other information reported in the abstract of tax lists supplement in administering the provisions of this section.

(b) Each tax increment authority or municipality must by March 15 of each year submit to the commissioner of revenue a report on local contributions

made to each tax increment district in the preceding year. The commissioner shall prescribe the form and content of the report, including the sources and amounts of contributions and any other information the commissioner requires. Submission of a local contribution report is required for a tax increment district to be exempt from the aid reduction provisions of this section.

Sec. 6. Minnesota Statutes 1994, section 273.1399, subdivision 6, is amended to read:

Subd. 6. ~~**EXEMPTION; ETHANOL PROJECTS**~~ **EXEMPT DISTRICTS.** (a) The provisions of this section do not apply to exempt tax increment financing districts as specified by this subdivision.

(b) A tax increment financing district for an ethanol production facility that satisfies all of the following requirements is exempt:

(1) The district is an economic development district, that qualifies under section 469.176, subdivision 4c, paragraph (a), clause (1).

(2) The facility is certified by the commissioner of ~~revenue~~ agriculture to qualify for state payments for ethanol development under section 41A.09 to the extent funds are available.

(3) Increments from the district are used only to finance the qualifying ethanol development project located in the district or to pay for administrative costs of the district.

(4) The district is located outside of the seven-county metropolitan area, as defined in section 473.121.

(5) The tax increment financing plan was approved by a resolution of the county board.

(6) The exemption provided by this paragraph applies until the first year after the total amount of increment for the district ~~does not exceed $1,000,000~~ exceeds $1,500,000. The county auditor shall notify the commissioner of revenue of the expiration of the exemption by June 1 of the year in which the auditor projects the revenues from increments will exceed $1,500,000.

(c) A qualified housing district is exempt.

(d) A district is exempt if the municipality elects at the time of approving the tax increment financing plan for the district to make a qualifying local contribution. To qualify for the exemption in each year, the authority or the municipality must make a qualifying local contribution equal to the listed percentages of increment from the district or subdistrict:

(1) for an economic development district, a housing district, or a renewal and renovation district, ten percent;

(2) for a redevelopment district, a mined underground space district, a hazardous substance subdistrict, or a soils condition district, 7.5 percent.

The maximum local contribution for all districts in the municipality is limited to two percent of city net tax capacity as defined in section 477A.011, subdivision 20.

The amount of the local contribution must be made out of unrestricted money of the authority or municipality, such as the general fund, a property tax levy, or a federal or a state grant-in-aid which may be spent for general government purposes. The local contribution may not be made, directly or indirectly, with tax increments or developer payments as defined under section 469.1766. The local contribution must be used to pay project costs and cannot be used for general government purposes or for improvements or costs that the authority or municipality planned to incur absent the project. The authority or municipality may request contributions from other local government entities that will benefit from the district's activities. These contributions reduce the local contribution required of the municipality or authority by this paragraph. Cities, counties, towns, and schools may contribute to paying these costs, notwithstanding any other law to the contrary.

If the state contributes to the project costs through a direct grant or similar incentive, the required local contribution is reduced by one-half of the dollar amount of the state grant or other similar incentive.

Sec. 7. Minnesota Statutes 1994, section 273.1399, is amended by adding a subdivision to read:

Subd. 7. **EXEMPTION; AGRICULTURAL PROCESSING FACILITIES.** The provisions of this section do not apply to a tax increment financing district that satisfies all of the following requirements:

(1) the district is established to construct or expand an agricultural processing facility;

(2) the construction or expansion of the facility creates, or upon completion will create, a minimum of five permanent full-time jobs;

(3) the district is located outside of the seven-county metropolitan area, as defined in section 473.121;

(4) the tax increment financing plan was approved by a resolution of the county board;

(5) the municipality approving the tax increment financing plan agrees to make at least a five percent local contribution that meets the requirements of subdivision 6, paragraph (d), including the limitation to two percent of city tax capacity; and

(6) the commissioner of agriculture has certified to the county auditor that the requirements of this subdivision have been met.

The exemption provided by this subdivision applies until the first year after the total amount of increment for the district exceeds $1,500,000. The county auditor shall notify the commissioner of revenue of the expiration of the exemption by June 1 of the year in which the auditor projects the revenues from increment will exceed $1,500,000.

For purposes of this section, "agricultural processing facility" means land, buildings, structures, fixtures, and improvements used or operated primarily for the processing or production of marketable products from agricultural crops, including waste and residues from agricultural crops, and including livestock products, poultry products, and wood products, but not the raising of livestock or poultry.

Sec. 8. Minnesota Statutes 1994, section 273.1399, is amended by adding a subdivision to read:

Subd. 8. **APPLICATION TO EXTENSIONS BY SPECIAL LAW.** The provisions of this section apply to a tax increment financing district, notwithstanding the date on which the request for certification was made, if (1) the duration limit of the district under section 469.176 is extended by a special law and (2) the municipality elects under section 469.1782, subdivision 1, clause (2), that this section applies to the extension. The section applies beginning for the first taxes payable year after the district would have terminated under general law and the aid reduction is determined by using 100 percent of the captured tax capacity as the qualified captured tax capacity of the district. The exemption provided by subdivision 6, paragraph (d), does not apply.

Sec. 9. Minnesota Statutes 1994, section 375.83, is amended to read:

375.83 **ECONOMIC AND AGRICULTURAL DEVELOPMENT.**

A county board may appropriate ~~not more than $50,000 annually~~ money out of the general revenue fund of the county to be paid to any incorporated development society or organization of this state which, in the board's opinion, will use the money for the best interests of the county in promoting, advertising, improving, or developing the economic and agricultural resources of the county. ~~The limitation on appropriations in this section does not prohibit accumulation of amounts in excess of $50,000 in a fund to be used for the purposes of this section. The total amount accumulated in the fund must not exceed $300,000.~~

Sec. 10. Minnesota Statutes 1994, section 469.169, subdivision 9, is amended to read:

Subd. 9. **ADDITIONAL BORDER CITY ALLOCATIONS.** In addition to tax reductions authorized in subdivisions 7 and 8, the commissioner may allocate $1,100,000 for tax reductions to border city enterprise zones in cities located on the western border of the state, and $300,000 to the border city enterprise zone in the city of Duluth. The commissioner shall make allocations to zones in cities on the western border by evaluating which cities' applications for

allocations relate to business prospects that have the greatest positive economic impact. Allocations made under this subdivision may be used for tax reductions as provided in section 469.171, or other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary in order to retain a business within or attract a business to the zone. Limitations on allocations under section 469.169, subdivision 7, do not apply to this allocation. Enterprise zones that receive allocations under this subdivision may continue in effect for purposes of those allocations through December 31, ~~1994~~ 1995.

Sec. 11. Minnesota Statutes 1994, section 469.169, is amended by adding a subdivision to read:

Subd. 10. **ADDITIONAL BORDER CITY ALLOCATIONS.** In addition to tax reductions authorized in subdivisions 7, 8, and 9, the commissioner may allocate $1,500,000 for tax reductions to border city enterprise zones in cities located on the western border of the state. The commissioner shall make allocations to zones in cities on the western border on a per capita basis. Allocations made under this subdivision may be used for tax reductions as provided in section 469.171, or other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary in order to retain a business within or attract a business to the zone. Limitations on allocations under section 469.169, subdivision 7, do not apply to this allocation. Enterprise zones that receive allocations under this subdivision may continue in effect for purposes of those allocations through December 31, 1996.

Sec. 12. Minnesota Statutes 1994, section 469.174, subdivision 4, is amended to read:

Subd. 4. **CAPTURED NET TAX CAPACITY.** "Captured net tax capacity" means the amount by which the current net tax capacity of a tax increment financing district or an extended subdistrict exceeds the original net tax capacity, including the value of property normally taxable as personal property by reason of its location on or over property owned by a tax-exempt entity. In the case of a hazardous substance subdistrict, except an extended subdistrict, "captured net tax capacity" means the amount by which the original net tax capacity of the portion of the tax increment financing district overlying the subdistrict exceeds the original net tax capacity of the subdistrict.

Sec. 13. Minnesota Statutes 1994, section 469.174, subdivision 19, is amended to read:

Subd. 19. **SOILS CONDITION DISTRICT.** (a) "Soils condition district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that the following conditions exist:

(1) ~~unusual terrain,~~ the presence of hazardous substances, pollution, or con-

taminants~~, or soil deficiencies for 80 percent of the acreage in the district require substantial filling, grading,~~ requires removal or remedial action~~, or other physical preparation~~ for use;

(2) the estimated cost of the ~~physical preparation under clause (1), but excluding costs directly related to roads as defined in section 160.01 and local improvements as described in sections 429.021, subdivision 1, clauses (1) to (7), (11), and (12), and 430.01,~~ proposed removal and remedial action exceeds the fair market value of the land before completion of the preparation.

The requirements of clause (2) need not be satisfied, if each parcel of property in the district either satisfies the requirements of clause (2) or the estimated costs of the proposed removal or remedial action exceeds $2 per square foot for the area of the parcel.

(b) ~~An area does not qualify as a soils condition district if it contains a wetland, as defined in section 103G.005, unless the development agreement prohibits draining, filling, or other alteration of the wetland or other binding legal assurances for preservation of the wetland are provided.~~

~~(c) If the district is located in the metropolitan area, the proposed development of the district in the tax increment financing plan must be consistent with the municipality's land use plan adopted in accordance with sections 473.851 to 473.872 and reviewed by the metropolitan council under section 473.175. If the district is located outside of the metropolitan area, the proposed development of the district must be consistent with the municipality's comprehensive municipal plan.~~ The proposed removal or remediation action must be specified in a development action response plan to satisfy the requirements of paragraph (a).

Sec. 14. Minnesota Statutes 1994, section 469.174, subdivision 21, is amended to read:

Subd. 21. **CREDIT ENHANCED BONDS.** "Credit enhanced bonds" means special obligation bonds that are:

(1) payable primarily from tax increments (i) derived from a tax increment financing district within which the activity, as defined in section 469.1763, subdivision 1, financed by at least ~~75 percent~~ the applicable in-district percentage of the bond proceeds is located and (ii) estimated on the date of issuance to be sufficient to pay when due the debt service on the bonds, and

(2) further secured by tax increments (i) derived from one or more tax increment financing districts and (ii) determined by the issuer to be necessary in order to make the marketing of the bonds feasible.

For purposes of this subdivision, "applicable in-district percentage" means the percentage under section 469.1763, subdivision 2, for the district.

Sec. 15. Minnesota Statutes 1994, section 469.174, is amended by adding a subdivision to read:

Subd. 23. **HAZARDOUS SUBSTANCE SUBDISTRICT.** "Hazardous substance subdistrict" or "subdistrict" means a hazardous substance subdistrict created under section 469.175, subdivision 7.

Sec. 16. Minnesota Statutes 1994, section 469.174, is amended by adding a subdivision to read:

Subd. 24. **EXTENDED SUBDISTRICT.** "Extended subdistrict" means a hazardous substance subdistrict, but only for any period during which the subdistrict remains in effect after the overlying tax increment district has terminated.

Sec. 17. Minnesota Statutes 1994, section 469.175, subdivision 1, is amended to read:

Subdivision 1. **TAX INCREMENT FINANCING PLAN.** (a) A tax increment financing plan shall contain:

(1) a statement of objectives of an authority for the improvement of a project;

(2) a statement as to the development program for the project, including the property within the project, if any, that the authority intends to acquire;

(3) a list of any development activities that the plan proposes to take place within the project, for which contracts have been entered into at the time of the preparation of the plan, including the names of the parties to the contract, the activity governed by the contract, the cost stated in the contract, and the expected date of completion of that activity;

(4) identification or description of the type of any other specific development reasonably expected to take place within the project, and the date when the development is likely to occur;

(5) estimates of the following:

(i) cost of the project, including administration expenses;

(ii) amount of bonded indebtedness to be incurred;

(iii) sources of revenue to finance or otherwise pay public costs;

(iv) the most recent net tax capacity of taxable real property within the tax increment financing district;

(v) the estimated captured net tax capacity of the tax increment financing district at completion; and

(vi) the duration of the tax increment financing district's existence;

(6) statements of the authority's alternate estimates of the impact of tax

increment financing on the net tax capacities of all taxing jurisdictions in which the tax increment financing district is located in whole or in part. For purposes of one statement, the authority shall assume that the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district, and for purposes of the second statement, the authority shall assume that none of the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district;

(7) identification and description of studies and analyses used to make the determination set forth in subdivision 3, clause (2); and

(8) identification of all parcels to be included in the district or any subdistrict.

(b) For a housing district, redevelopment district, or a hazardous substance subdistrict, the authority may elect in the tax increment financing plan to provide for the identification of a minimum market value in the plan, development agreement, or assessment agreement, and provide that increment is first received by the authority when (1) the market value of the improvements as determined by the assessor reaches or exceeds the minimum market value, or (2) four years has elapsed from the date of certification of the original net tax capacity of the taxable real property in the district or subdistrict by the county auditor, whichever is earlier.

Sec. 18. Minnesota Statutes 1994, section 469.175, subdivision 3, is amended to read:

Subd. 3. **MUNICIPALITY APPROVAL.** A county auditor shall not certify the original net tax capacity of a tax increment financing district until the tax increment financing plan proposed for that district has been approved by the municipality in which the district is located. If an authority that proposes to establish a tax increment financing district and the municipality are not the same, the authority shall apply to the municipality in which the district is proposed to be located and shall obtain the approval of its tax increment financing plan by the municipality before the authority may use tax increment financing. The municipality shall approve the tax increment financing plan only after a public hearing thereon after published notice in a newspaper of general circulation in the municipality at least once not less than ten days nor more than 30 days prior to the date of the hearing. The published notice must include a map of the area of the district from which increments may be collected and, if the project area includes additional area, a map of the project area in which the increments may be expended. The hearing may be held before or after the approval or creation of the project or it may be held in conjunction with a hearing to approve the project. Before or at the time of approval of the tax increment financing plan, the municipality shall make the following findings, and shall set forth in writing the reasons and supporting facts for each determination:

(1) that the proposed tax increment financing district is a redevelopment

district, a renewal or renovation district, a mined underground space development district, a housing district, a soils condition district, or an economic development district; if the proposed district is a redevelopment district or a renewal or renovation district, the reasons and supporting facts for the determination that the district meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) and (2), or subdivision 10a, must be retained and made available to the public by the authority until the district has been terminated.

(2) that the proposed development or redevelopment, in the opinion of the municipality, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and ~~therefore the use of tax increment financing is deemed necessary~~ that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan. The requirements of this clause do not apply if the district is a qualified housing district, as defined in section 273.1399, subdivision 1.

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

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

(5) that the municipality elects the method of tax increment computation set forth in section 469.177, subdivision 3, clause (b), if applicable.

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

Sec. 19. Minnesota Statutes 1994, section 469.175, subdivision 5, is amended to read:

Subd. 5. **ANNUAL DISCLOSURE.** For all tax increment financing districts, whether created prior or subsequent to August 1, 1979, on or before July 1 of each year, the authority shall submit to the county board, the county auditor, the school board, ~~the commissioner of revenue~~ state auditor and, if the authority is other than the municipality, the governing body of the municipality, a report of the status of the district. The report shall include the following information: the amount and the source of revenue in the account, the amount and

purpose of expenditures from the account, the amount of any pledge of revenues, including principal and interest on any outstanding bonded indebtedness, the original net tax capacity of the district, the captured net tax capacity retained by the authority, the captured net tax capacity shared with other taxing districts, the tax increment received, and any additional information necessary to demonstrate compliance with any applicable tax increment financing plan. An annual statement showing the tax increment received and expended in that year, the original net tax capacity, captured net tax capacity, amount of outstanding bonded indebtedness, the amount of the district's increments paid to other governmental bodies, the amount paid for administrative costs, the sum of increments paid, directly or indirectly, for activities and improvements located outside of the district, and any additional information the authority deems necessary shall be published in a newspaper of general circulation in the municipality. If the fiscal disparities contribution for the district is computed under section 469.177, subdivision 3, paragraph (a), the annual statement must disclose that fact and indicate the amount of increased property tax imposed on other properties in the municipality as a result of the fiscal disparities contribution. The commissioner of revenue shall prescribe the form of this statement and the method for calculating the increased property taxes.

Sec. 20. Minnesota Statutes 1994, section 469.175, subdivision 6, is amended 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:

(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 money;

(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 net tax capacity of the district;

(2) the captured net tax capacity of the district, including the amount of any captured net tax capacity 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:

(i) acquisition of land and buildings through condemnation or purchase;

(ii) site improvements or preparation costs;

(iii) installation of public utilities, parking facilities, streets, roads, sidewalks, or other similar public improvements;

(iv) administrative costs, including the allocated cost of the authority;

(v) public park facilities, facilities for social, recreational, or conference purposes, or other similar public improvements; and

~~(5)~~ (4) 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~~ (5) the amount of increments rebated or paid to developers or property owners for privately financed improvements or other qualifying costs.

(d) The reporting requirements imposed by this subdivision ~~are in lieu of the annual disclosure required by subdivision 5~~ apply to districts certified before, on, and after August 1, 1979.

Sec. 21. Minnesota Statutes 1994, section 469.175, subdivision 6a, is amended to read:

Subd. 6a. **REPORTING REQUIREMENTS.** (a) The municipality must annually report to the ~~commissioner of revenue~~ state auditor the following amounts for the entire municipality:

(1) the total principal amount of nondefeased tax increment financing bonds that are outstanding at the end of the previous calendar year; and

(2) the total annual amount of principal and interest payments that are due for the current calendar year on (i) general obligation tax increment financing bonds, and (ii) other tax increment financing bonds.

(b) The municipality must annually report to the ~~commissioner of revenue~~ state auditor the following amounts for each tax increment financing district located in the municipality:

(1) the type of district, whether economic development, redevelopment, housing, soils condition, mined underground space, or hazardous substance site;

(2) the date on which the district is required to be decertified;

(3) the ~~captured tax capacity of the district, by property class as specified by the commissioner of revenue, for taxes payable in the current calendar year~~ amount of any payments and the value of in-kind benefits, such as physical improvements and the use of building space, that are financed with revenues derived from increments and are provided to another governmental unit (other than the municipality) during the preceding calendar year;

(4) the tax increment revenues for taxes payable in the current calendar year;

(5) whether the tax increment financing plan or other governing document permits increment revenues to be expended (i) to pay bonds, the proceeds of which were or may be expended on activities located outside of the district, (ii) for deposit into a common fund from which money may be expended on activities located outside of the district, or (iii) to otherwise finance activities located outside of the tax increment financing district; and

(6) any additional information that the ~~commissioner of revenue~~ state auditor may require.

(c) The report required by this subdivision must be filed with the ~~commissioner of revenue~~ state auditor on or before ~~March~~ July 1 of each year.

(d) The state auditor may provide for combining the reports required by this subdivision and subdivisions 5 and 6 so that only one report is made for each year to the auditor.

(e) This section applies to districts certified before, on, and after August 1, 1979.

Sec. 22. Minnesota Statutes 1994, section 469.176, is amended by adding a subdivision to read:

Subd. 1g. **EXTENSION TO RECOVER CLEANUP COSTS.** (a) The authority, with the approval of the municipality, may extend the duration of a district beyond the limit that otherwise applies under this section, if the following circumstances apply:

(1) after the district is established, contamination, hazardous substances, pollution, or other materials requiring removal or remediation are found in the district;

(2) the authority elects not to create a hazardous substance subdistrict; and

(3) the municipality pays for the cost of removal, cleanup, or remediation out of its general fund or other money of the municipality, except revenues from tax increments.

(b) The maximum duration extension permitted by this subdivision is the lesser of (1) ten years after the district otherwise would have terminated or (2) the number of additional years necessary to collect increment equal to the cleanup costs paid by the municipality out of funds other than tax increments. Cleanup costs are limited to the actual costs of removal and remediation, and do not include financing or interest costs. Cleanup costs do include testing and engineering costs. Cleanup costs must be reduced by any reimbursements or amounts recovered from private parties or other responsible parties.

Sec. 23. Minnesota Statutes 1994, section 469.176, subdivision 4b, is amended to read:

Subd. 4b. **SOILS CONDITION DISTRICTS.** Revenue derived from tax increment from a soils condition district ~~under section 469.174, subdivision 19,~~ may be used only to (1) acquire parcels on which the improvements described in clause (2) will occur; (2) pay for the cost of ~~correcting the unusual terrain or soil deficiencies and the additional cost of installing public improvements directly caused by the deficiencies~~ removal or remedial action; and (3) pay for the administrative expenses of the authority allocable to the district, including the cost of preparation of the development action response plan. ~~The sale by the authority of a parcel acquired and improved as described in clauses (1) and (2) must be for a price that is no less than the cost of acquisition.~~

Sec. 24. Minnesota Statutes 1994, section 469.176, subdivision 4c, is amended to read:

Subd. 4c. **ECONOMIC DEVELOPMENT DISTRICTS.** (a) Revenue derived from tax increment from an economic development district may not be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if more than 15 percent of the buildings and facilities (determined on the basis of square footage) are used for a purpose other than:

(1) the manufacturing or production of tangible personal property, including processing resulting in the change in condition of the property;

(2) warehousing, storage, and distribution of tangible personal property, excluding retail sales;

(3) research and development related to the activities listed in clause (1) or (2);

(4) telemarketing if that activity is the exclusive use of the property;

(5) tourism facilities; or

(6) space necessary for and related to the activities listed in clauses (1) to (5).

(b) Notwithstanding the provisions of this subdivision, revenue derived from tax increment from an economic development district may be used to ~~provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form for up to 5,000 square feet of commercial and retail facilities within the municipal jurisdiction of a home rule charter or statutory city that has a population of 5,000 or less. The 5,000 square feet limitation is cumulative and applies to all facilities in all the economic development districts within the municipal jurisdiction~~ pay for site preparation and public improvements, if the following conditions are met:

(1) bedrock soils conditions are present in 80 percent or more of the acreage of the district;

(2) the estimated cost of physical preparation of the site exceeds the fair market value of the land before completion of the preparation; and

(3) revenues from tax increments are expended only for the additional costs of preparing the site because of unstable soils and the bedrock soils condition, the additional cost of installing public improvements because of unstable soils or the bedrock soils condition, and reasonable administrative costs.

Sec. 25. Minnesota Statutes 1994, section 469.176, subdivision 7, is amended to read:

Subd. 7. ~~SUBSEQUENT~~ PARCELS NOT INCLUDABLE IN DISTRICTS. ~~Except as provided in subdivision 6, for subsequent recertification of parcels eliminated from a district because of lack of development activity, no parcel that has been so eliminated subsequent to two years from the date of the original certification may be included in a tax increment district if, at any time during the 20 years prior to the date when certification of the district is requested pursuant to section 469.177, subdivision 1, that parcel had been included in an economic development district.~~ (a) The authority may not request inclusion in a tax increment financing district and the county auditor may not certify the original tax capacity of the following:

(1) a parcel or a part of a parcel that qualified under the provisions of section 273.111 or 273.112 or chapter 473H for taxes payable in any of the five calendar years before the filing of the request for certification, if the parcel is located in the metropolitan area, as defined in section 473.121; or

(2) a parcel or a part of a parcel, located outside of the metropolitan area, as defined in section 473.121, that qualified under the provisions of section 273.111 or 273.112 for taxes payable in any of the five calendar years before the request for certification, if the district is not a district in which 85 percent or

more of the planned buildings and facilities (determined on the basis of square footage) are for manufacturing or production of tangible personal property, including processing resulting in the change in condition of the property.

Sec. 26. Minnesota Statutes 1994, section 469.1763, subdivision 2, is amended to read:

Subd. 2. **EXPENDITURES OUTSIDE DISTRICT.** (a) For each tax increment financing district, an amount equal to at least 75 percent of the revenue derived from tax increments paid by properties in the district must be expended on activities in the district or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities in the district or to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the in-district percentage for purposes of the preceding sentence is 80 percent. Not more than 25 percent of the revenue derived from tax increments paid by properties in the district may be expended, through a development fund or otherwise, on activities outside of the district but within the defined geographic area of the project except to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is 20 percent. The revenue derived from tax increments for the district that are expended on costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before calculating the percentages that must be expended within and without the district.

(b) In the case of a housing district, a housing project, as defined in section 469.174, subdivision 11, is an activity in the district.

(c) All administrative expenses are for activities outside of the district.

Sec. 27. Minnesota Statutes 1994, section 469.1763, subdivision 4, is amended to read:

Subd. 4. **USE OF REVENUES FOR DECERTIFICATION.** (a) Beginning with the sixth year following certification of the district, ~~75~~ the applicable in-district percent of the revenues derived from tax increments paid by properties in the district that remain after the expenditures permitted under subdivision 3 must be used only to pay:

(1) outstanding bonds, as defined in subdivision 3, paragraphs (a), clause (2), and (b);

(2) contracts, as defined in subdivision 3, paragraph (a), clauses (3) and (4); or

(3) credit enhanced bonds to which the revenues derived from tax increments are pledged, but only to the extent that revenues of the district for which the credit enhanced bonds were issued are insufficient to pay the bonds and to

the extent that the increments from the ~~unrestricted 25~~ applicable pooling percent share for the district are insufficient.

(b) When the outstanding bonds have been defeased and when sufficient money has been set aside to pay contractual obligations as defined in subdivision 3, paragraph (a), clauses (3) and (4), the district must be decertified and the pledge of tax increment discharged.

Sec. 28. Minnesota Statutes 1994, section 469.177, subdivision 1, is amended to read:

Subdivision 1. **ORIGINAL NET TAX CAPACITY.** (a) Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original net tax capacity of the tax increment financing district and that portion of the district overlying any subdistrict as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original net tax capacity has increased or decreased as a result of a change in tax exempt status of property within the district and any subdistrict, reduction or enlargement of the district or changes pursuant to subdivision 4.

(b) In the case of a mined underground space development district the county auditor shall certify the original net tax capacity as zero, plus the net tax capacity, if any, previously assigned to any subsurface area included in the mined underground space development district pursuant to section 272.04.

(c) For districts approved under section 469.175, subdivision 3, or parcels added to existing districts after May 1, 1988, if the classification under section 273.13 of property located in a district changes to a classification that has a different assessment ratio, the original net tax capacity of that property must be redetermined at the time when its use is changed as if the property had originally been classified in the same class in which it is classified after its use is changed.

(d) The amount to be added to the original net tax capacity of the district as a result of previously tax exempt real property within the district becoming taxable equals the net tax capacity of the real property as most recently assessed pursuant to section 273.18 or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the net tax capacity assessed by the assessor at the time of the transfer. If substantial taxable improvements were made to a parcel after certification of the district and if the property later becomes tax exempt, in whole or part, as a result of the authority acquiring the property through foreclosure or exercise of remedies under a lease or other revenue agreement or as a result of tax forfeiture, the amount to be added to the original net tax capacity of the district as a result of the property again becoming taxable is the amount of the parcel's value that was included in original net tax capacity when the parcel was first certified. The amount to be added to the original net tax capacity of the district as a result of enlargements equals the net tax capacity of the added real property as most recently certified

by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 469.175, subdivision 4.

(e) For districts approved under section 469.175, subdivision 3, or parcels added to existing districts after May 1, 1988, if the net tax capacity of a property increases because the property no longer qualifies under the Minnesota agricultural property tax law, section 273.111; the Minnesota open space property tax law, section 273.112; or the metropolitan agricultural preserves act, chapter 473H, or because platted, unimproved property is improved or three years pass after approval of the plat under section 273.11, subdivision 1, the increase in net tax capacity must be added to the original net tax capacity.

(f) Each year the auditor shall also add to the original net tax capacity of each economic development district an amount equal to the original net tax capacity for the preceding year multiplied by the average percentage increase in the market value of all property included in the economic development district during the five years prior to certification of the district.

(g) The amount to be subtracted from the original net tax capacity of the district as a result of previously taxable real property within the district becoming tax exempt, or a reduction in the geographic area of the district, shall be the amount of original net tax capacity initially attributed to the property becoming tax exempt or being removed from the district. If the net tax capacity of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, stipulation agreement, voluntary abatement made by the assessor or auditor or by order of the commissioner of revenue, the reduction shall be applied to the original net tax capacity of the district when the property upon which the abatement is made has not been improved since the date of certification of the district and to the captured net tax capacity of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor may specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

(h) If a parcel of property contained a substandard building that was demolished or removed and if the authority elects to treat the parcel as occupied by a substandard building under section 469.174, subdivision 10, paragraph (b), the auditor shall certify the original net tax capacity of the parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated market value of the parcel for the year in which the building was demolished or removed, but applying the class rates for the current year.

Sec. 29. Minnesota Statutes 1994, section 469.177, subdivision 1a, is amended to read:

Subd. 1a. **ORIGINAL LOCAL TAX RATE.** At the time of the initial certification of the original net tax capacity for a tax increment financing district or a subdistrict, the county auditor shall certify the original local tax rate that applies to the district or subdistrict. The original local tax rate is the sum of all

the local tax rates that apply to a property in the district or subdistrict. The local tax rate to be certified is the rate in effect for the same taxes payable year applicable to the tax capacity values certified as the district's or subdistrict's original tax capacity. The resulting tax capacity rate is the original local tax rate for the life of the district or subdistrict.

Sec. 30. Minnesota Statutes 1994, section 469.177, subdivision 2, is amended to read:

Subd. 2. **CAPTURED NET TAX CAPACITY.** The county auditor shall certify the amount of the captured net tax capacity to the authority each year, together with the proportion that the captured net tax capacity bears to the total net tax capacity of the real property within the tax increment financing district and any subdistrict for that year.

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

(1) If the plan provides that all the captured net tax capacity is necessary to finance or otherwise make permissible expenditures under section 469.176, subdivision 4, the authority may retain the full captured net tax capacity.

(2) If the plan provides that only a portion of the captured net tax capacity is necessary to finance or otherwise make permissible expenditures under section 469.176, subdivision 4, only that portion shall be set aside and the remainder shall be distributed among the affected taxing districts by the county auditor.

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

Sec. 31. Minnesota Statutes 1994, section 469.177, subdivision 6, is amended to read:

Subd. 6. **REQUEST FOR CERTIFICATION OF NEW TAX INCREMENT FINANCING DISTRICT.** A request for certification of a new tax increment financing district pursuant to subdivision 1 or of a modification to an existing tax increment financing district pursuant to section 469.175, subdivision 4, received by the county auditor on or before ~~July 1~~ June 30 of the calendar year shall be recognized by the county auditor in determining local tax rates for the current and subsequent levy years. Requests received by the county auditor after ~~July 1~~ June 30 of the calendar year shall not be recognized by the county auditor in determining local tax rates for the current levy year but shall be recognized by the county auditor in determining local tax rates for subsequent levy years.

Sec. 32. Minnesota Statutes 1994, section 469.177, subdivision 9, is amended to read:

Subd. 9. **DISTRIBUTIONS OF EXCESS TAXES ON CAPTURED NET TAX CAPACITY.** (a) If the amount of tax paid on captured net tax capacity exceeds the amount of tax increment, the county auditor shall distribute the excess to the municipality, county, and school district as follows: each governmental unit's share of the excess equals

(1) the total amount of the excess for the tax increment financing district, multiplied by

(2) a fraction, the numerator of which is the current local tax rate of the governmental unit less the governmental unit's local tax rate for the year the original local tax rate for the district was certified (in no case may this amount be less than zero) and the denominator of which is the sum of the numerators for the municipality, county, and school district.

If the entire increase in the local tax rate is attributable to a taxing district, other than the municipality, county, or school district, then the excess must be distributed to the municipality, county, and school district in proportion to their respective local tax rates.

The school district's tax rate must be divided into the portion of the tax rate attributable (1) to state equalized levies, and (2) unequalized levies. ~~Equalized levies mean the levies identified in section 273.1398, subdivision 1, and~~ As used in this subdivision, "equalized levies" means the sum of the maximum amounts that may be levied for: (i) general education under section 124A.23, subdivision 2; (ii) supplemental revenue under section 124A.22, subdivision 8a; (iii) capital expenditure facilities revenue under section 124.243, subdivision 3; (iv) capital expenditure equipment revenue under section 124.244, subdivision 2; and (v) basic transportation under section 124.226, subdivision 1. Unequalized levies mean the rest of the school district's levies. The calculations under clause (2) must determine the amount of excess taxes attributable to each portion of the school district's tax rate. If one of the portions of the change in the school district tax rate is less than zero and the combined change is greater than zero, the combined rate must be used and all the school district's share of excess taxes allocated to that portion of the tax rate.

(b) The amounts distributed shall be deducted in computing the levy limits of the taxing district for the succeeding taxable year. In the case of a school district, only the proportion of the excess taxes attributable to unequalized levies that are subject to a fixed dollar amount levy limit shall be deducted from the levy limit.

(c) In the case of distributions to a school district that are attributable to state equalized levies, the county auditor shall report amounts distributed to the commissioner of education in the same manner as provided for excess increments under section 469.176, subdivision 2, and the distribution shall be deducted from the school district's state aid payments.

Sec. 33. Minnesota Statutes 1994, section 469.177, is amended by adding a subdivision to read:

Subd. 11. **DEDUCTION FOR ENFORCEMENT COSTS; APPROPRIATION.** (a) The county treasurer shall deduct an amount equal to 0.1 percent of any increment distributed to an authority or municipality. The county treasurer shall pay the amount deducted to the state treasurer for deposit in the state general fund.

(b) The amounts deducted and paid under paragraph (a) are appropriated to the state auditor for the cost of (1) the financial reporting of tax increment financing information and (2) the cost of examining and auditing of authorities' use of tax increment financing as provided under section 469.1771, subdivision 1. Notwithstanding section 16A.28 or any other law to the contrary, this appropriation does not cancel and remains available until spent.

Sec. 34. Minnesota Statutes 1994, section 469.1771, subdivision 1, is amended to read:

Subdivision 1. **ENFORCEMENT.** (a) The ~~commissioner of revenue shall enforce the provisions of sections 469.174 to 469.179. In addition,~~ the owner of taxable property located in the city, town, school district, or county in which the tax increment financing district is located may bring suit for equitable relief or for damages, as provided in subdivisions 3 and 4, arising out of a failure of a municipality or authority to comply with the provisions of sections 469.174 to 469.179, or related provisions of this chapter. The prevailing party in a suit filed under the preceding sentence is entitled to costs, including reasonable attorney fees.

(b) The ~~responsibility for financial and compliance auditing of~~ state auditor may examine and audit political subdivisions' use of tax increment financing ~~remains with the state auditor.~~ Without previous notice, the state auditor may examine or audit accounts and records on a random basis as the auditor deems to be in the public interest. If the state auditor finds evidence that an authority or municipality has violated a provision of the law for which a remedy is provided under this section, the state auditor shall forward the relevant information to the ~~commissioner of revenue. The commissioner of revenue may audit an authority's use of tax increment financing~~ county attorney. The county attorney may bring an action to enforce the provisions of sections 469.174 to 469.179 or related provisions of this chapter, for matters referred by the state auditor or on behalf of the county.

(c) If the state auditor finds an authority is not in compliance with sections 469.174 to 469.179 or related provisions of law, the auditor shall notify the governing body of the municipality that approved the tax increment financing district of its findings. The governing body of the municipality must respond in writing to the state auditor within 60 days after receiving the notification. Its written response must state whether the municipality accepts, in whole or part, the auditor's findings. If the municipality does not accept the findings, the statement must indicate the basis for its disagreement. The state auditor shall annually summarize the responses it receives under this section and send the

summary and copies of the responses to the chairs of the committees of the legislature with jurisdiction over tax increment financing.

Sec. 35. **[469.1782] SPECIAL LAW PROVISIONS.**

Subdivision 1. **ELECTION.** If a special law allows an extension of the duration limit of an existing tax increment financing district under section 469.176 or allows establishment of a new district with a longer duration limit than permitted by general law, the municipality must elect, by resolution, that the district is subject to either:

(1) the adjustment to adjusted net tax capacity for the school district under section 1; or

(2) the reduction in state tax increment financing aid under section 273.1399, subdivision 8.

This election is irrevocable and must be made before the extension is submitted by the municipality to the school district for approval under subdivision 2. If the municipality fails to make an election before submitting the matter to the school district, the municipality is deemed to have elected clause (2).

Subd. 2. **LOCAL APPROVAL OF SPECIAL LAWS.** (a) If a special law allows an extension of the duration limit of an existing tax increment financing district under section 469.176 or allows establishment of a new district with a longer duration limit than that permitted by general law, the "affected local governments units," for purposes of section 645.021 and article XII, section 2, of the Minnesota Constitution, include the city or town, the school district, and the county in which the tax increment district is located. The town board may act to approve the special law.

(b) The chief clerical officer of the municipality must, as soon after the affected local units have approved the special law allowing an extension, file with the secretary of state a certificate stating the essential facts necessary to valid approval, including a copy of each of the resolutions of approval by the city or town, the school district, and the county. The attorney general shall prescribe the form of the certificate and the secretary of state shall furnish copies. If the municipality fails to file a certificate of approval before the first day of the next regular session of the legislature, the extension of the duration is deemed to be disapproved, unless the special law allows a longer period for approval. If the law contains other provisions besides an extension of the duration and the municipality otherwise complies with section 645.021, the rest of the law takes effect.

Sec. 36. **TAX INCREMENT FINANCING DISTRICT EXTENSION.**

Subdivision 1. **AUTHORIZATION.** Notwithstanding Minnesota Statutes, section 469.176, subdivision 1c, the St. Louis Park economic development authority may collect and expend tax increments from the Excelsior Boulevard

Redevelopment Project and Oak Park Village tax increment financing districts (Hennepin county project numbers 1300 and 1301, respectively) located within the city of St. Louis Park, after April 1, 2001, for eligible activities within the redevelopment area. The authority under this section expires August 1, 2009.

Subd. 2. **LOCAL APPROVAL.** This section is effective upon compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 37. **CITY OF HASTINGS; DISTRICT EXTENSION.**

Subdivision 1. **AUTHORIZATION.** Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1c, the housing and redevelopment authority may collect and expend tax increments from the downtown redevelopment tax increment financing district, located within the city of Hastings, after April 1, 2001, for eligible activities within the district. The authority under this section expires December 31, 2006.

Subd. 2. **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 38. **CITY OF HOPKINS; TAX INCREMENT DISTRICT.**

Subdivision 1. **DURATION.** Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1c, tax increment collected by the housing and redevelopment authority in and for the city of Hopkins from tax increment financing district no. 1-1 may be expended by the authority or the city of Hopkins to pay or defease (1) bonds or obligations issued within two years after the effective date of this section, or (2) bonds issued to refund the principal of the outstanding bonds and pay associated issuance costs, provided the average maturity of the refunding bonds does not exceed the bonds refunded. Tax increment from district no. 1-1 will not be paid to the authority after August 1, 2009.

Subd. 2. **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 39. **SWIFT COUNTY RURAL DEVELOPMENT FINANCE AUTHORITY.**

Subdivision 1. **ESTABLISHMENT.** The Swift county board may, by adopting a written enabling resolution, establish a county rural development finance authority that, subject to subdivision 2, has the following powers: powers of an economic development authority under Minnesota Statutes, sections 469.090 to 469.107; and powers of a rural development financing authority under sections 469.142 to 469.151.

Subd. 2. **ECONOMIC DEVELOPMENT AUTHORITY POWERS.** If the county rural development finance authority exercises the powers of an economic

development authority, the county may exercise all of the powers relating to an economic development authority granted to a city under Minnesota Statutes, sections 469.090 to 469.108, except for the authority to issue general obligation bonds under Minnesota Statutes, section 469.102. The levy imposed by the county board under Minnesota Statutes, section 469.107, may be levied in addition to levies otherwise authorized by law. The county rural development finance authority may create and define the boundaries of economic development districts at any place or places within the county. Minnesota Statutes, section 469.174, subdivision 10, and the contiguity requirement specified under Minnesota Statutes, section 469.101, subdivision 1, do not apply to limit the areas that may be designated as county economic development districts.

Subd. 3. **LIMIT OF POWERS.** (a) The enabling resolution may impose the following limits on the actions of the authority:

(1) that the authority may not exercise any of the powers contained in subdivision 1 unless those powers are specifically authorized in the enabling resolution; and

(2) any other limitation or control established by the county board by the enabling resolution.

(b) The enabling resolution may be modified at any time, but may not be applied in a manner that impairs contracts executed before the modification is made. All modifications to the enabling resolution must be by written resolution.

(c) Before the commencement of a project by the authority, the governing body of the municipality in which the project is to be located or the Swift county board, if the project is outside municipal corporate limits, shall by majority vote approve the project as recommended by the authority.

Subd. 4. **BOARD OF DIRECTORS.** (a) The authority consists of a board of seven directors. The directors shall be appointed by the Swift county board. Each director shall be appointed to serve for three years or until a successor is appointed and qualified. No director may serve more than two consecutive terms. The initial appointment of directors must be made so that no more than one-third of the directors' positions will require appointment in any one year due to fulfillment of their three-year appointment. The appointment of directors must be made to reflect representation of the entire county by population, appointing one director to represent each of the five county commissioner districts. The other two directors must be representatives of various county-based economic development organizations or be directors at-large. No more than two directors may reside in any one county commissioner district.

(b) Two of the directors initially appointed shall serve for terms of one year, two for two years, and three for three years. Each vacancy must be filled for the unexpired term in the manner in which the original appointment was made. A vacancy occurs if a director no longer resides in the county. No director shall be an officer, employee, director, shareholder, or member of any corporation, firm,

or association with which the authority has entered into any operating lease, or other agreement. The directors may be removed by the county for the reasons and in the manner provided under Minnesota Statutes, section 469.010, and shall receive no compensation other than reimbursement for expenses incurred in the performance of their duties. Directors shall have no personal liability for obligations of the authority or the methods of enforcement and collection of the obligations.

Subd. 5. **EFFECTIVE DATE.** This section is effective upon compliance by the Swift county board with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 40. **CITY OF MORRIS; TAX INCREMENT FINANCING DISTRICT.**

Subdivision 1. **AUTHORIZATION.** Notwithstanding the provisions of Minnesota Statutes, section 469.175, subdivision 4, paragraph (b), the economic development authority of the city of Morris may, within one year after the effective date of this section, enlarge the geographic area of tax increment financing district No. 5 to include a parcel identified as lot 2, block 2, Morris industrial park. The district is established under and subject to Minnesota Statutes, sections 469.174 to 469.178, except:

(1) the duration limit for the district and enlarged area is December 31, 2005; and

(2) the buildings to be constructed in the enlarged geographic area of the district may, notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 4c, include space necessary for and related to the manufacturing facility located on parcels contiguous to the district. The maximum space for nonmanufacturing uses may not exceed 40 percent of the square footage of the buildings. This test may be applied based on a two-year test period.

Subd. 2. **EFFECTIVE DATE.** This section is effective after compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 41. **CITY OF OAKDALE; TAX INCREMENT DISTRICTS.**

Subdivision 1. **DURATION.** (a) Notwithstanding Minnesota Statutes, section 469.176, subdivisions 1 and 1b, tax increments from the city of Oakdale tax increment financing district number 1-2 may be collected and expended by the authority through December 31, 2011.

(b) Notwithstanding Minnesota Statutes, section 469.176, subdivisions 1 and 1b, tax increments from the city of Oakdale tax increment financing district number 9 may be collected and expended by the authority through December 31, 2004.

Subd. 2. **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 42. **CITY OF LAKE CITY; TAX INCREMENT DISTRICT.**

Subdivision 1. **DURATION EXTENSION.** Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, the duration of tax increment financing district number 3, located within the city of Lake City, may be extended to January 1, 2002, by resolution of the governing body of Lake City.

Subd. 2. **EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 43. **CITY OF LAKEFIELD; TAX INCREMENT FINANCING DISTRICTS.**

Subdivision 1. **REDEVELOPMENT DISTRICT.** (a) The governing body of the city of Lakefield may establish a tax increment financing district that is a redevelopment district as defined in Minnesota Statutes, section 469.174, subdivision 10, for the purpose of developing the property previously used as the municipal hospital. The district is subject to Minnesota Statutes, sections 469.174 to 469.179.

(b) Notwithstanding Minnesota Statutes, section 469.177, subdivision 1, paragraph (d), for the district established under this subdivision, the original tax capacity of the previously tax exempt property comprising the municipal hospital equals the value of the land only, as determined by the assessor at the time of the transfer.

Subd. 2. **EFFECTIVE DATE.** This section is effective upon compliance by the governing body of the city of Lakefield with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 44. **CITIES OF CRYSTAL, FRIDLEY, ST. PAUL, AND MINNEAPOLIS; HOUSING REPLACEMENT DISTRICTS; DEFINITIONS.**

Subdivision 1. **CAPTURED NET TAX CAPACITY.** "Captured net tax capacity" means the amount by which the current net tax capacity in a housing replacement district exceeds the original net tax capacity, including the value of property normally taxable as personal property by reason of its location on or over property owned by a tax-exempt entity.

Subd. 2. **ORIGINAL NET TAX CAPACITY.** "Original net tax capacity" means the net tax capacity of all taxable real property within a housing replacement district as certified by the commissioner of revenue for the previous assessment year less the net tax capacity attributable to existing improvements, provided that the request by the authority for certification of a new housing replacement district has been made to the county auditor by June 30. The original net tax capacity of housing replacement districts for which requests are filed after June 30 has an original net tax capacity based on the current assessment year. In any case, the original net tax capacity must be determined together with

subsequent adjustments as set forth in Minnesota Statutes, section 469.177, subdivision 1, paragraph (c). In determining the original net tax capacity, the net tax capacity of real property exempt from taxation at the time of the request shall be zero, except for real property which is tax exempt by reason of public ownership by the requesting authority and which has been publicly owned for less than one year prior to the date of the request for certification, in which event the net tax capacity of the property shall be the net tax capacity as most recently determined by the commissioner of revenue.

Subd. 3. **PARCEL.** "Parcel" means a tract or plat of land established prior to the certification of the housing replacement district as a single unit for purposes of assessment.

Subd. 4. **AUTHORITY.** For housing replacement projects in the city of Crystal, "authority" means the Crystal economic development authority. For housing replacement projects in the city of Fridley, "authority" means the housing and redevelopment authority in and for the city of Fridley or a successor in interest. For housing replacement projects in the city of Minneapolis, "authority" means the Minneapolis community development agency. For housing replacement projects in the city of St. Paul, "authority" means the St. Paul housing and redevelopment authority.

Sec. 45. **ESTABLISHMENT OF HOUSING REPLACEMENT DISTRICTS.**

Subdivision 1. **CREATION OF PROJECTS.** (a) An authority may create a housing replacement project under sections 44 to 47, as provided in this section.

(b) For the cities of Crystal and Fridley, the authority may designate up to 50 parcels in the city to be included in a housing replacement district. No more than ten parcels may be included in year one of the district, with up to ten additional parcels added to the district in each of the following nine years. For the cities of Minneapolis and St. Paul, each authority may designate up to 100 parcels in the city to be included in a housing replacement district over the life of the district. The only parcels that may be included in a district are (1) vacant sites, (2) parcels containing vacant houses,or (3) parcels containing housesthat are structurally substandard, as defined in Minnesota Statutes, section 469.174, subdivision 10.

(c) The city in which the authority is located must pay at least 25 percent of the housing replacement project costs from its general fund, a property tax levy, or other unrestricted money, not including tax increments.

(d) The housing replacement district plan must have as it sole object the acquisition of parcels for the purpose of preparing the site to be sold for market rate housing. As used in this section, "market rate housing" means housing that has a market value that does not exceed 150 percent of the average market value of single-family housing in that municipality.

Subd. 2. **HOUSING REPLACEMENT DISTRICT PLAN.** To establish a housing replacement district under sections 44 to 47, an authority shall adopt a housing replacement district plan which contains:

(1) a statement of the objectives and a description of the housing replacement projects proposed by the authority for the housing replacement district;

(2) a statement of the housing replacement district plan, demonstrating the coordination of that plan with the city's comprehensive plan;

(3) estimates of the following:

(i) cost of the program, including administrative expenses;

(ii) sources of revenue to finance or otherwise pay public costs;

(iii) the most recent net tax capacity of taxable real property within the housing replacement district; and

(iv) the estimated captured net tax capacity of the housing replacement district at completion;

(4) statements of the authority's alternate estimates of the impact of the housing replacement district on the net tax capacities of all taxing jurisdictions in which the housing replacement district is located in whole or in part. For purposes of one statement, the municipality shall assume that the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the housing replacement district, and for purposes of the second statement, the county shall assume that none of the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the housing replacement district; and

(5) identification of all parcels to be included in the district, to the extent known at the time the original housing replacement district plan is prepared. At a minimum, the parcels that will be included in the housing replacement district during its first year must be identified in the original housing replacement district plan. If parcels for subsequent years are not specifically identified, the original housing replacement district plan must include the criteria that will be used by the authority to select parcels to be included in the later years.

Subd. 3. **PROCEDURE.** The provisions of Minnesota Statutes, section 469.175, subdivisions 3, 4, 5, and 6, apply to the establishment and operation of the housing replacement districts created under sections 44 to 47, except as follows:

(1) the determination specified in Minnesota Statutes, section 469.175, subdivision 3, clause (1), is not required; and

(2) addition of parcels not identified in the original housing replacement district plan is not treated as a modification of that plan requiring an approval

process provided that the parcels added are consistent with the criteria described in subdivision 2, clause (5).

Sec. 46. **LIMITATIONS.**

Subdivision 1. **DURATION LIMITS.** No tax increment may be paid to the authority on each parcel in a housing replacement district after 15 years from date of receipt by the county of the first tax increment from that parcel.

Subd. 2. **LIMITATION ON USE OF TAX INCREMENTS.** All revenues derived from tax increments must be used in accordance with the housing replacement district plan. The revenues must be used solely to pay the costs of site acquisition, relocation, demolition of existing structures, site preparation, and pollution abatement on parcels identified in the housing replacement district plan, as well as public improvements and administrative costs directly related to those parcels.

Sec. 47. **APPLICATION OF OTHER LAWS.**

Subdivision 1. **COMPUTATION OF TAX INCREMENT.** The provisions of Minnesota Statutes, section 469.177, subdivisions 1a, and 5 to 10, apply to the computation of tax increment for the housing replacement districts created under sections 44 to 47. The original local tax rate is the rate for the year a parcel is certified for inclusion in a housing replacement district.

Subd. 2. **OTHER PROVISIONS.** References in Minnesota Statutes to tax increment financing districts created and tax increments generated under Minnesota Statutes, sections 469.174 to 469.179, other than references in Minnesota Statutes, section 273.1399, include housing replacement districts and tax increments subject to sections 44 to 47, provided that Minnesota Statutes, sections 469.174 to 469.179, apply only to the extent specified in sections 44 to 47.

Subd. 3. **MINNEAPOLIS SPECIAL LAW.** Laws 1980, chapter 595, section 2, subdivision 2, does not apply to a district created under sections 44 to 47.

Sec. 48. **REPEALER.**

Minnesota Statutes 1994, section 469.175, subdivision 7a, is repealed.

Sec. 49. **EFFECTIVE DATE.**

Sections 1, 8, and 35, subdivision 1, are effective for special laws, if the enactment occurs on or after the enactment date of this act.

Sections 2 and 3 apply to state grants, state loans, and tax increment financing authorized on or after August 1, 1995.

Sections 4 to 6, and 48 apply to tax increment financing districts and additions of new areas to existing tax increment financing districts for which the

request for certification was made after June 30, 1994, and to all hazardous substance subdistricts, regardless of when the request for certification was made. For districts for which the tax increment financing plan was approved before July 1, 1995, the governing body of the municipality must elect, by resolution, to be covered by the section by no later than December 31, 1995.

Section 7 is effective for new tax increment financing districts for which the request for certification is made after the day following final enactment.

Sections 9, 12, 15 to 17, and 28 to 31, are effective the day following final enactment.

Section 10 is effective January 1, 1995.

Sections 13, 14, 18, and 23 to 27, are effective June 30, 1995.

Sections 19 to 21, 33, and 34 are effective January 1, 1996, and apply to all tax increment financing districts regardless of when the request for certification was made, including requests made before August 1, 1979.

Section 22 is effective the day following final enactment and applies to all tax increment financing districts for which the request for certification was made after December 31, 1988.

Section 32 is effective beginning for taxes payable in 1994.

Section 35, subdivision 2, is effective for special laws that become effective two or more days after the day following final enactment.

Sections 44 to 47 are effective for the cities of Crystal and Fridley on the day following final enactment, for the cities of Minneapolis and St. Paul on June 1, 1996, and upon compliance by the governing bodies of the local units with Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 6

STATE FINANCE

Section 1. Minnesota Statutes 1994, section 16A.152, subdivision 1, is amended to read:

Subdivision 1. **~~BUDGET~~ ~~RESERVE~~ ~~AND~~ CASH FLOW ACCOUNT ESTABLISHED.** (a) A ~~budget reserve and~~ cash flow account is created in the general fund in the state treasury. The commissioner of finance shall restrict part or all of the balance before reserves in the general fund as may be necessary to fund the ~~budget reserve and~~ cash flow account as provided by law ~~from time to time~~.

New language is indicated by underline, deletions by ~~strikeout~~.

(b) The commissioner of finance shall transfer the amount necessary to bring the total amount of the ~~budget reserve and~~ cash flow account~~, including any existing balance in the account on June 30, 1993,~~ to ~~$360,000,000~~ $350,000,000 on July 1, 1995. The amounts restricted shall remain in the account until drawn down ~~under subdivision 1 or increased under subdivision 2~~ and used to meet cash flow deficiencies resulting from uneven distribution of revenue collections and required expenditures during a fiscal year.

Sec. 2. **[16A.67] JUDGMENT BONDS.**

Subdivision 1. **AUTHORIZATION.** The commissioner of finance, upon request of the governor, is authorized to sell and issue state bonds to fund the judgment rendered against the state by the Minnesota supreme court in Cambridge State Bank et. al. v. James, 514 N.W. 2d 565, on April 1, 1994, and interest accrued thereon to fund any bond reserve determined to be necessary, and to pay costs of issuance of the bonds. The proceeds of the bonds are appropriated for these purposes. The principal amount of the bonds shall not exceed $400,000,000. The bonds shall be sold and issued upon such terms and in such manner as the commissioner shall determine to be in the best interests of the state. The final maturity of the bonds shall be not later than June 30, 2005.

Subd. 2. **SECURITY; BONDS NOT PUBLIC DEBT.** The bonds and the interest thereon shall be payable solely from and secured by the revenues appropriated and transferred to the debt service fund established for this purpose in subdivision 4 and investment income thereon, and any bond reserve established for the bonds. The bonds are not public debt, and the full faith, credit, and taxing powers of the state are not pledged for their payment. The bonds and the interest thereon shall not be paid, directly or indirectly, in whole or in part, from a tax of statewide application on any class of property, income, transaction, or privilege.

Subd. 3. **SPECIAL REVENUE FUND.** There is established in the state treasury a separate and special revenue fund for deposit of the revenues from net proceeds of the lottery in accordance with section 349A.10, subdivision 5, money received for payment or reimbursement of health care costs in accordance with section 246.18, subdivision 7, state license and service fees as defined in section 16A.6701, and investment income thereon.

Subd. 4. **DEBT SERVICE FUND.** There is established in the state treasury a separate and special debt service fund. Money transferred or appropriated to the fund and investment income thereon on hand or required to be transferred to the fund shall be used and are irrevocably appropriated for the payment of the principal of and interest on the bonds authorized in this section when due.

Subd. 5. **COVENANTS; AGREEMENTS.** The commissioner may, for and on behalf of the state, enter into such covenants and agreements not inconsistent with subdivisions 1 to 4 and sections 246.18, subdivisions 4 and 6; and 349A.10, subdivision 5, as may be necessary or desirable to facilitate the sale and issuance of the bonds on terms favorable to the state, including, but not lim-

ited to, covenants and agreements relating to the payment of and security for the bonds, tax-exemption, and disclosure of information required by federal and state securities laws. Such covenants may not include covenants to continue to operate the state lottery but may include covenants to continue to seek payment by and reimbursement from nonstate sources of health care costs so long as any bonds issued pursuant to this section are outstanding. The provisions of sections 16A.672 and 16A.675 are applicable to the bonds.

Sec. 3. **[16A.6701] DEPOSIT OF CERTAIN STATE LICENSE FEES, SERVICE FEES, AND CHARGES.**

Subdivision 1. **STATE LICENSE AND SERVICE FEES.** For purposes of section 16A.665, subdivision 3, and this section, the term "state license and service fees" means, and refers to, all license fees, service fees, and charges imposed by law and collected by any state officer, agency, or employee, which are listed below or which are defined as departmental earnings under section 16A.1285, subdivision 1, and the use of which is not otherwise restricted by law, and which are not required to be credited or transferred to a fund other than the general fund:

Minnesota Statutes 1994, sections 3.9221; 5.12; 5.14; 5.16; 5A.04; 6.58; 13.03, subdivision 10; 16A.155; 16A.48; 16A.54; 16A.72; 16B.59; 16B.70; 17A.04; 18.51, subdivision 2; 18.53; 18.54; 18C.551; 19.58; 19.64; 27.041, subdivision 2, clauses (d) and (e); 27.07, subdivision 5; 28A.08; 32.071; 32.075; 32.392; 35.71; 35.824; 35.95; 41C.12; 45.027, subdivisions 3 and 6; 46.041, subdivision 1; 46.131, subdivisions 2, 7, 8, 9, and 10; 47.101, subdivision 2; 47.54, subdivisions 1 and 4; 47.62, subdivision 4; 47.65; 48.475, subdivision 1; 48.61, subdivision 7; 48.93; 49.36, subdivision 1; 52.01; 52.203; 53.03, subdivisions 1, 5, and 6; 53.09, subdivision 1; 53A.03; 53A.05, subdivision 1; 53A.081, subdivision 3; 54.294, subdivision 1; 55.04, subdivision 2; 55.095; 56.02; 56.04; 56.10; 59A.03, subdivision 2; 59A.06, subdivision 3; 60A.14, subdivisions 1 and 2; 60A.23, subdivision 8; 60K.19, subdivision 5; 65B.48, subdivision 3; 70A.14, subdivision 4; 72B.04, subdivision 10; 79.251, subdivision 5; 80A.28, subdivisions 1, 2, 3, 4, 5, 6, 7, 7a, 8, and 9; 80C.04, subdivision 1; 80C.07; 80C.08, subdivision 1; 80C.16, subdivisions 2 and 3; 80C.18, subdivision 2; 82.20, subdivision 8 and 9; 82A.04, subdivision 1; 82A.08, subdivision 2; 82A.16, subdivisions 2 and 6; 82B.09, subdivision 1; 83.23, subdivisions 2, 3, and 4; 83.25, subdivisions 1 and 2; 83.26, subdivision 2; 83.30, subdivision 2; 83.31, subdivision 2; 83.38, subdivision 2; 85.052; 85.053; 85.055; 88.79, subdivision 2; 89.035; 89.21; 115.073; 115.77, subdivisions 1 and 2; 116.41, subdivision 2; 116C.69; 116C.712; 116J.9673; 125.08; 136C.04, subdivision 9; 155A.045; 155A.16; 168.27, subdivision 11; 168.33, subdivisions 3 and 7; 168.54; 168.67; 168.705; 168A.152; 168A.29; 169.345; 171.06, subdivision 2a; 171.29, subdivision 2; 176.102; 176.1351; 176.181, subdivision 2a; 177.30; 181A.12; 183.545; 183.57; 184.28; 184.29; 184A.09; 201.091, subdivision 5; 204B.11; 207A.02; 214.06; 216C.261; 221.0355; 239.101; 240.06; 240.07; 240.08; 240.09; 240.10; 246.51; 270.69, subdivision 2; 270A.07; 272.484; 296.06; 296.12; 296.17; 297.04; 297.33; 299C.46; 299C.62; 299K.09; 299K.095; 299L.07; 299M.04;

300.49; 318.02; 323.44, subdivision 3; 325D.415; 326.22; 326.3331; 326.47; 326.50; 326.92, subdivisions 1 and 3; 327.33; 331A.02; 332.15, subdivisions 2 and 3; 332.17; 332.22, subdivision 1; 332.33, subdivisions 3 and 4; 332.54, subdivision 7; 333.055; 333.20; 333.23; 336.9-413; 336A.04; 336A.05; 336A.09; 345.35; 345.43, subdivision 1; 345.44; 345.55, subdivision 3; 347.33; 349.151; 349.161; 349.162; 349.163; 349.164; 349.165; 349.166; 349.167; 357.08; 359.01, subdivision 3; 360.018; 360.63; 386.68; and 414.01, subdivision 11; Minnesota Statutes 1994, chapters 154; 216B; 237; 302A; 303; 308A; 317A; 322A; and 322B; Laws 1990, chapter 593; Laws 1993, chapter 254, section 7; and Laws 1994, chapter 573, section 4; Minnesota Rules, parts 1800.0500; 1950.1070; 2100.9300; 7515.0210; and 9545.2000 to 9545.2040.

Subd. 2. **FEES CREDITED TO SPECIAL REVENUE FUND.** All state license and service fees must be credited to the special revenue fund created in section 16A.67, subdivision 3. Money credited to the special revenue fund must be transferred to the debt service fund established in section 16A.67, subdivision 4, at the times and in the amounts determined by the commissioner of finance to be necessary to provide for the payment and security of bonds issued pursuant to section 16A.67. On or before the tenth day of each month, any money in the special revenue fund not required to be transferred to the debt service fund must be transferred to the general fund.

Subd. 3. **APPLICABILITY.** If any state license or service fee described in subdivision 1 is determined by the attorney general or a court of competent jurisdiction to be a tax, the provisions of subdivisions 1 and 2 no longer apply to it.

Sec. 4. Minnesota Statutes 1994, section 246.18, subdivision 4, as amended by Laws 1995, chapter 207, article 8, section 28, is amended to read:

Subd. 4. **COLLECTIONS DEPOSITED IN THE GENERAL FUND.** Except as provided in subdivisions ~~2,~~ 5, ~~and~~ 6, and 7, all receipts from collection efforts for the regional treatment centers, state nursing homes, and other state facilities as defined in section 246.50, subdivision 3, must be deposited in the general fund. The commissioner shall ensure that the departmental financial reporting systems and internal accounting procedures comply with federal standards for reimbursement for program and administrative expenditures and fulfill the purpose of this paragraph.

Sec. 5. Minnesota Statutes 1994, section 246.18, is amended by adding a subdivision to read:

Subd. 7. **USE OF CERTAIN REIMBURSEMENT FUNDS.** Except as provided in subdivisions 2, 5, and 6, and unless otherwise required by federal law, during any period in which bonds are issued and outstanding under section 16A.67, all money received from the federal government or other nonstate source for payment or reimbursement of health care costs incurred at regional treatment centers, state nursing homes, and other state facilities as defined in section 246.50, subdivision 3, must be credited to the special revenue fund cre-

ated in section 16A.67, subdivision 3. Money credited to the special revenue fund must be transferred to the debt service fund established in section 16A.67, subdivision 4, at the times and in the amounts determined by order of the commissioner of finance to be necessary to provide for the payment and security of bonds issued pursuant to section 16A.67. On or before the tenth day of each month, any money in the special revenue fund not required to be transferred to the debt service fund must be transferred to the general fund.

Sec. 6. Minnesota Statutes 1994, section 349A.10, subdivision 5, is amended to read:

Subd. 5. **DEPOSIT OF NET PROCEEDS.** Within 30 days after the end of each month, the director shall deposit in the state treasury the net proceeds of the lottery, which is the balance in the lottery fund after transfers to the lottery prize fund and credits to the lottery operations account. Of the net proceeds, 40 percent must be credited to the Minnesota environment and natural resources trust fund, and the remainder must be credited to the ~~general fund~~ special revenue fund created in section 16A.67, subdivision 3. Money created to the special revenue fund must be transferred to the debt service fund established in section 16A.67, subdivision 4, at the times and in the amounts determined by the commissioner of finance to be necessary to provide for the payment and security of bonds issued pursuant to section 16A.67. On or before the tenth day of each month, any money in the special revenue fund not required to be transferred to the debt service fund must be transferred to the general fund.

Sec. 7. **EFFECTIVE DATE.**

Sections 1 to 6 are effective July 1, 1995.

ARTICLE 7

TACONITE TAX

Section 1. Minnesota Statutes 1994, section 298.01, subdivision 4, is amended to read:

Subd. 4. **OCCUPATION TAX; IRON ORE; TACONITE CONCENTRATES.** A person engaged in the business of mining or producing of iron ore ~~or,~~ taconite concentrates or direct reduced ore in this state shall pay an occupation tax to the state of Minnesota. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), and 290.17, subdivision 4, do not apply. The tax is in addition to all other taxes.

Sec. 2. Minnesota Statutes 1994, section 298.227, is amended to read:

298.227 **TACONITE ECONOMIC DEVELOPMENT FUND.**

An amount equal to that distributed pursuant to each taconite producer's taxable production and qualifying sales under section 298.28, subdivision 9a, shall be held by the iron range resources and rehabilitation board in a separate taconite economic development fund for each taconite and direct reduced ore producer. Money from the fund for each producer shall be released only on the written authorization of a joint committee consisting of an equal number of representatives of the salaried employees and the nonsalaried production and maintenance employees of that producer. The district 33 director of the United States Steelworkers of America, on advice of each local employee president, shall select the employee members. In nonorganized operations, the employee committee shall be elected by the nonsalaried production and maintenance employees. Each producer's joint committee may authorize release of the funds held pursuant to this section only for acquisition of equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology. Funds may be released only upon a majority vote of the representatives of the committee. If a taconite production facility is sold after operations at the facility had ceased, any money remaining in the fund for the former producer may be released to the purchaser of the facility on the terms otherwise applicable to the former producer under this section. Any portion of the fund which is not released by a joint committee within two years of its deposit in the fund 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 for placement in their respective special accounts. Two-thirds of the unreleased funds shall be distributed to the taconite environmental protection fund and one-third to the northeast Minnesota economic protection trust fund. This section is effective for taxes payable in 1993 and 1994.

Sec. 3. Minnesota Statutes 1994, section 298.24, subdivision 1, is amended to read:

Subdivision 1. (a) For concentrate produced in 1992, 1993, ~~and~~ 1994, and 1995 there is imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, a tax of $2.054 per gross ton of merchantable iron ore concentrate produced therefrom.

(b) For concentrates produced in ~~1995~~ 1996 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit price deflator" for the gross national product means the implicit price deflator prepared by the bureau of economic analysis of the United States Department of Commerce.

(c) The tax shall be imposed on the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a

taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable.

(d) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of $2.054 per gross ton of merchantable iron ore concentrate produced shall be imposed.

(e) Consistent with the intent of this subdivision to impose a tax based upon the weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly determine the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite, olivine, or other basic flux additives are combined with merchantable iron ore concentrate. No subtraction from the weight of the pellets shall be allowed for binders, mineral and chemical additives other than basic flux additives, or moisture.

(f) (1) Notwithstanding any other provision of this subdivision, for ~~concentrates produced in 1994 through 1999~~ the first five years of a plant's production of direct reduced ore, the rate of the tax on direct reduced ore is determined under this paragraph. As used in this paragraph, "direct reduced ore" is ore that results in a product that has an iron content of at least 75 percent. The rate to be applied to direct reduced ore is 25 percent of the rate otherwise determined under this subdivision for the first 500,000 of taxable tons for the production year, and 50 percent of the rate otherwise determined for any remainder. If the taxpayer had no production in the two years prior to the the current production year, the tonnage eligible to be taxed at 25 percent of the rate otherwise determined under this subdivision is the first 166,667 tons. If the taxpayer had some production in the year prior to the current production year but no production in the second prior year, the tonnage eligible to be taxed at 25 percent of the rate otherwise determined under this subdivision is the first 333,333 tons.

(2) Production of direct reduced ore in this state is subject to the tax imposed by this section, but if that production is not produced by a producer of taconite or iron sulfides, the production of taconite or iron sulfides consumed in the production of direct reduced iron in this state is not subject to the tax imposed by this section on taconite or iron sulfides.

Sec. 4. Minnesota Statutes 1994, section 298.25, is amended to read:

298.25 **TAXES ADDITIONAL TO OTHER TAXES.**

The taxes imposed under section 298.24 shall be in addition to the occupation tax imposed upon the business of mining and producing iron ore. Except as herein otherwise provided, such taxes shall be in lieu of all other taxes upon such taconite ~~and~~, iron sulphides, and direct reduced ore or the lands in which they are contained, or upon the mining or quarrying thereof, or the production of concentrate or direct reduced ore therefrom, or upon the concentrate or direct

reduced ore produced, or upon the machinery, equipment, tools, supplies and buildings used in such mining, quarrying or production, or upon the lands occupied by, or used in connection with, such mining, quarrying or production facilities. If electric or steam power for the mining, transportation or concentration of such taconite ~~or the~~, concentrates or direct reduced ore produced therefrom is generated in plants principally devoted to the generation of power for such purposes, the plants in which such power is generated and all machinery, equipment, tools, supplies, transmission and distribution lines used in the generation and distribution of such power, shall be considered to be machinery, equipment, tools, supplies and buildings used in the mining, quarrying, or production of taconite ~~and~~, taconite concentrates or direct reduced ore within the meaning of this section. If part of the power generated in such a plant is used for purposes other than the mining or concentration of taconite or direct reduced ore or the transportation or loading of taconite ~~or~~, the concentrates thereof or direct reduced ore, a proportionate share of the value of such generating facilities, equal to the proportion that the power used for such other purpose bears to the generating capacity of the plant, shall be subject to the general property tax in the same manner as other property; provided, power generated in such a plant and exchanged for an equivalent amount of power which is used for the mining, transportation, or concentration of such taconite ~~or~~, concentrates or direct reduced ore produced therefrom, shall be considered as used for such purposes within the meaning of this section. Nothing herein shall prevent the assessment and taxation of the surface of reserve land containing taconite and not occupied by such facilities or used in connection therewith at the value thereof without regard to the taconite or iron sulphides therein, nor the assessment and taxation of merchantable iron ore or other minerals, or iron-bearing materials other than taconite or iron sulphides in such lands in the manner provided by law, nor the assessment and taxation of facilities used in producing sulphur or sulphur products from iron sulphide concentrates, or in refining such sulphur products, under the general property tax laws. Nothing herein shall except from general taxation or from taxation as provided by other laws any property used for residential or townsite purposes, including utility services thereto.

Sec. 5. Minnesota Statutes 1994, section 298.28, subdivision 9a, is amended to read:

Subd. 9a. **TACONITE ECONOMIC DEVELOPMENT FUND.** (a) ~~10.4 cents per ton for distributions in 1993 and~~ 15.4 cents per ton for distributions in 1994, 1995, ~~and~~ 1996, and 1997 shall be paid to the taconite economic development fund. No distribution shall be made under this paragraph in any year in which total industry production falls below 30 million tons.

(b) An amount equal to 50 percent of the tax under section 298.24 for concentrate sold in the form of pellet chips and fines not exceeding 5/16 inch in size and not including crushed pellets shall be paid to the taconite economic development fund. The amount paid shall not exceed $700,000 annually for all companies. If the initial amount to be paid to the fund exceeds this amount, each company's payment shall be prorated so the total does not exceed $700,000.

Sec. 6. Minnesota Statutes 1994, section 298.296, subdivision 4, is amended to read:

Subd. 4. **TEMPORARY LOAN AUTHORITY.** The board may recommend that up to $10,000,000 from the corpus of the trust may be used for loans as provided in this subdivision. The money would be available for loans for construction and equipping of facilities constituting (1) a value added iron products plant, which may be either a new plant or a facility incorporated into an existing plant that produces iron upgraded to a minimum of 75 percent iron content or any iron alloy with a total minimum metallic content of 90 percent; or (2) a new mine or minerals processing plant for any mineral subject to the net proceeds tax imposed under section 298.015. A loan under this subdivision may not exceed $5,000,000 for any facility. The authority to make loans under this subdivision terminates December 31, ~~1995~~ 1997.

Sec. 7. **EFFECTIVE DATE.**

This article is effective for production years beginning after December 31, 1994.

ARTICLE 8

AIDS TO LOCAL GOVERNMENTS

Section 1. Minnesota Statutes 1994, section 465.795, subdivision 7, is amended to read:

Subd. 7. **SCOPE.** As used in sections 465.795 to 465.799 and sections 465.801 to ~~465.87~~ 465.88, the terms defined in this section have the meanings given them.

Sec. 2. Minnesota Statutes 1994, section 465.796, subdivision 2, is amended to read:

Subd. 2. **DUTIES OF BOARD.** The board shall:

(1) accept applications from local government units for waivers of administrative rules and temporary, limited exemptions from enforcement of procedural requirements in state law as provided in section 465.797, and determine whether to approve, modify, or reject the application;

(2) accept applications for grants to local government units and related organizations proposing to design models or plans for innovative service delivery and management as provided in section 465.798 and determine whether to approve, modify, or reject the application;

(3) accept applications from local government units for financial assistance to enable them to plan for cooperative efforts as provided in section 465.799, and determine whether to approve, modify, or reject the application;

(4) accept applications from eligible local government units for service-sharing grants as provided in section 465.801, and determine whether to approve, modify, or reject the application;

(5) accept applications from counties, cities, and towns proposing to combine under sections 465.81 to ~~465.87~~ 465.88, and determine whether to approve or disapprove the application; ~~and~~

(6) make recommendations to the legislature for the authorization of pilot projects for the implementation of innovative service delivery activities that require statutory authorization;

(7) make recommendations to the legislature regarding the elimination of state mandates that inhibit local government efficiency, innovation, and cooperation~~.~~ by prescribing specific processes for achieving a desired outcome;

(8) investigate and review the role of unfunded state mandates in intergovernmental relations and assess their impact on state and local government objectives and responsibilities;

(9) make recommendations to the governor and the legislature regarding:

(i) allowing flexibility for local units of government in complying with specific unfunded state mandates for which terms of compliance are unnecessarily rigid or complex;

(ii) reconciling any two or more unfunded state mandates that impose contradictory or inconsistent requirements;

(iii) terminating unfunded state mandates that are duplicative, obsolete, or lacking in practical utility;

(iv) suspending, on a temporary basis, unfunded state mandates that are not vital to public health and safety and that compound the fiscal difficulties of local units of government, including recommendations for initiating the suspensions;

(v) consolidating or simplifying unfunded state mandates or the planning or reporting requirements of the mandates, in order to reduce duplication and facilitate compliance by local units of government with those mandates; and

(vi) establishing common state definitions or standards to be used by local units of government in complying with unfunded state mandates that use different definitions or standards for the same terms or principles; and

(10) identify relevant unfunded state mandates.

The duties imposed under clauses (8) to (10) shall be performed to the extent possible given existing resources. Each recommendation under clause (9) shall, to the extent practicable, identify the specific unfunded state mandates to which the recommendation applies. The commissioners or directors of state

agencies responsible for the promulgation or enforcement of the unfunded mandates addressed in clauses (7) to (10) shall assign staff to assist the board in carrying out the board's duties under this section.

~~The board may purchase services from the metropolitan council in reviewing requests for waivers and grant applications.~~

Sec. 3. Minnesota Statutes 1994, section 465.797, subdivision 5, is amended to read:

Subd. 5. **CONDITIONS OF AGREEMENTS.** (a) If the board grants a request for a waiver or exemption, the board and the local government unit shall enter into an agreement providing for the delivery of the service or program that is the subject of the application. The agreement must specify desired outcomes and the means of measurement by which the board will determine whether the outcomes specified in the agreement have been met. The agreement must specify the duration of the waiver or exemption~~, which~~. The duration of a waiver from an administrative rule may be for no less than two years and no more than four years, subject to renewal if both parties agree. An exemption from enforcement of a law terminates ten days after adjournment of the regular legislative session held during the calendar year following the year when the exemption is granted, unless the legislature has acted to extend or make permanent the exemption.

(b) If the board grants a waiver or exemption, it must report the waiver or exemption to the legislature, including the chairs of the governmental operations and appropriate policy committees in the house and senate, and the governor within 30 days.

(c) The board may reconsider or renegotiate the agreement if the rule or law affected by the waiver or exemption is amended or repealed during the term of the original agreement. A waiver of a rule under this section has the effect of a variance granted by an agency under section 14.05, subdivision 4. A local unit of government that is granted an exemption from enforcement of a procedural requirement in state law under this section is exempt from that law for the duration of the exemption. The board may require periodic reports from the local government unit, or conduct investigations of the service or program.

Sec. 4. Minnesota Statutes 1994, section 465.798, is amended to read:

465.798 **SERVICE BUDGET MANAGEMENT MODEL GRANTS.**

One or more local units of governments, an association of local governments, the metropolitan council, a local unit of government acting in conjunction with an organization or a state agency, or an organization established by two or more local units of government under a joint powers agreement may apply to the board of government innovation and management for a grant to be used to develop models for innovative service budget management. The application to the board must state what other sources of funding have been considered by the local units of government to implement the project and explain why it is

not possible to complete the project without assistance from the board. The board may not award a grant if it determines that the local units of government could complete the project without board assistance. A copy of the application must be provided by the units to the exclusive representatives certified under section 179A.12 to represent employees who provide the service or program affected by the application.

Proposed models may provide options to local governments, neighborhood or community organizations, or individuals for managing budgets for service delivery. A copy of the work product for which the grant was provided must be furnished to the board upon completion, and the board may disseminate it to other local units of government or interested groups. If the board finds that the model was not completed or implemented according to the terms of the grant agreement, it may require the grantee to repay all or a portion of the grant. The board shall award grants on the basis of each qualified applicant's score under the scoring system in section 465.802. The amount of a grant under this section may not exceed $50,000.

Sec. 5. Minnesota Statutes 1994, section 465.799, is amended to read:

465.799 **COOPERATION PLANNING GRANTS.**

Two or more local government units; an association of local governments; a local unit of government acting in conjunction with the metropolitan council, an organization, or a state agency; or an organization formed by two or more local units of government under a joint powers agreement may apply to the board of government innovation and cooperation for a grant to be used to develop a plan for intergovernmental cooperation in providing services. The application to the board must state what other sources of funding have been considered by the local units of government to implement the project and explain why it is not possible to complete the project without assistance from the board. The board may not award a grant if it determines that the local units of government could complete the project without board assistance. A copy of the application must be submitted by the applicants to the exclusive representatives certified under section 179A.12 to represent employees who provide the service or program affected by the application.

The plan may include model contracts or agreements to be used to implement the plan. A copy of the work product for which the grant was provided must be furnished to the board upon completion, and the board may disseminate it to other local units of government or interested groups. If the board finds that the grantee has failed to implement the plan according to the terms of the agreement, it may require the grantee to repay all or a portion of the grant. The board shall award grants on the basis of each qualified applicant's score under the scoring system in section 465.802. The amount of a grant under this section may not exceed $50,000.

Sec. 6. Minnesota Statutes 1994, section 465.801, is amended to read:

465.801 **SERVICE SHARING GRANTS.**

Two or more local units of government; an association of local governments; a local unit of government acting in conjunction with the metropolitan council, an organization, or a state agency; or an organization established by two or more local units of government under a joint powers agreement may apply to the board of government innovation and cooperation for a grant to be used to meet the start-up costs of providing shared services or functions. Agreements solely to make joint purchases are not sufficient to qualify under this section. The application to the board must state what other sources of funding have been considered by the local units of government to implement the project and explain why it is not possible to complete the project without assistance from the board. The board may not award a grant if it determines that the local units of government could complete the project without board assistance. A copy of the application must be provided by the applicants to the exclusive representatives certified under section 179A.12 to represent employees who provide the service or program affected by the application.

The proposal must include plans fully to integrate a service or function provided by two or more local government units. A copy of the work product for which the grant was provided must be furnished to the board upon completion, and the board may disseminate it to other local units of government or interested groups. If the board finds that the grantee has failed to implement the plan according to the terms of the agreement, it may require the grantee to repay all or a portion of the grant. The board shall award grants on the basis of each qualified applicant's score under the scoring system in section 465.802. The amount of a grant under this section may not exceed $100,000.

Sec. 7. Minnesota Statutes 1994, section 465.81, subdivision 1, is amended to read:

Subdivision 1. **SCOPE.** Sections 465.81 to 465.87 establish procedures to be used by counties, cities, or towns that adopt by resolution an agreement providing a plan to provide combined services during an initial ~~two-year~~ cooperation period that may not exceed two years and then to merge into a single unit of government over the succeeding two-year period.

Sec. 8. Minnesota Statutes 1994, section 465.82, subdivision 2, is amended to read:

Subd. 2. **CONTENTS OF PLAN.** The plan ~~shall~~ must state:

(1) the specific cooperative activities the units will engage in during the first two years of the venture;

(2) the steps to be taken to effect the merger of the governmental units, ~~beginning in the third year of the process,~~ with completion no later than four years after the process begins;

(3) the steps by which a single governing body will be created. ~~Notwithstanding any other law to the contrary, all current members of the governing bodies of the local government units that propose to combine under sections 465.81 to 465.87 may serve on the initial governing body of the combined unit, until a gradual reduction in membership is achieved by foregoing election of new members when terms expire until the number permitted by other law is reached~~;

(4) changes in services provided, facilities used, administrative operations and staffing to effect the preliminary cooperative activities and the final merger and a two-, five-, and ten-year projection of expenditures for each unit if it combined and if it remained separate;

(5) treatment of employees of the merging governmental units, specifically including provisions for reassigning employees, dealing with unions, and providing financial incentives to encourage early retirements;

(6) financial arrangements for the merger, specifically including responsibility for debt service on outstanding obligations of the merging entities;

(7) ~~two, five, and ten-year projections prepared by the department of revenue at the request of the local government unit, of revenues, expenditures, and property taxes for each unit if it combined and if it remained separate~~ one- and two-year impact analysis, prepared by the granting state agency at the request of the local government unit, of major state aid revenues received for each unit if it combined and if it remained separate. This would also include an impact analysis, prepared by the department of revenue, of property tax revenue implications, if any, associated with tax increment financing districts and fiscal disparities resulting from the merger;

(8) procedures for a referendum to be held ~~prior to the year of~~ before the proposed combination to approve combining the local government units, specifically stating whether a majority of those voting in each district proposed for combination or a majority of those voting on the question in the entire area proposed for combination would be needed to pass the referendum; and

(9) a time schedule for implementation.

Notwithstanding clause (3) or any other law to the contrary, all current members of the governing bodies of the local governmental units that propose to combine under sections 465.81 to 465.88 may serve on the initial governing body of the combined unit until a gradual reduction in membership is achieved by foregoing election of new members when terms expire until the number permitted by other law is reached.

Sec. 9. Minnesota Statutes 1994, section 465.84, is amended to read:

465.84 **REFERENDUM.**

During the first or second year of cooperation, and after approval of the

plan by the ~~department~~ board under section 465.83, a referendum on the question of combination ~~shall~~ must be conducted. The referendum ~~shall~~ must be on a date called by the governing bodies of the units that propose to combine. The referendum ~~shall~~ must be conducted according to the Minnesota election law, as defined in section 200.01. If the referendum fails, the same question or a modified question may be submitted the following year. If the referendum fails again, the same question may not be submitted. Referendums shall be conducted on the same date in all local government units.

Sec. 10. Minnesota Statutes 1994, section 465.85, is amended to read:

465.85 **COUNTY AUDITOR TO PREPARE PLAT.**

Upon the request of two or more local government units that have adopted a resolution to cooperate and combine, the county auditor shall prepare a plat. If the proposed combined local government unit is located in more than one county, the request ~~shall~~ must be submitted to the county auditor of the county that has the greatest land area in the proposed district. The plat must show:

(1) the boundaries of each of the present units;

(2) the boundaries of the proposed unit;

(3) the boundaries of proposed election districts, if requested; and

(4) other information deemed pertinent by the governing bodies or the county auditor.

Sec. 11. Minnesota Statutes 1994, section 465.87, is amended to read:

465.87 **AIDS TO COOPERATING AND COMBINING UNITS.**

Subdivision 1. **ELIGIBILITY.** A local government unit is eligible to apply for aid under this section if the board has approved its plan to cooperate and combine under section 465.83.

Subd. 1a. **ADDITIONAL ELIGIBILITY.** A local government unit is eligible to apply for aid under this section if it has combined with another unit of government in accordance with any process within chapter 414 that results in the elimination of at least one local government unit and a copy of the municipal board's order combining the two units of government is forwarded to the board. If two units of government cooperate in the orderly annexation of the entire area of a third unit of government which has a population of at least 8,000 people, the two units of government are each eligible for the amount of aid specified in subdivision 2.

Subd. 1b. **APPLICATION PROCEDURES.** A local government unit covered by subdivision 1 may submit an application to the board along with the final plan for cooperation and combination required by section 465.83. A local government unit covered by subdivision 1a may submit an application to the

board after the issuance of the municipal board's order combining the two units of government. The application must be on a form prescribed by the board and must specify the total amount of aid requested up to the maximum authorized by subdivision 2. The application must also include a detailed explanation of the need for the aid and provide a budget indicating how the requested aid would be used.

Subd. 1c. **AID AWARD.** The board may grant or deny an application for aid made by a local government unit under subdivision 1b. The board may also grant aid to an applicant in an amount that is less than the amount requested by the applicant. The board shall base its decision on the following criteria:

(1) whether the local government unit has adequately demonstrated that the requested aid is essential to accomplishing the proposed combination;

(2) whether the activities to be funded by the requested aid are directly related to the combination;

(3) whether other sources of funding for the activities identified in the application, including short-term cost savings, are available to the applicant as a direct result of the combination; and

(4) whether there are competing needs for the funding available to the board that would provide a greater public benefit than would be realized by the combination or activities described in the application.

The board may award money to an applicant for a period not to exceed four years. Any funding awarded for a period beyond the biennium in which an award is made, however, is contingent on future appropriations to the board.

Subd. 2. **AMOUNT OF AID.** The annual amount of aid to be paid to each eligible local government unit ~~is equal to~~ may not exceed the following per capita amounts, based on the combined population of the units, ~~not to exceed $100,000 per year for any unit~~ as estimated by the state demographer, or $100,000, whichever is less.

Combined Population after Combination	Aid Per Capita
0 - 2,500	$25
2,500 - 5,000	20
5,000 - 20,000	15
over 20,000	10

Payments ~~shall~~ must be made on the dates provided for payments of local government aid under section 477A.013, beginning in the year during which substantial cooperative activities under the plan initially occur, unless those activities begin after July 1, in which case the initial aid payment ~~shall~~ must be made in the following calendar year. Payments to a local government unit that qualifies for aid under subdivision 1a must be made on the dates provided for payments of local government aids under section 477A.013, beginning in the

calendar year during which a combination in any form is expected to be ordered by the Minnesota municipal board as evidenced in a resolution adopted by July 1 by the affected local government units declaring their intent to combine. The resolutions must certify that the combination agreement addressing all issues relative to the combination is substantially complete. The total amount of aid paid may not exceed the amount appropriated to the board for purposes of this section.

Subd. 3. **TERMINATION OF AID; RECAPTURE.** If a second referendum under section 465.84 fails, or if an initial referendum fails and the governing body does not schedule a second referendum within one year after the first has failed, or if one or more of the local government units that proposed to combine terminates its participation in the cooperation or combination, no additional aid ~~will~~ may be paid under this section. The amount previously paid under this section to a unit must be repaid if the governing body of the unit acts to terminate its current level of participation in the plan. The amount previously paid to the unit must be repaid in annual installments equal to the total amount paid to the unit for all years under ~~subdivision~~ subdivisions 1c and 2, divided by the number of years when payments were made.

Sec. 12. **[465.88] PLANNING AID FOR CONSOLIDATION STUDIES.**

Two local units of government with a combined population of 2,500 or less based on the most recent decennial census may apply to the board for aid to assist in the study of a possible consolidation or combination. To be eligible for receipt of aid under this section, the two local units of government must be subject to a municipal board motion to form a consolidation commission under section 414.041, subdivision 2, or the governing bodies of the local units of government must have approved a resolution expressing their intent to develop and submit a combination plan for consideration by the board. The application must be on a form prescribed by the board and must provide a proposed budget detailing how the requested aid shall be used. The governing bodies of the local units of government must also approve resolutions certifying that the requested aid is essential for paying a portion of the costs associated with the consolidation or combination study. The board may grant up to $10,000 in aid for each application received.

Sec. 13. Minnesota Statutes 1994, section 477A.011, subdivision 36, is amended to read:

Subd. 36. **CITY AID BASE.** (a) Except as provided in paragraphs (b) and (c), "city aid base" means, for each city, the sum of the local government aid and equalization aid it was originally certified to receive in calendar year 1993 under Minnesota Statutes 1992, section 477A.013, subdivisions 3 and 5, and the amount of disparity reduction aid it received in calendar year 1993 under Minnesota Statutes 1992, section 273.1398, subdivision 3.

(b) For aids payable in 1996 and thereafter, a city that in 1992 or 1993 transferred an amount from governmental funds to its sewer and water fund,

which amount exceeded its net levy for taxes payable in the year in which the transfer occurred, has a "city aid base" equal to the sum of (i) its city aid base, as calculated under paragraph (a), and (ii) one-half of the difference between its city aid distribution under section 477A.013, subdivision 9, for aids payable in 1995 and its city aid base for aids payable in 1995.

(c) The city aid base for any city with a population less than 500 is increased by $40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $40,000 for aids payable in calendar year 1995 only, provided that:

(i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;

(ii) the city portion of the tax capacity rate exceeds 100 percent; and

(iii) its city aid base is less than $60 per capita.

Sec. 14. Minnesota Statutes 1994, section 477A.0121, subdivision 4, is amended to read:

Subd. 4. **PUBLIC DEFENDER COSTS.** Each calendar year, ~~four~~ two percent of the total appropriation for this section shall be retained by the commissioner of revenue to make reimbursements to the commissioner of finance for payments made under section 611.27. The reimbursements shall be to defray the additional costs associated with court-ordered counsel under section 611.27. Any retained amounts not used for reimbursement in a year shall be included in the next distribution of county criminal justice aid that is certified to the county auditors for the purpose of property tax reduction for the next taxes payable year.

Sec. 15. Minnesota Statutes 1994, section 477A.0132, is amended to read:

477A.0132 **AID REDUCTIONS TO LOCAL GOVERNMENTS.**

Subdivision 1. **AFFECTED LOCAL GOVERNMENTS.** The following ~~permanent and nonpermanent~~ reductions shall be made in aids paid to the following local units of government:

(a) For aids payable in ~~1992~~ 1996, there shall be a ~~permanent~~ nonpermanent reduction in aids to counties, cities, towns, and special taxing districts of ~~$86,000,000. For purposes of this reduction, hospital districts are not considered special taxing districts~~ $16,000,000, provided that section 25, subdivision 1, is enacted; otherwise the reduction is $14,000,000.

(b) Aid reductions required under section 16A.711, subdivision 5, shall be nonpermanent reductions in aids to counties, cities, towns, and special taxing districts equal to the difference between the aid amounts certified to be paid and the amount of the appropriation to pay the aids.

(c) For aids payable in 1996 there shall be a permanent reduction in aids to counties of $10,000,000, provided that section 16 is enacted.

Subd. 2. **CALCULATION OF AID REDUCTION.** The aid reduction to each local government as provided under subdivision 1 will be equal to the product of the reduction percentage and its reduction base. The reduction base is defined as the following:

(a) For subdivision 1, clause (a), the reduction base is equal to the adjusted revenue base for ~~1992~~ 1996.

(b) For subdivision 1, clause (b), the reduction base is equal to the adjusted revenue base for the year in which the aid payment is to be made.

(c) For subdivision 1, clause (c), the reduction base is a county's aid in calendar year 1996 under section 477A.0121.

Reductions under subdivisions 1, paragraph (a), and 2, paragraph (a), to any individual county, city, or town are limited to an amount equal to 0.45 percent of the unit's 1994 adjusted net tax capacity. For this subdivision, "adjusted net tax capacity" means the political subdivision's net tax capacity calculated using the method for calculating city net tax capacity under section 477A.011, subdivision 20.

Subd. 3. **ORDER OF AID REDUCTIONS.** (a) The aid reduction to a local government calculated under subdivisions 1, paragraphs (a) and (c), and 2, paragraphs (a) and (c), is applied to homestead and agricultural credit aid under section 273.1398 only.

(b) The aid reduction to a local government as calculated under other paragraphs of subdivisions 1 and 2, is first applied to its local government aid under sections 477A.012 and 477A.013 excluding aid under section 477A.013, subdivision 5; then, if necessary, to its equalization aid under section 477A.013, subdivision 5; then if necessary, to its homestead and agricultural credit aid under section 273.1398, subdivision 2; and then, if necessary, to its disparity reduction aid under section 273.1398, subdivision 3. No aid payment may be less than $0. Aid reductions under this section in any given year shall be divided equally between the July and December aid payments unless specified otherwise.

Sec. 16. Minnesota Statutes 1994, section 477A.03, subdivision 2, is amended to read:

Subd. 2. **ANNUAL APPROPRIATION.** A sum sufficient to discharge the duties imposed by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the commissioner of revenue. For aids payable in 1996 and thereafter, the total aids paid under sections 477A.013, subdivision 9, ~~477A.0121,~~ and 477A.0122 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3. Aid payments to counties under section 477A.0121 are limited to $20,265,000 in 1996. For aid

payable in 1997 and thereafter, the total aids paid under section 477A.0121 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

Sec. 17. Laws 1994, chapter 587, article 3, section 21, is amended to read:

Sec. 21. **REPEALER.**

(a) Minnesota Statutes 1992, sections 3.862 and 477A.012, subdivision 6 are repealed.

(b) Minnesota Statutes 1992, sections 16A.711, 273.1381, and 273.1398, subdivision 7, ~~and 477A.0132, as amended by Laws 1994, chapter 416, article 1, section 60;~~ and Minnesota Statutes 1993 Supplement, sections 16A.712, 256E.06, subdivision 12, 273.166, subdivision 4, 290A.23, subdivision 2, 477A.03, subdivision 1, and Laws 1973, chapter 650, article 24, section 6, as amended by Laws 1974, chapter 257, section 4 are repealed.

Sec. 18. **AID ADJUSTMENT.**

Homestead and agricultural credit aid under Minnesota Statutes, section 273.1398, subdivisions 2 and 8, for any statutory city incorporated after January 1, 1975, which is located in a county containing a city of the first class which is not a metropolitan county under Minnesota Statutes, section 473.121, subdivision 4, shall be permanently increased by $200,000, beginning with aids payable in 1996.

Sec. 19. **HACA REDUCTION; HENNEPIN COUNTY COURT EMPLOYEES.**

Subdivision 1. **HACA REDUCTION.** There shall be deducted from the homestead and agricultural credit aid payments to Hennepin county under Minnesota Statutes, section 273.1398, an amount equal to $180,000, which represents the cost to the state for the assumption of two Hennepin county staff attorneys whose job functions are that of court referees and whose positions should have been transferred to the state as part of the court takeover in Laws 1989, First Special Session chapter 1, article 4. One-half of the total amount shall be deducted from each of the aid payments made in 1995 to Hennepin county under Minnesota Statutes, section 273.1398. The amount of reduction made under this section shall be a permanent aid reduction.

Subd. 2. **EFFECTIVE DATE.** Subdivision 1 is effective for aid payments made to Hennepin county in 1995 provided, however, that the aid reduction made under subdivision 1 is contingent upon enactment of a law in 1995 which (i) transfers the Hennepin county positions, and (ii) provides from the general fund a funding to the state supreme court for the positions.

Sec. 20. **HACA ADJUSTMENT; DAKOTA COUNTY.**

Subdivision 1. **HACA ADJUSTMENT.** The homestead and agricultural

credit aid offset for the 1996 public defender costs for Dakota county shall be changed from the $644,000 amount as contained in Minnesota Statutes 1994, section 477A.012, subdivision 7, paragraph (b), to a corrected amount of $492,000. The $152,000 adjustment results from an incorrect estimate of Dakota county's public defender costs which were transferred to the state under Laws 1994, chapter 636, article 11, section 1. The adjustment amount of $152,000 provided for under this section is a permanent aid increase to Dakota county made under Minnesota Statutes, section 273.1398, subdivision 2.

Subd. 2. **EFFECTIVE DATE.** Subdivision 1 is effective for homestead and agricultural credit aid paid to Dakota county beginning in calendar year 1996 and subsequent years.

Sec. 21. **HACA ADJUSTMENT; ANOKA COUNTY.**

Subdivision 1. **HACA ADJUSTMENT.** The homestead and agricultural credit aid offset for the 1996 public defender costs for Anoka county shall be changed from the $634,000 amount as contained in Minnesota Statutes 1994, section 477A.012, subdivision 7, paragraph (b), to a corrected amount of $472,000. The $162,000 adjustment results from an incorrect estimate of Anoka county's public defender costs which were transferred to the state under Laws 1994, chapter 636, article 11, section 1. The adjustment amount of $162,000 provided for under this section is a permanent aid increase to Anoka county made under Minnesota Statutes, section 273.1398, subdivision 2.

Subd. 2. **EFFECTIVE DATE.** Subdivision 1 is effective for homestead and agricultural credit aid paid to Anoka county beginning in calendar year 1996 and subsequent years.

Sec. 22. **STUDY OF LOCAL GOVERNMENT AID DISTRIBUTION PROGRAMS AND GOVERNMENT SERVICE DELIVERY.**

By July 1, 1995, the legislative commission on planning and fiscal policy or its successor entity shall establish a subcommittee to study: (1) alternative methods of distributing general purpose aids to units of local governments; and (2) approaches to maximizing the efficiency and effectiveness of local government service delivery. For purposes of the study, each home rule charter or statutory city and county shall provide the subcommittee with information and analysis as requested by the subcommittee. The subcommittee shall notify each city and county that is required to submit information no later than 60 days before the report is due. If a city or county fails to submit when due a report that satisfies the subcommittee, the subcommittee may recommend that the legislature impose a financial penalty on the city or county.

By February 1, 1996, the subcommittee shall report the findings of the study to the legislative commission on planning and fiscal policy or its successor entity and to the chairs of the house and senate tax committees, along with recommendations for reforms in aid distribution and government service delivery systems.

Sec. 23. **REPORT ON UNFUNDED STATE MANDATES.**

The board of government innovation and cooperation shall prepare and distribute a report to the governor and legislature by January 15, 1996, containing recommended legislation to accomplish the goals of Minnesota Statutes, section 465.796, subdivision 2, clauses (8) to (10).

Sec. 24. **STUDY ON CONSOLIDATING COUNTIES AND RATIONALIZING OTHER INTERNAL BOUNDARIES.**

The board of government innovation and cooperation shall study, to the extent possible given available resources, the feasibility of consolidating counties in the state. As part of the study, the board shall consider conforming county boundaries to other existing physical or organizational boundaries including, among others, state judicial districts, and shall consider the economic implications that may result from the consolidation.

The study shall also include a consideration of the rationalization of other internal boundaries of the state such as highway maintenance and regional economic districts.

The board shall report on the study to the appropriate committees of the legislature by January 15, 1997.

Sec. 25. **APPROPRIATION.**

Subdivision 1. $2,000,000 is appropriated to the board of government innovation and cooperation from the general fund, with $1,000,000 to be available for fiscal year 1996 and $1,000,000 to be available for fiscal year 1997. At least 50 percent of the amount appropriated must be used to provide aids to cooperating and combining local government units under Minnesota Statutes, section 465.87. Any amount of the appropriation to the board of government innovation and cooperation under Laws 1993, chapter 375, article 15, section 15, that is unexpended on June 30, 1995, shall remain available for expenditure by the board until June 30, 1997.

Subd. 2. An amount sufficient to pay the additional aid under section 13, paragraph (c), in calendar year 1995 is appropriated from the local government trust fund to the commissioner of revenue.

Sec. 26. **EFFECTIVE DATES.**

Section 13 is effective for aids payable in 1995 and thereafter.

Sections 14 to 16, and 18 are effective for aids payable in 1996.

Section 17 is effective the day after final enactment.

Sections 22 and 25 are effective July 1, 1995.

ARTICLE 9

MISCELLANEOUS

Section 1. Minnesota Statutes 1994, section 14.61, is amended to read:

14.61 **AGENCY DECISION IN CONTESTED CASE.**

In all contested cases the decision of the officials of the agency who are to render the final decision shall not be made until the report of the administrative law judge as required by sections 14.48 to 14.56, has been made available to parties to the proceeding for at least ten days and an opportunity has been afforded to each party adversely affected to file exceptions and present argument to a majority of the officials who are to render the decision. This section does not apply to a contested case under which the report or order of the administrative law judge constitutes the final decision in the case.

Sec. 2. Minnesota Statutes 1994, section 14.62, is amended by adding a subdivision to read:

Subd. 4. **APPLICABILITY.** This section does not apply to a contested case under which the report or order of the administrative law judge constitutes the final decision in the case.

Sec. 3. Minnesota Statutes 1994, section 60A.15, subdivision 1, is amended to read:

Subdivision 1. **DOMESTIC AND FOREIGN COMPANIES.** (a) On or before April 1, June 1, and December 1 of each year, every domestic and foreign company, including town and farmers' mutual insurance companies, domestic mutual insurance companies, marine insurance companies, health maintenance organizations, integrated service networks, community integrated service networks, and nonprofit health service plan corporations, shall pay to the commissioner of revenue installments equal to one-third of the insurer's total estimated tax for the current year. Except as provided in paragraphs ~~(b)~~ (d) and (e), installments must be based on a sum equal to two percent of the premiums described in paragraph ~~(c)~~ (b).

(b) ~~For town and farmers' mutual insurance companies and mutual property and casualty insurance companies other than those (i) writing life insurance, or (ii) whose total assets on December 31, 1989, exceeded $1,600,000,000, the installments must be based on an amount equal to the following percentages of the premiums described in paragraph (c):~~

~~(1) for premiums paid after December 31, 1988, and before January 1, 1992, one percent; and~~

~~(2) for premiums paid after December 31, 1991, one-half of one percent.~~

~~(c)~~ Installments under paragraph (a), ~~(b)~~ (d), or (e) are percentages of gross

premiums less return premiums on all direct business received by the insurer in this state, or by its agents for it, in cash or otherwise, during such year.

~~(d)~~ (c) Failure of a company to make payments of at least one-third of either (1) the total tax paid during the previous calendar year or (2) 80 percent of the actual tax for the current calendar year shall subject the company to the penalty and interest provided in this section, unless the total tax for the current tax year is $500 or less.

~~(e)~~ (d) For health maintenance organizations, nonprofit health services plan corporations, integrated service networks, and community integrated service networks, the installments must be based on an amount equal to one percent of premiums described in paragraph ~~(c)~~ (b) that are paid after December 31, 1995.

(e) For purposes of computing installments for town and farmers' mutual insurance companies and for mutual property casualty companies with total assets on December 31, 1989, of $1,600,000,000 or less, the following rates apply:

(1) for all life insurance, two percent;

(2) for town and farmers' mutual insurance companies and for mutual property and casualty companies with total assets of $5,000,000 or less, on all other coverages, one percent; and

(3) for mutual property and casualty companies with total assets on December 31, 1989, of $1,600,000,000 or less, on all other coverages, 1.26 percent.

(f) Premiums under medical assistance, the MinnesotaCare program, and the Minnesota comprehensive health insurance plan are not subject to tax under this section.

Sec. 4. Minnesota Statutes 1994, section 69.021, subdivision 2, is amended to read:

Subd. 2. **REPORT OF PREMIUMS.** Each insurer, including township and farmers mutual insurers where applicable, shall return to the commissioner with its annual financial statement the reports described in subdivision 1 certified by its secretary and president or chief financial officer. The Minnesota Firetown Premium Report shall contain a true and accurate statement of the total premium for all gross direct fire, lightning, sprinkler leakage, and extended coverage insurance of all domestic mutual insurers and the total premiums for all gross direct fire, lightning, sprinkler leakage and extended coverage insurance of all other insurers, less return premiums and dividends received by them on that business written or done during the preceding calendar year upon property located within the state or brought into the state for temporary use. The fire and extended coverage portion of multiperil and multiple peril package premiums and all other combination premiums shall be determined by applying percentages determined by the commissioner or by rating bureaus recognized by the

commissioner. The Minnesota Aid to Police Premium Report shall contain a true and accurate statement of the total premiums, less return premiums and dividends, on all direct business received by such insurer in this state, or by its agents for it, in cash or otherwise, during the preceding calendar year, with reference to insurance written for perils described in section 69.011, subdivision 1, clause (f)~~, except that domestic mutual insurance companies must not file a report~~.

Sec. 5. Minnesota Statutes 1994, section 69.021, subdivision 5, is amended to read:

Subd. 5. **CALCULATION OF STATE AID.** (a) The amount of fire state aid available for apportionment shall be ~~two~~ equal to 107 percent of the amount of premium taxes paid to the state upon the fire, lightning, sprinkler leakage, and extended coverage premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report. This amount shall be reduced by the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations.

(b) The total amount for apportionment in respect to peace officer state aid is equal to 104 percent of the amount of premium taxes paid to the state upon the premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report, plus the payment amounts received under section 60A.152 since the last aid apportionment, and reduced by the amount required to pay the state auditor's costs and expenses of the audits or exams of the police relief associations. The total amount for apportionment in respect to firefighters state aid shall not be ~~greater or lesser~~ less than ~~the amount of premium taxes paid to the state upon~~ two percent of the premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report after subtracting (1) the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations, and (2) one percent of the premiums reported by town and farmers' mutual insurance companies and mutual property and casualty companies with total assets of $5,000,000 or less. The total amount for apportionment in respect to the police state aid program shall not be less than two percent of the amount of premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report after subtracting the amount required to pay the state auditor's cost and expenses of the audits or exams of the police relief associations. The commissioner shall calculate the percentage of increase or decrease reflected in the apportionment over or under the previous year's available state aid using the same premiums as a basis for comparison.

Sec. 6. Minnesota Statutes 1994, section 270A.07, subdivision 2, is amended to read:

Subd. 2. **SETOFF PROCEDURES.** (a) The commissioner, upon receipt of notification, shall initiate procedures to detect any refunds otherwise payable to the debtor. When the commissioner determines that a refund is due to a debtor

whose debt was submitted by a claimant agency, the commissioner shall first deduct the fee in subdivision 1 and then remit the refund or the amount claimed, whichever is less, to the agency. In transferring or remitting moneys to the claimant agency, the commissioner shall provide information indicating the amount applied against each debtor's obligation and the debtor's address listed on the tax return.

(b) The commissioner shall remit to the debtor the amount of any refund due in excess of the debt submitted for setoff by the claimant agency. Notice of the amount setoff and address of the claimant agency shall accompany any disbursement to the debtor of the balance of a refund. The notice shall also advise the debtor of the right to contest the validity of the claim, other than a claim based upon child support under section 518.171, 518.54, 518.551, or chapter 518C at a hearing, subject to the restrictions in this paragraph. The debtor must assert this right by written request to the claimant agency, which request the claimant agency must receive within 45 days of the date of the notice. This right does not apply to (1) issues relating to the validity of the claim that have been previously raised at a hearing under this section or section 270A.09; (2) issues relating to the validity of the claim that were not timely raised by the debtor under section 270A.08, subdivision 2; or (3) issues relating to the validity of the claim for which a hearing is discretionary under section 270A.09.

Sec. 7. Minnesota Statutes 1994, section 270A.09, is amended by adding a subdivision to read:

Subd. 3. **CONTESTED CASE; FINAL DECISION.** The report of the administrative law judge shall contain a decision and order, which constitute the final decision in the contested case. A copy of the decision and order shall be served by first class mail upon each party, the commissioner of revenue, and the attorney general. Fees and expenses may be awarded as provided in sections 15.471 to 15.475. The provisions for judicial review under sections 14.63 to 14.68 apply to decisions of the administrative law judge under this subdivision.

Sec. 8. Minnesota Statutes 1994, section 270A.11, is amended to read:

270A.11 **DATA PRIVACY.**

Private and confidential data on individuals may be exchanged among the department, the taxpayer's rights advocate, the attorney general, the claimant agency, and the debtor as necessary to accomplish and effectuate the intent of sections 270A.01 to 270A.12, as provided by section 13.05, subdivision 4, clause (b). The department may disclose to the claimant agency only the debtor's name, address, social security number and the amount of the refund, and in the case of a joint return, the name of the debtor's spouse. Any person employed by, or formerly employed by, a claimant agency who discloses any such information for any other purpose, shall be subject to the civil and criminal penalties of section 270B.18.

Sec. 9. Minnesota Statutes 1994, section 349.12, subdivision 25, is amended to read:

Subd. 25. **LAWFUL PURPOSE.** (a) "Lawful purpose" means one or more of the following:

(1) any expenditure by or contribution to a 501(c)(3) organization, provided that the organization and expenditure or contribution are in conformity with standards prescribed by the board under section 349.154;

(2) a contribution to an individual or family suffering from poverty, homelessness, or physical or mental disability, which is used to relieve the effects of that poverty, homelessness, or disability;

(3) a contribution to an individual for treatment for delayed posttraumatic stress syndrome or a contribution to a recognized program for the treatment of compulsive gambling on behalf of an individual who is a compulsive gambler;

(4) a contribution to or expenditure on a public or private nonprofit educational institution registered with or accredited by this state or any other state;

(5) a contribution to a scholarship fund for defraying the cost of education to individuals where the funds are awarded through an open and fair selection process;

(6) activities by an organization or a government entity which recognize humanitarian or military service to the United States, the state of Minnesota, or a community, subject to rules of the board, provided that the rules must not include mileage reimbursements in the computation of the per occasion reimbursement limit and must impose no aggregate annual limit on the amount of reasonable and necessary expenditures made to support:

(i) members of a military marching or colorguard unit for activities conducted within the state; or

(ii) members of an organization solely for services performed by the members at funeral services;

(7) recreational, community, and athletic facilities and activities intended primarily for persons under age 21, provided that such facilities and activities do not discriminate on the basis of gender and the organization complies with section 349.154;

(8) payment of local taxes authorized under this chapter, taxes imposed by the United States on receipts from lawful gambling, the taxes imposed by section 297E.02, subdivisions 1, 4, 5, and 6, and the tax imposed on unrelated business income by section 290.05, subdivision 3;

(9) payment of real estate taxes and assessments on permitted gambling premises wholly owned by the licensed organization paying the taxes, not to exceed:

(i) ~~the amount which an organization may expend under board rule on rent~~

for premises used for bingo, the amount which an organization may expend under board rules on rent for bingo; ~~or~~ and

(ii) ~~$15,000~~ $35,000 per year for premises used for other forms of lawful gambling;

(10) a contribution to the United States, this state or any of its political subdivisions, or any agency or instrumentality thereof other than a direct contribution to a law enforcement or prosecutorial agency;

(11) a contribution to or expenditure by a nonprofit organization which is a church or body of communicants gathered in common membership for mutual support and edification in piety, worship, or religious observances;

(12) payment of one-half of the reasonable costs of an audit required in section 297E.06, subdivision 4;

(13) a contribution to or expenditure on a wildlife management project that benefits the public at-large, provided that the state agency with authority over that wildlife management project approves the project before the contribution or expenditure is made; or

(14) expenditures, approved by the commissioner of natural resources, by an organization for grooming and maintaining snowmobile trails that are (1) grant-in-aid trails established under section 116J.406, or (2) other trails open to public use, including purchase or lease of equipment for this purpose.

(b) Notwithstanding paragraph (a), "lawful purpose" does not include:

(1) any expenditure made or incurred for the purpose of influencing the nomination or election of a candidate for public office or for the purpose of promoting or defeating a ballot question;

(2) any activity intended to influence an election or a governmental decision-making process;

(3) the erection, acquisition, improvement, expansion, repair, or maintenance of real property or capital assets owned or leased by an organization, unless the board has first specifically authorized the expenditures after finding that (i) the real property or capital assets will be used exclusively for one or more of the purposes in paragraph (a); (ii) with respect to expenditures for repair or maintenance only, that the property is or will be used extensively as a meeting place or event location by other nonprofit organizations or community or service groups and that no rental fee is charged for the use; (iii) with respect to expenditures, including a mortgage payment or other debt service payment, for erection or acquisition only, that the erection or acquisition is necessary to replace with a comparable building, a building owned by the organization and destroyed or made uninhabitable by fire or natural disaster, provided that the expenditure may be only for that part of the replacement cost not reimbursed by insurance; or (iv) with respect to expenditures, including a mortgage payment or

other debt service payment, for erection or acquisition only, that the erection or acquisition is necessary to replace with a comparable building a building owned by the organization that was acquired from the organization by eminent domain or sold by the organization to a purchaser that the organization reasonably believed would otherwise have acquired the building by eminent domain, provided that the expenditure may be only for that part of the replacement cost that exceeds the compensation received by the organization for the building being replaced;

(4) an expenditure by an organization which is a contribution to a parent organization, foundation, or affiliate of the contributing organization, if the parent organization, foundation, or affiliate has provided to the contributing organization within one year of the contribution any money, grants, property, or other thing of value;

(5) a contribution by a licensed organization to another licensed organization unless the board has specifically authorized the contribution. The board must authorize such a contribution when requested to do so by the contributing organization unless it makes an affirmative finding that the contribution will not be used by the recipient organization for one or more of the purposes in paragraph (a); or

(6) a contribution to a statutory or home rule charter city, county, or town by a licensed organization with the knowledge that the governmental unit intends to use the contribution for a pension or retirement fund.

Sec. 10. **[410.325] TAX ANTICIPATION CERTIFICATES.**

Notwithstanding a contrary provision of other law or charter, a home rule charter city may issue tax anticipation certificates in the manner and subject to the limitations applicable to statutory cities under section 412.261. The certificates may also be issued in anticipation of federal and state aids, but the total amount of certificates issued against any fund for any year with interest on them must not exceed any limits in the charter relating to the total of the anticipated tax levy and the anticipated state aids for any fund not yet collected or received.

Sec. 11. **PIPESTONE COUNTY; AUTHORIZATION.**

The county of Pipestone may issue its general obligation bonds in a principal amount of not to exceed $598,000 to defray the expense of repair and renovation of the county courthouse and courthouse annex. The bonds shall be issued in accordance with Minnesota Statutes, chapter 475. No further election proceedings are required. Minnesota Statutes, section 275.61, shall apply to taxes levied to pay the bonds as if the bonds were required to be approved and were approved by the voters.

Sec. 12. **MORRISON COUNTY; FAIRGROUND IMPROVEMENT BONDS; REFERENDUM.**

Morrison county may issue its general obligation bonds in a principal amount of not to exceed $1,200,000 for county fairground improvements, under Minnesota Statutes, sections 373.40 to 373.42 and chapter 475. However, the bonds may be issued only after an election has been held on the question under Minnesota Statutes, section 475.58, and the voters have approved the bond issue.

Sec. 13. **STUDY OF REVENUE RECAPTURE.**

The commissioner of revenue, in consultation with the attorney general, shall study the compliance of claimant agencies with the requirements of the revenue recapture act. The study shall consider the number and nature of complaints by taxpayers with regard to claims of specific claimant agencies, and evaluate the general issues raised in those complaints. On or before January 15, 1996, the commissioner shall report the results of the study to the chairs of the house of representatives committee on taxes and the senate committee on taxes and tax laws. The report shall include recommendations to strengthen compliance by claimant agencies with the revenue recapture act.

Sec. 14. **APPROPRIATION.**

$150,000 is appropriated from the general fund to the commissioner of revenue to conduct the Minnesota-Wisconsin individual income tax reciprocity rebenchmark study. $50,000 is appropriated for the fiscal year ending June 30, 1996, and $100,000 is appropriated for the fiscal year ending June 30, 1997.

Sec. 15. **EFFECTIVE DATES.**

Sections 3 and 4 are effective retroactively to January 1, 1995. Section 5 is effective January 1, 1996. Section 11 takes effect the day after the Pipestone county board complies with Minnesota Statutes, section 645.021, subdivision 3. Section 12 is effective the day after the county board of Morrison county complies with Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 10

REVENUE POLICY INITIATIVES
INCOME AND BUSINESS TAXES

Section 1. Minnesota Statutes 1994, section 289A.18, subdivision 2, is amended to read:

Subd. 2. **WITHHOLDING RETURNS, ENTERTAINER WITHHOLDING RETURNS, RETURNS FOR WITHHOLDING FROM PAYMENTS TO OUT-OF-STATE CONTRACTORS, AND WITHHOLDING RETURNS FROM PARTNERSHIPS AND S CORPORATIONS.** Withholding returns are due on or before the last day of the month following the close of the quarterly

period. However, if the return shows timely deposits in full payment of the taxes due for that period, the ~~return~~ returns for the first, second, and third quarters may be filed on or before the tenth day of the second calendar month following the period and the return for the fourth quarter may be filed on or before the 28th day of the second calendar month following the period. An employer, in preparing a quarterly return, may take credit for monthly deposits previously made for that quarter. Entertainer withholding tax returns are due within 30 days after each performance. Returns for withholding from payments to out-of-state contractors are due within 30 days after the payment to the contractor. Returns for withholding by partnerships are due on or before the due date specified for filing partnership returns. Returns for withholding by S corporations are due on or before the due date specified for filing corporate franchise tax returns.

Sec. 2. Minnesota Statutes 1994, section 289A.20, subdivision 2, is amended to read:

Subd. 2. **WITHHOLDING FROM WAGES, ENTERTAINER WITHHOLDING, WITHHOLDING FROM PAYMENTS TO OUT-OF-STATE CONTRACTORS, AND WITHHOLDING BY PARTNERSHIPS AND SMALL BUSINESS CORPORATIONS.** (a) A tax required to be deducted and withheld during the quarterly period must be paid on or before the last day of the month following the close of the quarterly period, unless an earlier time for payment is provided. A tax required to be deducted and withheld from compensation of an entertainer and from a payment to an out-of-state contractor must be paid on or before the date the return for such tax must be filed under section 289A.18, subdivision 2. Taxes required to be deducted and withheld by partnerships and S corporations must be paid on or before the date the return must be filed under section 289A.18, subdivision 2.

(b) An employer who, during the previous quarter, withheld more than ~~$500~~ $1,500 of tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, must deposit tax withheld under those sections with the commissioner within the time allowed to deposit the employer's federal withheld employment taxes under Treasury Regulation, section 31.6302-1, without regard to the safe harbor or de minimus rules in subparagraph (f) or the one-day rule in subsection (c), clause (3). Taxpayers must submit a copy of their federal notice of deposit status to the commissioner upon request by the commissioner.

(c) The commissioner may prescribe by rule other return periods or deposit requirements. In prescribing the reporting period, the commissioner may classify payors according to the amount of their tax liability and may adopt an appropriate reporting period for the class that the commissioner judges to be consistent with efficient tax collection. In no event will the duration of the reporting period be more than one year.

(d) If less than the correct amount of tax is paid to the commissioner, proper adjustments with respect to both the tax and the amount to be deducted must be made, without interest, in the manner and at the times the commis-

sioner prescribes. If the underpayment cannot be adjusted, the amount of the underpayment will be assessed and collected in the manner and at the times the commissioner prescribes.

(e) If the aggregate amount of the tax withheld during a fiscal year ending June 30 under section 290.92, subdivision 2a or 3, is equal to or exceeds ~~$120,000~~ $50,000, the employer must remit each required deposit in the subsequent calendar year by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the deposit is due. If the date the deposit is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the deposit is due.

(f) Providers of payroll services who remit withholding deposits on behalf of 50 or more employers, or on behalf of any employer with aggregate amounts over the threshold in paragraph (e), must remit all deposits by means of a funds transfer as provided in paragraph (e), regardless of the aggregate amount of tax withheld during a fiscal year for all of the employers.

Sec. 3. Minnesota Statutes 1994, section 289A.38, subdivision 7, is amended to read:

Subd. 7. **FEDERAL TAX CHANGES.** If the amount of income, items of tax preference, deductions, or credits for any year of a taxpayer as reported to the Internal Revenue Service is changed or corrected by the commissioner of Internal Revenue or other officer of the United States or other competent authority, or where a renegotiation of a contract or subcontract with the United States results in a change in income, items of tax preference, deductions, or credits, or, in the case of estate tax, where there are adjustments to the taxable estate resulting in a change to the credit for state death taxes, the taxpayer shall report the change or correction or renegotiation results in writing to the commissioner~~, in the form required by the commissioner~~. The report must be submitted within ~~90~~ 180 days after the final determination and must ~~concede the accuracy of the determination or state how it is wrong~~ be in the form of either an amended Minnesota return conceding the accuracy of the federal determination or a letter detailing how the federal determination is incorrect or does not change the Minnesota tax. A taxpayer filing an amended federal tax return must also file a copy of the amended return with the commissioner of revenue within ~~90~~ 180 days after filing the amended return.

Sec. 4. Minnesota Statutes 1994, section 289A.55, subdivision 7, is amended to read:

Subd. 7. **INSTALLMENT PAYMENTS; ESTATE TAX.** Interest must be paid on unpaid installment payments of the tax authorized under section 289A.30, subdivision 2, beginning on the date the tax was due without regard to extensions allowed or extensions elected, at the rate ~~of interest in effect under~~ given in section 270.75~~, nine months following the date of death~~.

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 5. Minnesota Statutes 1994, section 289A.60, is amended by adding a subdivision to read:

Subd. 24. **PENALTY FOR FAILURE TO NOTIFY OF FEDERAL CHANGE.** If a person fails to report to the commissioner a change or correction of the person's federal return in the manner and time prescribed in section 289A.38, subdivision 7, there must be added to the tax an amount equal to ten percent of the amount of any underpayment of Minnesota tax attributable to the federal change.

Sec. 6. Minnesota Statutes 1994, section 290.01, subdivision 7b, is amended to read:

Subd. 7b. **RESIDENT TRUST.** Resident trust means a trust, except a grantor type trust, which ~~is administered in this state~~ either (1) was created by a will of a decedent who at his or her death was domiciled in this state or (2) is an irrevocable trust, the grantor of which was domiciled in this state at the time the trust became irrevocable. For the purpose of this subdivision, a trust is considered irrevocable to the extent the grantor is not treated as the owner thereof under sections 671 to 678 of the Internal Revenue Code. The term "grantor type trust" means a trust where the income or gains of the trust are taxable to the grantor or others treated as substantial owners under sections 671 to 678 of the Internal Revenue Code.

Sec. 7. Minnesota Statutes 1994, section 290.015, subdivision 1, is amended to read:

Subdivision 1. **GENERAL RULE.** (a) Except as provided in subdivision 3, a person that conducts a trade or business that has a place of business in this state, regularly has employees or independent contractors conducting business activities on its behalf in this state, or owns or leases real property located in this state or tangible personal property located in this state as defined in section 290.191, subdivision 6, paragraph (e), is subject to the taxes imposed by this chapter.

(b) Except as provided in subdivision 3, a person that conducts a trade or business not described in paragraph (a) is subject to the taxes imposed by this chapter if the trade or business obtains or regularly solicits business from within this state, without regard to physical presence in this state.

(c) For purposes of paragraph (b), business from within this state includes, but is not limited to:

(1) sales of products or services of any kind or nature to customers in this state who receive the product or service in this state;

(2) sales of services which are performed from outside this state but the ~~benefits of which~~ services are ~~consumed~~ received in this state;

(3) transactions with customers in this state that involve intangible property

and result in income flowing to the person from within this state as provided in section 290.191;

(4) leases of tangible personal property that is located in this state as defined in section 290.191, subdivision 6, paragraph (e);

(5) sales and leases of real property located in this state; and

(6) if a financial institution, deposits received from customers in this state.

(d) For purposes of paragraph (b), solicitation includes, but is not limited to:

(1) the distribution, by mail or otherwise, without regard to the state from which such distribution originated or in which the materials were prepared, of catalogs, periodicals, advertising flyers, or other written solicitations of business to customers in this state;

(2) display of advertisements on billboards or other outdoor advertising in this state;

(3) advertisements in newspapers published in this state;

(4) advertisements in trade journals or other periodicals, the circulation of which is primarily within this state;

(5) advertisements in a Minnesota edition of a national or regional publication or a limited regional edition of which this state is included of a broader regional or national publication which are not placed in other geographically defined editions of the same issue of the same publication;

(6) advertisements in regional or national publications in an edition which is not by its contents geographically targeted to Minnesota, but which is sold over the counter in Minnesota or by subscription to Minnesota residents;

(7) advertisements broadcast on a radio or television station located in Minnesota; or

(8) any other solicitation by telegraph, telephone, computer database, cable, optic, microwave, or other communication system.

Sec. 8. Minnesota Statutes, 1994, section 290.067, subdivision 1, as amended by Laws 1995, chapter 1, section 4, is amended to read:

Subdivision 1. **AMOUNT OF CREDIT.** (a) A taxpayer may take as a credit against the tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the dependent care credit for which the taxpayer is eligible pursuant to the provisions of section 21 of the Internal Revenue Code subject to the limitations provided in subdivision 2 except that in determining whether the child qualified as a dependent, income received as an aid to families with dependent children grant or allowance to or on behalf of the child must not be taken into account in determining whether the child received more than half of the

child's support from the taxpayer, and the provisions of section 32(b)(1)(D) of the Internal Revenue Code do not apply.

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

(c) If a married couple:

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

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

(3) does not participate in a dependent care assistance program as defined in section 129 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i) the combined earned income of the couple or (ii) $2,400 will be deemed to be the employment related expense paid for that child. The earned income limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These deemed amounts apply regardless of whether any employment-related expenses have been paid.

(d) If the taxpayer is not required and does not file a federal individual income tax return for the tax year, no credit is allowed for any amount paid to any person unless:

(1) the name, address, and taxpayer identification number of the person are included on the return claiming the credit; or

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

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

In the case of a nonresident, part-year resident, or a person who has earned income not subject to tax under this chapter, the credit determined under section 21 of the Internal Revenue Code must be allocated based on the ratio by

which the earned income of the claimant and the claimant's spouse from Minnesota sources bears to the total earned income of the claimant and the claimant's spouse.

Sec. 9. Minnesota Statutes 1994, section 290.191, subdivision 1, is amended to read:

Subdivision 1. **GENERAL RULE.** (a) Except as otherwise provided in section 290.17, subdivision 5, the net income from a trade or business carried on partly within and partly without this state must be apportioned to this state as provided in this section.

(b) For purposes of this section, "state" means a state of the United States, the District of Columbia, the commonwealth of Puerto Rico, or any territory or possession of the United States or any foreign country.

Sec. 10. Minnesota Statutes 1994, section 290.191, subdivision 5, is amended to read:

Subd. 5. **DETERMINATION OF SALES FACTOR.** For purposes of this section, the following rules apply in determining the sales factor.

(a) The sales factor includes all sales, gross earnings, or receipts received in the ordinary course of the business, except that the following types of income are not included in the sales factor:

(1) interest;

(2) dividends;

(3) sales of capital assets as defined in section 1221 of the Internal Revenue Code;

(4) sales of property used in the trade or business, except sales of leased property of a type which is regularly sold as well as leased;

(5) sales of debt instruments as defined in section 1275(a)(1) of the Internal Revenue Code or sales of stock; and

(6) royalties, fees, or other like income of a type which qualify for a subtraction from federal taxable income under section 290.01, subdivision 19(d)(11).

(b) Sales of tangible personal property are made within this state if the property is received by a purchaser at a point within this state, and the taxpayer is taxable in this state, regardless of the f.o.b. point, other conditions of the sale, or the ultimate destination of the property.

(c) Tangible personal property delivered to a common or contract carrier or foreign vessel for delivery to a purchaser in another state or nation is a sale in that state or nation, regardless of f.o.b. point or other conditions of the sale.

(d) Notwithstanding paragraphs (b) and (c), when intoxicating liquor, wine, fermented malt beverages, cigarettes, or tobacco products are sold to a purchaser who is licensed by a state or political subdivision to resell this property only within the state of ultimate destination, the sale is made in that state.

(e) Sales made by or through a corporation that is qualified as a domestic international sales corporation under section 992 of the Internal Revenue Code are not considered to have been made within this state.

(f) Sales, rents, royalties, and other income in connection with real property is attributed to the state in which the property is located.

(g) Receipts from the lease or rental of tangible personal property, including finance leases and true leases, must be attributed to this state if the property is located in this state and to other states if the property is not located in this state. Moving property including, but not limited to, motor vehicles, rolling stock, aircraft, vessels, or mobile equipment is located in this state if:

(1) the operation of the property is entirely within this state; or

(2) the operation of the property is in two or more states and the principal base of operations from which the property is sent out is in this state.

(h) Royalties and other income not described in paragraph (a), clause (6), received for the use of or for the privilege of using intangible property, including patents, know-how, formulas, designs, processes, patterns, copyrights, trade names, service names, franchises, licenses, contracts, customer lists, or similar items, must be attributed to the state in which the property is used by the purchaser. If the property is used in more than one state, the royalties or other income must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the royalties or other income must be excluded from both the numerator and the denominator. Intangible property is used in this state if the purchaser uses the intangible property or the rights therein in the regular course of its business operations in this state, regardless of the location of the purchaser's customers.

(i) Sales of intangible property are made within the state in which the property is used by the purchaser. If the property is used in more than one state, the sales must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the sale must be excluded from both the numerator and the denominator of the sales factor. Intangible property is used in this state if the purchaser used the intangible property in the regular course of its business operations in this state.

(j) Receipts from the performance of services must be attributed to the state ~~in which the benefits of~~ where the services are ~~consumed~~ received. ~~If the benefits are consumed in more than one state, the receipts from those benefits must be apportioned to this state pro rata according to the portion of the benefits consumed in this state. If the extent to which the benefits of services are consumed~~

New language is indicated by underline, deletions by ~~strikeout~~.

~~in this state is not readily determinable, the benefits of the~~ For the purposes of this section, receipts from the performance of services provided to a corporation, partnership, or trust may only be attributed to a state where it has a fixed place of doing business. If the state where the services are received is not readily determinable or is a state where the corporation, partnership, or trust receiving the service does not have a fixed place of doing business, the services shall be deemed to be ~~consumed~~ received at the location of the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering office cannot be determined, the ~~benefits of the~~ services shall be deemed to be ~~consumed~~ received at the office of the customer to which the services are billed.

Sec. 11. Minnesota Statutes 1994, section 290.191, subdivision 6, is amended to read:

Subd. 6. **DETERMINATION OF RECEIPTS FACTOR FOR FINANCIAL INSTITUTIONS.** (a) For purposes of this section, the rules in this subdivision and ~~subdivisions 7 and~~ subdivision 8 apply in determining the receipts factor for financial institutions.

(b) "Receipts" for this purpose means gross income, including net taxable gain on disposition of assets, including securities and money market instruments, when derived from transactions and activities in the regular course of the taxpayer's trade or business.

(c) "Money market instruments" means federal funds sold and securities purchased under agreements to resell, commercial paper, banker's acceptances, and purchased certificates of deposit and similar instruments to the extent that the instruments are reflected as assets under generally accepted accounting principles.

(d) "Securities" means United States Treasury securities, obligations of United States government agencies and corporations, obligations of state and political subdivisions, corporate stock, bonds, and other securities, participations in securities backed by mortgages held by United States or state government agencies, loan-backed securities and similar investments to the extent the investments are reflected as assets under generally accepted accounting principles.

(e) Receipts from the lease or rental of real or tangible personal property, including both finance leases and true leases, must be attributed to this state if the property is located in this state. Tangible personal property that is characteristically moving property, such as motor vehicles, rolling stock, aircraft, vessels, mobile equipment, and the like, is considered to be located in a state if:

(1) the operation of the property is entirely within the state; or

(2) the operation of the property is in two or more states, but the principal base of operations from which the property is sent out is in the state.

(f) Interest income and other receipts from assets in the nature of loans that are secured primarily by real estate or tangible personal property must be attributed to this state if the security property is located in this state under the principles stated in paragraph (e).

(g) Interest income and other receipts from consumer loans not secured by real or tangible personal property that are made to residents of this state, whether at a place of business, by traveling loan officer, by mail, by telephone or other electronic means, must be attributed to this state.

(h) Interest income and other receipts from commercial loans and installment obligations that are unsecured by real or tangible personal property or secured by intangible property must be attributed to this state if the proceeds of the loan are to be applied in this state. If it cannot be determined where the funds are to be applied, the income and receipts are attributed to the state in which the office of the borrower from which the application would be made in the regular course of business is located. If this cannot be determined, the transaction is disregarded in the apportionment formula.

(i) Interest income and other receipts from a participating financial institution's portion of participation and syndication loans must be attributed under paragraphs (e) to (h). A participation loan is an arrangement in which a lender makes a loan to a borrower and then sells, assigns, or otherwise transfers all or a part of the loan to a purchasing financial institution. A syndication loan is a loan transaction involving multiple financial institutions in which all the lenders are named as parties to the loan documentation, are known to the borrower, and have privity of contract with the borrower.

(j) Interest income and other receipts including service charges from financial institution credit card and travel and entertainment credit card receivables and credit card holders' fees must be attributed to the state to which the card charges and fees are regularly billed.

(k) Merchant discount income derived from financial institution credit card holder transactions with a merchant must be attributed to the state in which the merchant is located. In the case of merchants located within and outside the state, only receipts from merchant discounts attributable to sales made from locations within the state are attributed to this state. It is presumed, subject to rebuttal, that the location of a merchant is the address shown on the invoice submitted by the merchant to the taxpayer.

(l) Receipts from the performance of fiduciary and other services must be attributed to the state in which ~~the benefits of~~ the services are ~~consumed~~ received. ~~If the benefits are consumed in more than one state, the receipts from those benefits must be apportioned to this state pro rata according to the portion of the benefits consumed in this state.~~ For the purposes of this section, services provided to a corporation, partnership, or trust must be attributed to a state where it has a fixed place of doing business. If the ~~extent to which the benefits of~~ state where the services are ~~consumed in this state~~ received is not readily deter-

minable or is a state where the corporation, partnership, or trust does not have a fixed place of doing business, the ~~benefits of the~~ services shall be deemed to be ~~consumed~~ received at the location of the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering office cannot be determined, the ~~benefits of the~~ services shall be deemed to be ~~consumed~~ received at the office of the customer to which the services are billed.

(m) Receipts from the issuance of travelers checks and money orders must be attributed to the state in which the checks and money orders are purchased.

(n) Receipts from investments of a financial institution in securities and from money market instruments must be apportioned to this state based on the ratio that total deposits from this state, its residents, including any business with an office or other place of business in this state, its political subdivisions, agencies, and instrumentalities bear to the total deposits from all states, their residents, their political subdivisions, agencies, and instrumentalities. In the case of an unregulated financial institution subject to this section, these receipts are apportioned to this state based on the ratio that its gross business income, excluding such receipts, earned from sources within this state bears to gross business income, excluding such receipts, earned from sources within all states. For purposes of this subdivision, deposits made by this state, its residents, its political subdivisions, agencies, and instrumentalities must be attributed to this state, whether or not the deposits are accepted or maintained by the taxpayer at locations within this state.

(o) A financial institution's interest in property described in section 290.015, subdivision 3, paragraph (b), is included in the receipts factor in the same manner as assets in the nature of securities or money market instruments are included in paragraph (n).

Sec. 12. Minnesota Statutes 1994, section 290.92, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** (1) **WAGES.** For purposes of this section, the term "wages" means the same as that term is defined in section 3401(a) and (f) of the Internal Revenue Code~~, except wages shall not include agricultural labor as defined in section 3121(g) of the Internal Revenue Code~~.

(2) **PAYROLL PERIOD.** For purposes of this section the term "payroll period" means a period for which a payment of wages is ordinarily made to the employee by the employee's employer, and the term "miscellaneous payroll period" means a payroll period other than a daily, weekly, biweekly, semimonthly, monthly, quarterly, semiannual, or annual payroll period.

(3) **EMPLOYEE.** For purposes of this section the term "employee" means any resident individual performing services for an employer, either within or without, or both within and without the state of Minnesota, and every nonresident individual performing services within the state of Minnesota, the perfor-

mance of which services constitute, establish, and determine the relationship between the parties as that of employer and employee. As used in the preceding sentence, the term "employee" includes an officer of a corporation, and an officer, employee, or elected official of the United States, a state, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing.

(4) **EMPLOYER.** For purposes of this section the term "employer" means any person, including individuals, fiduciaries, estates, trusts, partnerships, limited liability companies, and corporations transacting business in or deriving any income from sources within the state of Minnesota for whom an individual performs or performed any service, of whatever nature, as the employee of such person, except that if the person for whom the individual performs or performed the services does not have legal control of the payment of the wages for such services, the term "employer," except for purposes of paragraph (1), means the person having legal control of the payment of such wages. As used in the preceding sentence, the term "employer" includes any corporation, individual, estate, trust, or organization which is exempt from taxation under section 290.05 and further includes, but is not limited to, officers of corporations who have legal control, either individually or jointly with another or others, of the payment of the wages.

(5) **NUMBER OF WITHHOLDING EXEMPTIONS CLAIMED.** For purposes of this section, the term "number of withholding exemptions claimed" means the number of withholding exemptions claimed in a withholding exemption certificate in effect under subdivision 5, except that if no such certificate is in effect, the number of withholding exemptions claimed shall be considered to be zero.

Sec. 13. Minnesota Statutes 1994, section 290.9201, subdivision 3, is amended to read:

Subd. 3. **CREDIT AGAINST TAX.** Each calendar year an entertainment entity may take a nonrefundable credit of ~~$100~~ $120 against the tax imposed by this section.

Sec. 14. **OMISSIONS FROM INHERITANCE OR ESTATE TAX RETURN.**

Effective for decedents dying before August 1, 1990, the provisions of Minnesota Statutes, section 289A.38, subdivision 6, apply to assets omitted from an inheritance tax return or estate tax return rather than the provisions of Minnesota Statutes 1988, section 291.11, subdivision 1, clause (2)(c).

Sec. 15. **EFFECTIVE DATE.**

Section 1 is effective for returns due after December 31, 1995. Section 2 as it relates to quarterly withholding deposits is effective for withholding done after December 31, 1995, and the remainder of section 2 is effective for payments due

after December 31, 1995. Sections 3 and 5 are effective for federal determinations after December 31, 1995. Section 4 is effective for estates of decedents dying after the date of final enactment. Section 6 is effective for deaths after December 31, 1995, and trusts that become irrevocable after December 31, 1995. Sections 7 and 9 to 11 are effective for tax years beginning after December 31, 1995. Section 12 is effective for wages paid after December 31, 1995. Sections 8 and 13 are effective for tax years beginning after December 31, 1994.

ARTICLE 11

REVENUE POLICY INITIATIVES
PROPERTY TAX AND PROPERTY TAX REFUNDS

Section 1. Minnesota Statutes 1994, section 273.124, subdivision 1, is amended to read:

Subdivision 1. **GENERAL RULE.** (a) 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 residential homestead.

Agricultural land, as defined in section 273.13, subdivision 23, that is occupied and used as a homestead by its owner, who must be a Minnesota resident, is an agricultural homestead.

Dates for establishment of a homestead and homestead treatment provided to particular types of property are as provided in this section.

Property of a trustee, beneficiary, or grantor of a trust is not disqualified from receiving homestead benefits if the homestead requirements under this chapter are satisfied.

The assessor shall require proof, as provided in subdivision 13, of the facts upon which classification as a homestead may be determined. Notwithstanding any other law, the assessor may at any time require a homestead application to be filed in order to verify that any property classified as a homestead continues to be eligible for homestead status. Notwithstanding any other law to the contrary, the department of revenue may, upon request from an assessor, verify whether an individual who is requesting or receiving homestead classification has filed a Minnesota income tax return as a resident for the most recent taxable year for which the information is available.

When there is a name change or a transfer of homestead property, the assessor may reclassify the property in the next assessment unless a homestead application is filed to verify that the property continues to qualify for homestead classification.

(b) 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.

(c) Residential real estate that is occupied and used for purposes of a homestead by a relative of the owner is a homestead but only to the extent of the homestead treatment that would be provided if the related owner occupied the property. For purposes of this paragraph, "relative" means a parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, or aunt. This relationship may be by blood or marriage. Property that was classified as seasonal recreational residential property at the time when treatment under this paragraph would first apply shall continue to be classified as seasonal recreational residential property for the first four assessment years beginning after the date when the relative of the owner occupies the property as a homestead; this delay also applies to property that, in the absence of this paragraph, would have been classified as seasonal recreational residential property at the time when the residence was constructed. Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative. In the case of a residence located on agricultural land, only the house, garage, and immediately surrounding one acre of land shall be classified as a homestead under this paragraph, except as provided in paragraph (d).

(d) Agricultural property that is occupied and used for purposes of a homestead by a relative of the owner, is a homestead, only to the extent of the homestead treatment that would be provided if the related owner occupied the property, and only if all of the following criteria are met:

(1) the relative who is occupying the agricultural property is a son, daughter, father, or mother of the owner of the agricultural property or a son or daughter of the spouse of the owner of the agricultural property,

(2) the owner of the agricultural property must be a Minnesota resident,

(3) the owner of the agricultural property must not receive homestead treatment on any other agricultural property in Minnesota, and

(4) the owner of the agricultural property is limited to only one agricultural homestead per family under this paragraph.

Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative qualifying under this paragraph. For purposes of this paragraph, "agricultural

property" means the house, garage, other farm buildings and structures, and agricultural land.

Application must be made to the assessor by the owner of the agricultural property to receive homestead benefits under this paragraph. The assessor may require the necessary proof that the requirements under this paragraph have been met.

(e) In the case of property owned by a property owner who is married, the assessor must not deny homestead treatment in whole or in part if only one of the spouses occupies the property and the other spouse is absent due to: (1) marriage dissolution proceedings, (2) legal separation, (3) employment or self-employment in another location as provided under subdivision 13, or (4) residence in a nursing home or boarding care facility.

Sec. 2. Minnesota Statutes 1994, section 273.124, subdivision 3, is amended to read:

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 chapter 308A, 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, and the net tax capacity 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 net tax capacity of the building or buildings containing several dwelling units is the sum of the net tax capacities 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.

When dwelling units no longer qualify under this subdivision, the current owner must notify the assessor within 60 days. Failure to notify the assessor within 60 days shall result in the loss of benefits under this subdivision for taxes payable in the year that the failure is discovered. For these purposes, "benefits under this subdivision" means the difference in the net tax capacity of the units which no longer qualify as computed under this subdivision and as computed under the otherwise applicable law, times the local tax rate applicable to the building for that taxes payable year. Upon discovery of a failure to notify, the

assessor shall inform the auditor of the difference in net tax capacity for the building or buildings in which units no longer qualify, and the auditor shall calculate the benefits under this subdivision. Such amount, plus a penalty equal to 100 percent of that amount, shall then be demanded of the building's owner. The property owner may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing a proof of service as provided in section 278.01 with the Minnesota tax court within 60 days of the date of the notice from the county. The appeal shall be governed by the tax court procedures provided in chapter 271, for cases relating to the tax laws as defined in section 271.01, subdivision 5; disregarding sections 273.125, subdivision 5, and 278.03, but including section 278.05, subdivision 2. If the amount of the benefits under this subdivision and penalty are not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of the benefit and penalty to the succeeding year's tax list to be collected as part of the property taxes on the affected buildings.

Sec. 3. Minnesota Statutes 1994, section 273.124, subdivision 6, is amended to read:

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 317A and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1990, or a limited partnership which corporation or partnership operates the property in conjunction with a cooperative association, and has received public financing, homestead treatment may be claimed by the cooperative association on behalf of the members of the cooperative for each dwelling unit occupied by a member of the cooperative. The cooperative association must provide the assessor with the social security numbers of those members. To qualify for the treatment provided by this subdivision, the following conditions must be met:

(a) the cooperative association must be organized under chapter 308A and all voting members of the board of directors must be resident tenants of the cooperative and must be elected by the resident tenants of the cooperative;

(b) the cooperative association must have a lease for occupancy of the property for a term of at least 20 years, which permits the cooperative association, while not in default on the lease, to participate materially in the management of the property, including material participation in establishing budgets, setting rent levels, and hiring and supervising a management agent;

(c) to the extent permitted under state or federal law, 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 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;

(d) a minimum of 40 percent of the cooperative association's members must have incomes at or less than 60 percent of area median gross income as determined by the United States Secretary of Housing and Urban Development under section 142(d)(2)(B) of the Internal Revenue Code of 1986, as amended through December 31, 1991. For purposes of this clause, "member income" means the income of a member existing at the time the member acquires cooperative membership;

(e) if a limited partnership owns the property, it must include as the managing general partner a nonprofit organization operating under the provisions of chapter 317A and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1990, and the limited partnership agreement must provide that the managing general partner have sufficient powers so that it materially participates in the management and control of the limited partnership;

(f) prior to becoming a member of a leasehold cooperative described in this subdivision, a person must have received notice that (1) describes leasehold cooperative property in plain language, including but not limited to the effects of classification under this subdivision on rents, property taxes and tax credits or refunds, and operating expenses, and (2) states that copies of the articles of incorporation and bylaws of the cooperative association, the lease between the owner and the cooperative association, a sample sublease between the cooperative association and a tenant, and, if the owner is a partnership, a copy of the limited partnership agreement, can be obtained upon written request at no charge from the owner, and the owner must send or deliver the materials within seven days after receiving any request;

(g) if a dwelling unit of a building was occupied on the 60th day prior to the date on which the unit became leasehold cooperative property described in this subdivision, the notice described in paragraph (f) must have been sent by first class mail to the occupant of the unit at least 60 days prior to the date on which the unit became leasehold cooperative property. For purposes of the notice under this paragraph, the copies of the documents referred to in paragraph (f) may be in proposed version, provided that any subsequent material alteration of those documents made after the occupant has requested a copy shall be disclosed to any occupant who has requested a copy of the document. Copies of the articles of incorporation and certificate of limited partnership shall be filed with the secretary of state after the expiration of the 60-day period unless the change to leasehold cooperative status does not proceed;

(h) the county attorney of the county in which the property is located must certify to the assessor that the property meets the requirements of this subdivision;

(i) the public financing received must be from at least one of the following sources:

(1) tax increment financing proceeds used for the acquisition or rehabilita-

tion of the building or interest rate write-downs relating to the acquisition of the building;

(2) government issued bonds exempt from taxes under section 103 of the Internal Revenue Code of 1986, as amended through December 31, 1991, the proceeds of which are used for the acquisition or rehabilitation of the building;

(3) programs under section 221(d)(3), 202, or 236, of Title II of the National Housing Act;

(4) rental housing program funds under Section 8 of the United States Housing Act of 1937 or the market rate family graduated payment mortgage program funds administered by the Minnesota housing finance agency that are used for the acquisition or rehabilitation of the building;

(5) low-income housing credit under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1991;

(6) public financing provided by a local government used for the acquisition or rehabilitation of the building, including grants or loans from (i) federal community development block grants; (ii) HOME block grants; or (iii) residential rental bonds issued under chapter 474A; or

(7) other rental housing program funds provided by the Minnesota housing finance agency for the acquisition or rehabilitation of the building;

(j) at the time of the initial request for homestead classification or of any transfer of ownership of the property, the governing body of the municipality in which the property is located must hold a public hearing and make the following findings:

(1) that the granting of the homestead treatment of the apartment's units will facilitate safe, clean, affordable housing for the cooperative members that would otherwise not be available absent the homestead designation;

(2) that the owner has presented information satisfactory to the governing body showing that the savings garnered from the homestead designation of the units will be used to reduce tenant's rents or provide a level of furnishing or maintenance not possible absent the designation; and

(3) that the requirements of paragraphs (b), (d), and (i) have been met.

Homestead treatment must be afforded to units occupied by members of the cooperative association and the units must be assessed as provided in subdivision 3, 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.

When dwelling units no longer qualify under this subdivision, the current

owner must notify the assessor within 60 days. Failure to notify the assessor within 60 days shall result in the loss of benefits under this subdivision for taxes payable in the year that the failure is discovered. For these purposes, "benefits under this subdivision" means the difference in the net tax capacity of the units which no longer qualify as computed under this subdivision and as computed under the otherwise applicable law, times the local tax rate applicable to the building for that taxes payable year. Upon discovery of a failure to notify, the assessor shall inform the auditor of the difference in net tax capacity for the building or buildings in which units no longer qualify, and the auditor shall calculate the benefits under this subdivision. Such amount, plus a penalty equal to 100 percent of that amount, shall then be demanded of the building's owner. The property owner may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing a proof of service as provided in section 278.01 with the Minnesota tax court within 60 days of the date of the notice from the county. The appeal shall be governed by the tax court procedures provided in chapter 271, for cases relating to the tax laws as defined in section 271.01, subdivision 5; disregarding sections 273.125, subdivision 5, and 278.03, but including section 278.05, subdivision 2. If the amount of the benefits under this subdivision and penalty are not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of the benefit and penalty to the succeeding year's tax list to be collected as part of the property taxes on the affected buildings.

Sec. 4. Minnesota Statutes 1994, section 273.124, subdivision 11, is amended to read:

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 1 or class 2a or the value of the first tier of net class rates provided under section 273.13, subdivision 22, or 23, paragraph (a), is entitled to assessment as a homestead under section 273.13, subdivision 22 or 23. The limitation in this subdivision does not apply to buildings containing fewer than four residential units or to 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.

Sec. 5. Minnesota Statutes 1994, section 274.14, is amended to read:

274.14 **LENGTH OF SESSION; RECORD.**

The county board of equalization or the special board of equalization appointed by it shall meet during ~~the last two weeks in June that contain~~ the last

ten meeting days~~;~~ in June. For this purpose, "meeting days" are defined as any day of the week excluding Saturday and Sunday. The board may meet on any ten consecutive meeting days in June, after the second Friday in June, if the actual meeting dates are contained on the valuation notices mailed to each property owner in the county under section 273.121. No action taken by the county board of review after June 30 is valid, except for corrections permitted in sections 273.01 and 274.01. The county auditor shall keep an accurate record of the proceedings and orders of the board. The record must be published like other proceedings of county commissioners. A copy of the published record must be sent to the commissioner of revenue, with the abstract of assessment required by section 274.16.

Sec. 6. Minnesota Statutes 1994, section 275.07, subdivision 1, is amended to read:

Subdivision 1. The taxes voted by cities, counties, school districts, and special districts shall be certified by the proper authorities to the county auditor on or before five working days after December 20 in each year. A town must certify the levy adopted by the town board to the county auditor by September 15 each year. If the town board modifies the levy at a special town meeting after September 15, the town board must recertify its levy to the county auditor on or before five working days after December 20. The taxes certified shall not be reduced by the county auditor by the aid received under ~~sections~~ section 273.1398, ~~subdivisions 2 and 3~~ subdivision 2, but shall be reduced by the county auditor by the aid received under section 273.1398, subdivision 3. If a city, town, county, school district, or special district fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year.

Sec. 7. Minnesota Statutes 1994, section 275.08, subdivision 1b, is amended to read:

Subd. 1b. The amounts certified under section 275.07 ~~after adjustment under section 275.07, subdivision 3,~~ by an individual local government unit, except for any amounts certified under sections 124A.03, subdivision 2a, and 275.61, shall be divided by the total net tax capacity of all taxable properties within the local government unit's taxing jurisdiction. The resulting ratio, the local government's local tax rate, multiplied by each property's net tax capacity shall be each property's tax for that local government unit before reduction by any credits.

Any amount certified to the county auditor under section 124A.03, subdivision 2a, or 275.61, after the dates given in those sections, shall be divided by the total estimated market value of all taxable properties within the taxing district. The resulting ratio, the taxing district's new referendum tax rate, multiplied by each property's estimated market value shall be each property's new referendum tax before reduction by any credits.

Sec. 8. Minnesota Statutes 1994, section 289A.60, subdivision 12, is amended to read:

Subd. 12. **PENALTIES RELATING TO PROPERTY TAX REFUNDS.** (a) If the commissioner determines that a property tax refund claim is or was excessive and was filed with fraudulent intent, the claim must be disallowed in full. If the claim has been paid, the amount disallowed may be recovered by assessment and collection.

(b) If it is determined that a property tax refund claim is excessive and was negligently prepared, ten percent of the corrected claim must be disallowed. If the claim has been paid, the amount disallowed must be recovered by assessment and collection.

(c) An owner ~~or managing agent~~ who ~~knowingly~~ without reasonable cause fails to give a certificate of rent constituting property tax to a renter, as required by section 290A.19, paragraph (a), is liable to the commissioner for a penalty of $100 for each failure.

(d) If the owner or managing agent knowingly gives rent certificates that report total rent constituting property taxes in excess of the amount of actual rent constituting property taxes paid on the rented part of a property, the owner or managing agent is liable for a penalty equal to the greater of (1) $100 or (2) 50 percent of the excess that is reported. An overstatement of rent constituting property taxes is presumed to be knowingly made if it exceeds by ten percent or more the actual rent constituting property taxes.

(e) No claim is allowed if the initial claim is filed more than one year after the original due date for filing the claim.

Sec. 9. **EFFECTIVE DATE.**

Section 5 is effective for taxes payable in 1997 and thereafter. Sections 2 to 4 are effective January 1, 1996, and thereafter. Section 8 is effective for certificates of rent paid required after the date of final enactment.

ARTICLE 12

REVENUE POLICY INITIATIVES
SALES AND SPECIAL TAXES

Section 1. Minnesota Statutes 1994, section 297.08, subdivision 1, is amended to read:

Subdivision 1. **CONTRABAND DEFINED.** The following are declared to be contraband:

(1) All packages which do not have stamps affixed to them as provided in sections 297.01 to 297.13, including but not limited to (i) packages with illegible stamps and packages with stamps that are not complete or whole even if the

stamps are legible, and (ii) all devices for the vending of cigarettes in which ~~such unstamped~~ packages as defined in item (i) are found, including all contents contained within the devices.

(2) Any device for the vending of cigarettes and all packages of cigarettes contained therein, where the device does not afford at least partial visibility of contents. Where any package exposed to view does not carry the stamp required by sections 297.01 to 297.13, it shall be presumed that all packages contained in the device are unstamped and contraband.

(3) Any device for the vending of cigarettes to which the commissioner or authorized agents have been denied access for the inspection of contents. In lieu of seizure, the commissioner or an agent may seal the device to prevent its use until inspection of contents is permitted.

(4) Any device for the vending of cigarettes which does not carry the name and address of the owner, plainly marked and visible from the front of the machine.

(5) Any device including, but not limited to, motor vehicles, trailers, snowmobiles, airplanes, and boats used with the knowledge of the owner or of a person operating with the consent of the owner for the storage or transportation of more than 5,000 cigarettes which are contraband under this subdivision. When cigarettes are being transported in the course of interstate commerce, or are in movement from either a public warehouse to a distributor upon orders from a manufacturer or distributor, or from one distributor to another, the cigarettes are not contraband, notwithstanding the provisions of clause (1).

(6) All packages obtained in violation of section 297.11, subdivision 6.

(7) All packages offered for sale or held as inventory in violation of section 297.11, subdivision 7.

Sec. 2. Minnesota Statutes 1994, section 297.08, subdivision 3, is amended to read:

Subd. 3. **INVENTORY; JUDICIAL DETERMINATION; APPEAL; DISPOSITION OF SEIZED PROPERTY.** Within two days after the seizure of any alleged contraband, the person making the seizure shall deliver an inventory of the property seized to the person from whom the seizure was made, if known, and file a copy with the commissioner. Within ten days after the date of service of the inventory, the person from whom the property was seized or any person claiming an ownership or security interest in the property may file with the commissioner a demand for a judicial determination of the question as to whether the property was lawfully subject to seizure and forfeiture. The commissioner, within 30 days, shall institute an action in the district court of the county where the seizure was made to determine the issue of forfeiture. The only issue to be decided by the court is whether the alleged contraband is contraband, as defined in subdivision 1. The action shall be brought in the name of the state and shall

be prosecuted by the county attorney or by the attorney general. The court shall hear the action without a jury and shall try and determine the issues of fact and law involved. Whenever a judgment of forfeiture is entered, the commissioner may, unless the judgment is stayed pending an appeal, either (1) deliver the forfeited property to the commissioner of human services for use by patients in state institutions; (2) cause it to be destroyed; or (3) cause it to be sold at public auction as provided by law. If a demand for judicial determination is made and no action is commenced as provided in this subdivision, the property shall be released by the commissioner and redelivered to the person entitled to it. If no demand is made, the property seized shall be deemed forfeited to the state by operation of law and may be disposed of by the commissioner as provided where there has been a judgment of forfeiture. ~~Whenever the commissioner is satisfied that any person from whom property is seized under sections 297.01 to 297.13 was acting in good faith and without intent to evade the tax imposed by sections 297.01 to 297.13, the commissioner shall release the property seized, without further legal proceedings.~~

Sec. 3. Minnesota Statutes 1994, section 297C.02, subdivision 2, is amended to read:

Subd. 2. **FERMENTED MALT BEVERAGES.** There is imposed on ~~the direct or indirect sale of fermented malt beverages~~ all fermented malt beverages that are imported, directly or indirectly sold, or possessed in this state the following excise tax:

(1) on fermented malt beverages containing not more than 3.2 percent alcohol by weight, $2.40 per barrel of 31 gallons;

(2) on fermented malt beverages containing more than 3.2 percent alcohol by weight, $4.60 per barrel of 31 gallons.

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

Sec. 4. Minnesota Statutes 1994, section 297C.07, is amended to read:

297C.07 **EXCEPTIONS.**

The following are not subject to the excise tax:

(1) Sales by a manufacturer, brewer, or wholesaler for shipment outside the state in interstate commerce.

(2) Sales of wine for sacramental purposes under section 340A.316.

(3) Fruit juices naturally fermented or beer naturally brewed in the home for family use.

(4) Malt beverages served by a brewery for on-premise consumption at no charge, or distributed to brewery employees for on-premise consumption under a labor contract.

(5) Alcoholic beverages sold to authorized manufacturers of food products or pharmaceutical firms. The alcoholic beverage must be used exclusively in the manufacture of food products or medicines. For purposes of this part, "manufacturer" means a manufacturer of food products intended for sale to wholesalers or retailers for ultimate sale to the consumer.

(6) Sales to common carriers engaged in interstate transportation of passengers and qualified approved military clubs, except as provided in section 297C.17.

(7) Alcoholic beverages sold or transferred between Minnesota wholesalers.

(8) Sales to a federal agency, that the state of Minnesota is prohibited from taxing under the constitution or laws of the United States or under the constitution of Minnesota.

(9) Shipments of wine to Minnesota residents under section 340A.417.

(10) One liter of intoxicating liquor or 288 ounces of malt liquor per calendar month imported or possessed by a person entering Minnesota from another state, provided the alcoholic beverages accompany the person into this state and will not be offered for sale or used for any commercial purpose.

(11) Four liters of intoxicating liquor or ten quarts (320 ounces) of malt liquor per calendar month imported or possessed by a person entering Minnesota from a foreign country, provided the alcoholic beverages accompany the person into this state and will not be offered for sale or used for any commercial purpose.

(12) The alcoholic beverage contained in 12 or fewer commemorative bottles per calendar month imported into this state.

Sec. 5. **REPEALER.**

Minnesota Statutes 1994, section 297A.212, is repealed.

Sec. 6. **EFFECTIVE DATE.**

Sections 1 to 5, are effective the day following final enactment.

New language is indicated by underline, **deletions by** ~~strikeout~~.

ARTICLE 13

REVENUE POLICY INITIATIVES COLLECTIONS AND COMPLIANCE

Section 1. Minnesota Statutes 1994, 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~~ the period prescribed in section 289A.40, subdivision 1. 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, shall make and file written findings denying or allowing the claim in whole or in part, and 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 a certificate for the refundment of the excess paid by the company, with interest at the rate specified in section 270.76 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 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 1994, section 60A.199, subdivision 8, is amended to read:

Subd. 8. **REFUND PROCEDURE; TIME LIMIT; APPROPRIATION.** A licensee 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 licensee~~ the period prescribed in section 289A.40, subdivision 1. 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, shall make written findings thereon denying or allowing the claim in whole or in part, and shall mail a notice thereof to the licensee at the address stated upon the return. If the claim is allowed in whole or in part, the commissioner shall issue a certificate for a refund of the excess paid by the licensee, with interest at the rate specified in section 270.76 computed from the date of the payment of the tax until the date the refund is paid or credit is made to the licensee. 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. Minnesota Statutes 1994, section 60A.199, subdivision 10, is amended to read:

Subd. 10. **CONSENT TO EXTEND TIME.** If the commissioner and the

licensee have, within the periods prescribed by this section, 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, is the period within which the commissioner and the licensee 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.~~

Sec. 4. **[270.7002] PERSONAL LIABILITY FOR FAILURE TO HONOR A LEVY.**

Subdivision 1. **SURRENDER OF PROPERTY SUBJECT TO LEVY.** A person who fails or refuses to surrender property or rights to property subject to a levy served on the person under section 270.70, 270.7001, or 290.92, subdivision 23, is liable in an amount equal to the value of the property or rights not surrendered, or the amount of taxes, penalties, and interest for the collection of which the levy was made, whichever is less. A financial institution need not surrender funds on deposit until ten days after service of the levy.

Subd. 2. **PENALTY.** In addition to the personal liability imposed by subdivision 1, if a person required to surrender property or rights to property fails to do so without reasonable cause, the person is liable for a penalty equal to 25 percent of the amount under subdivision 1.

Subd. 3. **PERSON DEFINED.** 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 such officer, employee, or member is under a duty to surrender the property or rights to property or to respond to the levy.

Subd. 4. **ORDER ASSESSING LIABILITY.** The liability imposed by this section may, after demand to honor a levy has been made, be assessed by the commissioner within 60 days after service of the demand. The assessment may be based on information available to the commissioner. The assessment is presumed to be valid, and the burden is on the person assessed to show it is incorrect or invalid. An order assessing liability for failure to honor a levy is reviewable administratively under section 289A.65, and is appealable to tax court under chapter 271. The amount assessed, plus interest at the rate specified in section 270.75, may be collected by any remedy available to the commissioner for the collection of taxes. The proceeds collected are applied first to the liability of the original taxpayer to the extent of the liability under subdivision 1 plus interest, and then to the penalty under subdivision 2.

Sec. 5. Minnesota Statutes 1994, section 270.72, subdivision 1, is amended to read:

Subdivision 1. **TAX CLEARANCE REQUIRED.** The state or a political subdivision of the state may not issue, transfer, or renew, and must revoke, a license for the conduct of a profession, occupation, trade, or business, if the commissioner notifies the licensing authority that the applicant owes the state

delinquent taxes, penalties, or interest. The commissioner may not notify the licensing authority unless the applicant taxpayer owes $500 or more in delinquent taxes or has not filed returns. If the applicant taxpayer does not owe delinquent taxes but has not filed returns, the commissioner may not notify the licensing authority unless the taxpayer has been given 90 days' written notice to file the returns or show that the returns are not required to be filed. A licensing authority that has received a notice from the commissioner may issue, transfer, ~~or~~ renew, or not revoke the applicant's license only if (a) the commissioner issues a tax clearance certificate and (b) the commissioner or the applicant forwards a copy of the clearance to the authority. The commissioner may issue a clearance certificate only if the applicant does not owe the state any uncontested delinquent taxes, penalties, or interest and has filed all required returns.

Sec. 6. Minnesota Statutes 1994, section 270.72, subdivision 2, is amended to read:

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

(a) "Taxes" are all taxes payable to the commissioner including penalties and interest due on the taxes.

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

(c) "Applicant" means an individual if the license is issued to or in the name of an individual or the corporation or partnership if the license is issued to or in the name of a corporation or partnership. "Applicant" also means an officer of a corporation, a member of a partnership, or an individual who is liable for delinquent taxes, either for the entity for which the license is at issue or for another entity for which the liability was incurred, or personally as a licensee. In the case of a license transfer, "applicant" also means both the transferor and the transferee of the license. "Applicant" also means any holder of a license.

(d) "License" includes a contract for space rental at the Minnesota state fair.

(e) "Licensing authority" includes the Minnesota state fair board.

Sec. 7. Minnesota Statutes 1994, section 270.72, subdivision 3, is amended to read:

Subd. 3. **NOTICE AND HEARING.** (a) The commissioner, on notifying a licensing authority pursuant to subdivision 1 not to issue, transfer, or renew a license, must send a copy of the notice to the applicant. If the applicant requests, in writing, within 30 days of the date of the notice a hearing, a contested case

hearing must be held. The hearing must be held within 45 days of the date the commissioner refers the case to the office of administrative hearings. Notwithstanding any law to the contrary, the applicant must be served with 20 days' notice in writing specifying the time and place of the hearing and the allegations against the applicant. The notice may be served personally or by mail.

(b) Prior to notifying a licensing authority pursuant to subdivision 1 to revoke a license, the commissioner must send a notice to the applicant of the commissioner's intent to require revocation of the license and of the applicant's right to a hearing under paragraph (a). A license is subject to revocation when 30 days have passed following the date of the notice in this paragraph without the applicant requesting a hearing, or, if a hearing is timely requested, upon final determination of the hearing under section 14.62, subdivision 1. A license shall be revoked by the licensing authority within 30 days after receiving notice from the commissioner to revoke.

(c) A hearing under this subdivision is in lieu of any other hearing or proceeding provided by law arising from any action taken under subdivision 1.

Sec. 8. **[270.721] REVOCATION OF CORPORATE CERTIFICATES OF AUTHORITY TO DO BUSINESS IN THIS STATE.**

When a foreign corporation authorized to do business in this state under chapter 303 fails to comply with any tax laws administered by the commissioner of revenue, the commissioner may serve the secretary of state with a certified copy of an order finding such failure to comply. The secretary of state, upon receipt of the order, shall revoke the certificate of authority of the corporation to do business in this state, and shall reinstate the certificate under section 303.19 only when the corporation has obtained from the commissioner an order finding that the corporation is in compliance with state tax law. An order requiring revocation of a certificate shall not be issued unless the commissioner gives the corporation 30 days' written notice of the proposed order, specifying the violations of state tax law, and affording the corporation an opportunity to request a contested case hearing under chapter 14.

Sec. 9. Minnesota Statutes 1994, section 270.79, subdivision 4, is amended to read:

Subd. 4. **REFUND PROCEDURES.** (a) If the commissioner determines that the cumulative refunds due all affected taxpayers will exceed $50,000,000, the refund procedures in this subdivision apply.

(b) The refunds due shall be paid in five installments ~~beginning after July 1 of~~. The first installment will be paid during the calendar year following the later of the filing of the refund claim or the final judicial determination and ~~ending in the fifth calendar year or at the time that the return for that calendar year is filed~~ subsequent installments will be paid at any time during each of the four succeeding calendar years.

(c) ~~The refunds shall be paid in the form of refundable credits claimed on the tax return for the tax type giving rise to the refund.~~

~~(d) In the case of annual returns the credit allowable must be claimed on the annual return. When returns are filed on other than an annual basis, the allowable credit must be claimed on the first return due after July 1 of a calendar year~~ The commissioner shall compute the annual refund installment due under this subdivision, and notify the taxpayer of the total amount of the claim for refund which has been allowed.

~~(e)~~ (d) The ~~credit allowed for~~ installment paid each year equals 20 percent of the ~~claimed~~ refund allowed unless the commissioner determines that the cumulative refunds due for a particular year under this section will exceed $150,000,000. If the refunds payable will exceed that amount, ~~the claimed refunds~~ they will be reduced pro rata with any balance remaining due payable with the final refund installment.

~~(f)~~ (e) Unless contrary to the provisions in this section, the provisions for refunds in the various tax types, including provisions related to the payment of interest, apply to the refunds subject to these provisions.

~~(g)~~ (f) The commissioner may establish a de minimis individual refund amount below which the installment provisions do not apply. The amount established under this paragraph is not subject to the provisions of chapter 14.

(g) If the commissioner of finance determines that it is in the best interest of the state, refunds payable under this section may be paid in fewer than five installments.

Sec. 10. Minnesota Statutes 1994, section 289A.26, subdivision 2a, is amended to read:

Subd. 2a. **ELECTRONIC FUNDS TRANSFER PAYMENTS.** If the aggregate amount of estimated tax payments made during a calendar year is equal to or exceeds ~~$80,000~~ $20,000, all estimated tax payments in the subsequent calendar year must be paid by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the estimated tax payment is due. If the date the estimated tax payment is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the estimated tax payment is due.

Sec. 11. Minnesota Statutes 1994, section 289A.40, subdivision 1, is amended to read:

Subdivision 1. **TIME LIMIT; GENERALLY.** Unless otherwise provided in this chapter, a claim for a refund of an overpayment of state tax must be filed within 3-1/2 years from the date prescribed for filing the return, plus any exten-

sion of time granted for filing the return, but only if filed within the extended time, or ~~two years~~ one year from the ~~time~~ date of an order assessing tax under section 289A.37, subdivision 1, upon payment in full of the tax ~~is paid in full~~, penalties, and interest shown on the order, whichever period expires later. Claims for refund filed after the 3-1/2 year period but within the one-year period are limited to the amount of the tax, penalties, and interest on the order and to issues determined by the order.

Sec. 12. Minnesota Statutes 1994, section 289A.60, subdivision 2, is amended to read:

Subd. 2. **PENALTY FOR FAILURE TO MAKE AND FILE RETURN.** If a taxpayer fails to make and file a return other than an income tax return of an individual, a withholding return, or sales or use tax return, within the time prescribed or an extension, a penalty is added to the tax. The penalty is three percent of the amount of tax not paid on or before the date prescribed for payment of the tax including any extensions if the failure is for not more than 30 days, with an additional five percent of the amount of tax remaining unpaid during each additional 30 days or fraction of 30 days, during which the failure continues, not exceeding 23 percent in the aggregate.

~~If a taxpayer fails to file a return, other than an income tax return of an individual, within 60 days of the date prescribed for filing of the return (determined with regard to any extension of time for filing), the addition to tax under this subdivision must not be less than the lesser of: (1) $200, or (2) the greater of (a) 25 percent of the amount required to be shown as tax on the return without reduction for any payments made or refundable credits allowable against the tax, or (b) $50.~~

If a taxpayer fails to file an individual income tax return within six months after the date prescribed for filing of the return, a penalty of ten percent of the amount of tax not paid by the end of that six-month period is added to the tax.

If a taxpayer fails to file a withholding or sales or use tax return within the time prescribed, including an extension, a penalty of five percent of the amount of tax not timely paid is added to the tax.

Sec. 13. Minnesota Statutes 1994, section 290.92, subdivision 23, is amended to read:

Subd. 23. **WITHHOLDING BY EMPLOYER OF DELINQUENT TAXES.** (1) The commissioner may, within five years after the date of assessment of the tax, or if a lien has been filed under section 270.69, within the statutory period for enforcement of the lien, give notice to any employer deriving income which has a taxable situs in this state regardless of whether the income is exempt from taxation, that an employee of that employer is delinquent in a certain amount with respect to any state taxes, including penalties, interest, and costs. The commissioner can proceed under this subdivision only if the tax is uncontested or if the time for appeal of the tax has expired. The commissioner

shall not proceed under this subdivision until the expiration of 30 days after mailing to the taxpayer, at the taxpayer's last known address, a written notice of (a) the amount of taxes, interest, and penalties due from the taxpayer and demand for their payment, and (b) the commissioner's intention to require additional withholding by the taxpayer's employer pursuant to this subdivision. The effect of the notice shall expire 180 days after it has been mailed to the taxpayer provided that the notice may be renewed by mailing a new notice which is in accordance with this subdivision. The renewed notice shall have the effect of reinstating the priority of the original claim. The notice to the taxpayer shall be in substantially the same form as that provided in section 571.72. The notice shall further inform the taxpayer of the wage exemptions contained in section 550.37, subdivision 14. If no statement of exemption is received by the commissioner within 30 days from the mailing of the notice, the commissioner may proceed under this subdivision. The notice to the taxpayer's employer may be served by mail or by delivery by an employee of the department of revenue and shall be in substantially the same form as provided in section 571.75. Upon receipt of notice, the employer shall withhold from compensation due or to become due to the employee, the total amount shown by the notice, subject to the provisions of section 571.922. The employer shall continue to withhold each pay period until the notice is released by the commissioner under section 270.709. Upon receipt of notice by the employer, the claim of the state of Minnesota shall have priority over any subsequent garnishments or wage assignments. The commissioner may arrange between the employer and the employee for withholding a portion of the total amount due the employee each pay period, until the total amount shown by the notice plus accrued interest has been withheld.

The "compensation due" any employee is defined in accordance with the provisions of section 571.921. The maximum withholding allowed under this subdivision for any one pay period shall be decreased by any amounts payable pursuant to a garnishment action with respect to which the employer was served prior to being served with the notice of delinquency and any amounts covered by any irrevocable and previously effective assignment of wages; the employer shall give notice to the department of the amounts and the facts relating to such assignments within ten days after the service of the notice of delinquency on the form provided by the department of revenue as noted in this subdivision.

(2) If the employee ceases to be employed by the employer before the full amount set forth in a notice of delinquency plus accrued interest has been withheld, the employer shall immediately notify the commissioner in writing of the termination date of the employee and the total amount withheld. No employer may discharge any employee by reason of the fact that the commissioner has proceeded under this subdivision. If an employer discharges an employee in violation of this provision, the employee shall have the same remedy as provided in section 571.927, subdivision 2.

(3) Within ten days after the expiration of such pay period, the employer shall remit to the commissioner, on a form and in the manner prescribed by the

commissioner, the amount withheld during each pay period under this subdivision. ~~Should any employer, after notice, willfully fail to withhold in accordance with the notice and this subdivision, or willfully fail to remit any amount withheld as required by this subdivision, the employer shall be liable for the total amount set forth in the notice together with accrued interest which may be collected by any means provided by law relating to taxation. Any amount collected from the employer for failure to withhold or for failure to remit under this subdivision shall be credited to the employee's account in the following manner: penalties, interest, tax, and costs.~~

(4) Clauses (1), (2), and (3), except provisions imposing a liability on the employer for failure to withhold or remit, shall apply to cases in which the employer is the United States or any instrumentality thereof or this state or any municipality or other subordinate unit thereof.

(5) The commissioner shall refund to the employee excess amounts withheld from the employee under this subdivision. If any excess results from payments by the employer because of willful failure to withhold or remit as prescribed in clause (3), the excess attributable to the employer's payment shall be refunded to the employer.

(6) Employers required to withhold delinquent taxes, penalties, interest, and costs under this subdivision shall not be required to compute any additional interest, costs or other charges to be withheld.

(7) The collection remedy provided to the commissioner by this subdivision shall have the same legal effect as if it were a levy made pursuant to section 270.70.

Sec. 14. Minnesota Statutes 1994, 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 3-1/2 years from the filing of the return, whichever period is the longer~~ the period prescribed in section 289A.40, subdivision 1. 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 a certificate for the refund-

ment 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 specified in section 270.76 computed from the date of payment or collection of the tax until the date the refund is paid to the claimant.

Sec. 15. Minnesota Statutes 1994, section 294.09, subdivision 4, is amended to read:

Subd. 4. **CONSENT TO EXTEND TIME.** If the commissioner and the taxpayer have within the periods prescribed in subdivision 1 consented in writing to any extension of time for the assessment of the tax under the provisions of section 294.08, subdivision 4, 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 taxpayer have consented to an extension for the assessment of the tax and six months thereafter~~; provided, however, that the period within which a claim for refund may be filed shall not expire prior to two years after the tax was paid~~.

Sec. 16. Minnesota Statutes 1994, section 297.35, subdivision 1, is amended to read:

Subdivision 1. On or before the 18th 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 1.5 percent of such liability as compensation to reimburse the distributor for expenses incurred in the administration of sections 297.31 to 297.39. The return for the May liability and 75 percent of the estimated June liability is due on the date payment of the tax is due.

A distributor having a liability of $120,000 or more during a ~~calendar~~ fiscal year ending June 30 must remit all liabilities in the subsequent ~~fiscal~~ calendar year ~~ending June 30~~ by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the tax is due. If the date the tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the tax is due.

Sec. 17. Minnesota Statutes 1994, section 297.43, subdivision 2, is amended to read:

Subd. 2. **PENALTY FOR FAILURE TO FILE.** If a person fails to make and file a return within the time required under sections 297.07, 297.23, and 297.35, there shall be added to the tax five percent of the amount of tax not paid on or before the date prescribed for payment of the tax. The amount so added to any tax under this subdivision and subdivision 1 shall be collected at the same time and in the same manner and as a part of the tax and shall bear interest at the rate specified in section 270.75 from the time the tax should have been paid, unless the tax has been paid before the discovery of the negligence, in which case the amount so added shall be collected in the same manner as the tax.

~~In the case of a failure to file a return within 60 days of the date prescribed for filing of the return (determined with regard to any extension of time for filing), the addition to tax under this subdivision shall not be less than the lesser of (i) $200, or (ii) the greater of (a) 25 percent of the amount required to be shown as tax on the return without reduction for any payments made or refundable credits allowable against the tax; or (b) $50.~~

Sec. 18. Minnesota Statutes 1994, section 297C.14, subdivision 2, is amended to read:

Subd. 2. **PENALTY FOR FAILURE TO FILE.** If a person fails to make and file a return within the time required by this chapter or an extension of time, there shall be added to the tax five percent of the amount of tax not paid on or before the date prescribed for payment of the tax. The amount so added to any tax under subdivisions 1 and 2 shall be collected at the same time and in the same manner and as a part of the tax and shall bear interest at the rate specified in section 270.75 from the time the tax should have been paid, unless the tax has been paid before the discovery of the negligence, in which case the amount so added shall be collected in the same manner as the tax.

~~In the case of a failure to file a return within 60 days of the date prescribed for filing of the return (determined with regard to any extension of time for filing), the addition to tax under this subdivision shall not be less than the lesser of (i) $200, or (ii) the greater of (a) 25 percent of the amount required to be shown as tax on the return without reduction for any payments made or refundable credits allowable against the tax; or (b) $50.~~

Sec. 19. Minnesota Statutes 1994, section 297E.11, subdivision 4, is amended to read:

Subd. 4. **TIME LIMIT FOR REFUNDS.** Unless otherwise provided in this chapter, a claim for a refund of an overpayment of tax must be filed within ~~3-1/2 years from the date prescribed for filing the return, plus any extension of time granted for filing the return, but only if filed within the extended time, or two years from the time the tax is paid, whichever period expires later~~ the period prescribed in section 289A.40, subdivision 1. Interest on refunds must be

computed at the rate specified in section 270.76 from the date of payment to the date the refund is paid or credited. For purposes of this subdivision, the date of payment is the later of the date the tax was finally due or was paid.

Sec. 20. Minnesota Statutes 1994, section 297E.12, subdivision 2, is amended to read:

Subd. 2. **PENALTY FOR FAILURE TO MAKE AND FILE RETURN.** If a taxpayer fails to make and file a return within the time prescribed or an extension, a penalty is added to the tax. The penalty is five percent of the amount of tax not paid on or before the date prescribed for payment of the tax.

~~If a taxpayer fails to file a return within 60 days of the date prescribed for filing of the return (determined with regard to any extension of time for filing), the addition to tax under this subdivision must be at least the lesser of: (1) $200; or (2) the greater of (i) 25 percent of the amount required to be shown as tax on the return without reduction for any payments made or refundable credits allowable against the tax; or (ii) $50.~~

Sec. 21. Minnesota Statutes 1994, 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~~ the period prescribed in section 289A.40, subdivision 1. 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 stated upon the return. If such claim is allowed in whole or in part, the commissioner shall issue a certificate for the refundment of the excess paid by the company, with interest at the rate specified in section 270.76 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. 22. Minnesota Statutes 1994, section 299F.26, subdivision 4, is amended to read:

Subd. 4. **CONSENT TO EXTEND TIME.** If the commissioner and the company have within the periods prescribed in subdivision 1, consented in writing to any extension of time for the assessment of the tax, the period within 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~~, provided, however, that the period within which a claim for refund may be filed shall not expire prior to two years after the tax was paid~~.

Sec. 23. **REPEALER.**

Minnesota Statutes 1994, sections 270.70, subdivisions 8, 9, and 10; and 297A.38, are repealed.

Sec. 24. **EFFECTIVE DATE.**

Sections 1, 2, 11, 14, 19, and 21 are effective for claims for refund which have not been filed as of the day following final enactment and in which the time period for filing the claim has not expired under the provisions in effect prior to the day following final enactment. The time period for filing such claims is the time period prescribed in the enacted sections, or one year after the day following final enactment, whichever is greater.

Sections 3, 15, and 22, and the provisions in section 1 pertaining to consents to extend time, are effective for consents to extend time for filing claims for refund entered into on or after the day following final enactment.

Sections 4, 8, 12, 13, 16 to 18, 20, and 23 are effective the day following final enactment.

Sections 5 to 7 are effective July 1, 1995.

Section 9 is effective for payments of refunds resulting from final determinations made on or after April 26, 1994, including refunds resulting from appeals filed before that date but finally determined after that date.

Section 10 is effective for payments due for tax years beginning after December 31, 1995.

ARTICLE 14

REVENUE POLICY INITIATIVES MISCELLANEOUS

Section 1. Minnesota Statutes 1994, section 289A.43, is amended to read:

289A.43 **PROHIBITION OF SUITS TO RESTRAIN ASSESSMENT OR COLLECTION.**

Except for the express procedures in this chapter, chapters 270 and 271, and any other tax statutes for contesting the assessment or collection of taxes, penalties, or interest administered by the commissioner of revenue, and except for an action challenging the constitutionality of a tax statute on its face, if it is demonstrated to the court by clear and convincing evidence that under no circumstances would the commissioner ultimately prevail and that the taxpayer will suffer irreparable harm if the relief sought is not granted, no suit to restrain assessment or collection, including a declaratory judgment action, can be maintained in any court by any person.

Sec. 2. Minnesota Statutes 1994, section 295.53, subdivision 2, is amended to read:

Subd. 2. **DEDUCTIONS FOR STAFF MODEL HEALTH PLAN COMPANY.** In addition to the exemptions allowed under subdivision 1, a staff model health plan company may deduct from its gross revenues for the year:

(1) amounts paid to hospitals, surgical centers, and health care providers that are not employees of the staff model health plan company for services on which liability for the tax is imposed under section 295.52;

(2) net amounts added to reserves, ~~if~~ to the extent that the amounts added do not cause total reserves ~~do not~~ to exceed 200 percent of the statutory net worth requirement, the calculation of which may be determined on a consolidated basis, taking into account the amounts held in reserve by affiliated staff model health plan companies;

(3) assessments for the comprehensive health insurance plan under section 62E.11; and

(4) amounts spent for administration as reported as total administration to the department of health in the statement of revenues, expenses, and net worth pursuant to section 62D.08, subdivision 3, clause (a).

Sec. 3. **[296.041] ELECTRONICALLY FILED RETURNS OR REPORTS; SIGNATURES.**

For purposes of this chapter, the name of the taxpayer, the name of the taxpayer's authorized agent, or the taxpayer's identification number constitutes a signature when transmitted as part of the information on returns or reports filed by electronic means by the taxpayer or at the taxpayer's direction. "Electronic means" includes, but is not limited to, the use of a touch-tone telephone to transmit return or report information in a manner prescribed by the commissioner.

Sec. 4. Minnesota Statutes 1994, section 296.12, subdivision 3, is amended to read:

Subd. 3. **TAX COLLECTION, REPORTING AND PAYMENT.** (a) For clear diesel fuel, the tax is imposed on the distributor who receives the fuel.

(b) For all other special fuels, the tax is imposed on the distributor, bulk purchaser, or special fuel dealer. The tax may be paid upon receipt or sale as follows:

(1) Distributors and special fuel dealers may, subject to the approval of the commissioner, elect to pay to the commissioner the special fuel excise tax on all special fuel delivered or sold into the supply tank of an aircraft or a licensed motor vehicle. Under this option an invoice must be issued at the time of each delivery showing the name and address of the purchaser, date of sale, number of gallons, price per gallon and total amount of sale. A separate sales ticket book shall be maintained for special fuel sales; and

(2) Bulk purchasers shall report and pay the excise tax on all special fuel purchased by them for storage, to the commissioner in the form and manner prescribed by the commissioner.

(c) Any person delivering special fuel on which the excise tax has not previously been paid, into the supply tank of an aircraft or a licensed motor vehicle shall report such delivery and pay the excise tax on the special fuel so delivered, to the commissioner.

Sec. 5. Minnesota Statutes 1994, section 296.12, subdivision 4, is amended to read:

Subd. 4. **MONTHLY REPORTS; SHRINKAGE ALLOWANCE.** On or before the 23rd day of each month, the persons subject to the provisions of this section shall file ~~in the office of the commissioner at St. Paul, Minnesota,~~ a report in the ~~following manner~~ form and manner prescribed by the commissioner. Reports shall contain information as follows:

(1) Distributors of clear diesel fuel must file a monthly tax return with the department listing all purchases or receipts of clear diesel fuel. Distributors may be allowed to take a credit or credits under section 296.14, subdivision 2.

(2) Distributors and dealers of special fuel other than clear diesel fuel shall report the total number of gallons delivered to them during the preceding calendar month and shall pay the special fuel excise tax due thereon to the commissioner. The invoice must show the true and correct name and address of the purchaser, and the purchaser's signature. The report shall contain such other information as the commissioner may require.

(3) Distributors and dealers of special fuel other than clear diesel fuel who have elected to pay the special fuel excise tax on all special fuel delivered into the supply tank of an aircraft or licensed motor vehicle as provided in subdivision 3, shall report the total number of gallons delivered into the supply tank of an aircraft or licensed motor vehicle during the preceding calendar month and shall pay the special fuel excise tax due thereon to the commissioner.

(4) Bulk purchasers shall report and pay the special fuel excise tax on all

special fuel except clear diesel fuel purchased by them for storage, during the preceding calendar month. In such cases as the commissioner may permit, credit for the excise tax due or previously paid on special fuel not used in aircraft or licensed motor vehicles, may be allowed in computing tax liability. The report shall contain such other information as the commissioner may require.

(5) In computing the special fuel excise tax due, a deduction of one percent of the quantity of special fuel on which tax is due shall be made for evaporation and loss.

(6) Each report shall contain a confession of judgment for the amount of the tax shown due thereon to the extent not timely paid.

Sec. 6. Minnesota Statutes 1994, section 296.12, subdivision 11, is amended to read:

Subd. 11. **QUALIFIED BULK PURCHASERS.** Notwithstanding any other provision of law to the contrary, the commissioner of revenue may allow any bulk purchaser who receives special fuel other than clear diesel fuel in bulk storage for subsequent delivery into the supply tank of licensed motor vehicles or aircraft operated by the bulk purchaser to purchase bulk special fuel on a tax paid basis from any consenting supplier licensed as a distributor or special fuel dealer under this section or section 296.06. Bulk purchasers qualifying under this provision must become registered in a manner approved by the commissioner but shall be exempt from the bulk purchaser license requirements. Every licensed distributor or special fuel dealer who sells or delivers special fuel other than clear diesel fuel on a tax paid basis to persons registered under this provision must report on or before the 23rd day of each month sales made during the preceding calendar month and shall pay the special fuel excise tax due thereon to the commissioner. The report shall be in the form and manner prescribed by the commissioner, and shall contain information as the commissioner may require.

Sec. 7. Minnesota Statutes 1994, section 296.141, subdivision 1, is amended to read:

Subdivision 1. **PAYMENT OF GASOLINE TAX AND PETROLEUM TANK RELEASE CLEANUP FEE; SHRINKAGE ALLOWANCE.** On or before the 23rd day of each month, every person who is required to pay a gasoline tax shall file ~~in the office of~~ with the commissioner ~~at St. Paul, Minnesota,~~ a report, in ~~a~~ the form and manner approved by the commissioner, showing the number of gallons of petroleum products received by the reporter during the preceding calendar month, and other information the commissioner may require. The number of gallons of gasoline must be reported in United States standard liquid gallons (231 cubic inches), except that the commissioner may upon written application and for cause shown permit the distributor to report the number of gallons of gasoline as corrected to a 60 degree Fahrenheit temperature. If the application is granted, all gasoline covered in the application and allowed by the commissioner must continue to be reported by the distributor on

the adjusted basis for a period of one year from the date of the granting of the application. The number of gallons of petroleum products other than gasoline must be reported as originally invoiced.

Each report must show separately the number of gallons of aviation gasoline received by the reporter during such calendar month.

Each report must include the amount of gasoline tax on gasoline received by the reporter during the preceding month; provided that in computing the tax a deduction of three percent of the quantity of gasoline received by a distributor shall be made for evaporation and loss; provided further that at the time of reporting, the distributor shall submit satisfactory evidence that one-third of the three percent deduction has been credited or paid to dealers on quantities sold to them. ~~The~~ A written report is deemed to have been filed as required in this subdivision if postmarked on or before the 23rd day of the month in which payable.

Sec. 8. Minnesota Statutes 1994, section 296.141, subdivision 2, is amended to read:

Subd. 2. **INSPECTION FEES.** Persons required to pay an inspection fee under section 239.101 must file a report. Each report must include the amount of inspection fees due on petroleum products. ~~The~~ Reports must be filed with the commissioner in the form and manner the commissioner prescribes. A written report is considered filed as required if postmarked on or before the 23rd day of the month in which payable.

Sec. 9. Minnesota Statutes 1994, section 296.141, subdivision 6, is amended to read:

Subd. 6. **ON-FARM BULK STORAGE OF GASOLINE OR SPECIAL FUEL; ETHYL ALCOHOL FOR PERSONAL USE.** Notwithstanding the provisions of this section, the producer of ethyl alcohol which is produced for personal use and not for sale in the usual course of business and a farmer who uses gasoline or any special fuel on which a tax has not been paid shall report and pay the tax on all ethyl alcohol, gasoline, or special fuel delivered into the supply tank of a licensed motor vehicle during the preceding calendar year. The tax must be reported in the form and manner prescribed by the commissioner and paid together with any refund claim filed by the taxpayer under section 296.18. If no refund claim is filed, the tax must be reported and paid annually by March 15 or more frequently, as the commissioner may prescribe. Any producer qualifying under this subdivision is exempt from the licensing requirements contained in section 296.06, subdivision 1.

Sec. 10. Minnesota Statutes 1994, section 296.17, subdivision 1, is amended to read:

Subdivision 1. **UNREPORTED FUEL.** It shall be the duty of every distributor, dealer, and person who sells or uses gasoline manufactured, produced,

received, or stored by the distributor, dealer, or person, and of every person using gasoline in motor vehicles or special fuel in licensed motor vehicles, if the same has not been reported or if the tax on account thereof has not been paid to the commissioner, to report to the commissioner in the form and manner prescribed by the commissioner, the quantity of such gasoline so sold or used or such special fuel used, and such person shall become liable for the payment of the tax. All provisions of sections 296.01 to 296.421 relating to the calculation, collection and payment of the tax shall be applicable to any such person, dealer or distributor.

Sec. 11. Minnesota Statutes 1994, section 296.17, subdivision 3, is amended to read:

Subd. 3. **REFUNDS ON FUEL USED IN OTHER STATES.** Every person regularly or habitually operating motor vehicles upon the public highways of any other state or states and using in said motor vehicles gasoline or special fuel purchased or obtained in this state, shall be allowed a credit or refund equal to the tax on said gasoline or special fuel paid to this state on the gasoline or special fuel actually used in the other state or states. No credit or refund shall be allowed under this subdivision for taxes paid to any state which imposes a tax upon gasoline or special fuel purchased or obtained in this state and used on the highways of such other state, and which does not allow a similar credit or refund for the tax paid to this state on gasoline or special fuel purchased or acquired in such other state and used on the highways of this state. Every person claiming a credit or refund under this subdivision shall file a, claim ~~on a~~ in the form and manner prescribed by the commissioner or take the credit on a subsequent tax return within one year of the last day of the month following the end of the quarter when the overpayment occurred.

Sec. 12. Minnesota Statutes 1994, section 296.17, subdivision 5, is amended to read:

Subd. 5. **UNREPORTED AVIATION GASOLINE.** The provisions of subdivision 1 do not apply to aviation gasoline. It shall be the duty of every distributor, dealer, and person who receives, sells, stores, or withdraws from storage in this state aviation gasoline manufactured, produced, received, or stored by the distributor, dealer, or person, if the same has not been reported or if a tax provided for in section 296.02 on account thereof, has not been paid to the commissioner, to report to the commissioner, in the form and manner prescribed by the commissioner, the quantity of such gasoline so received, sold, stored, or withdrawn from storage, and such person shall become liable for the payment of the tax.

All provisions of sections 296.01 to 296.421 relating to the calculation, collections, and payment of the tax shall be applicable to any such person, dealer, or distributor.

Sec. 13. Minnesota Statutes 1994, section 296.17, subdivision 11, is amended to read:

Subd. 11. **MOTOR CARRIER REPORTS.** Every motor carrier subject to the road tax shall, on or before the last day of April, July, October, and January, file with the commissioner ~~such~~ in the form and manner prescribed by the commissioner, reports of operations during the previous three months ~~as the commissioner may require~~, and such other reports from time to time as the commissioner may deem necessary. The commissioner by rule may exempt from the quarterly reporting requirements of this section those motor carriers whose mileage is all or substantially all and those motor carriers whose mileage is minimal within this state, or states with which Minnesota has reciprocity and require in such instances an annual report reflecting the operations of the carrier during the previous year along with payment of any taxes due.

Each report shall contain a confession of judgment for the amount of the tax shown due thereon to the extent not timely paid.

Sec. 14. Minnesota Statutes 1994, section 296.18, subdivision 1, is amended to read:

Subdivision 1. **CLAIM; FUEL USED IN OTHER VEHICLES.** Any person who shall buy and use gasoline for a qualifying purpose other than use in motor vehicles, snowmobiles except as provided in clause (2), or motorboats, or special fuel for a qualifying purpose other than use in licensed motor vehicles, and who 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 upon filing with the commissioner a ~~signed~~ claim ~~in writing~~ in the form and manner prescribed by the commissioner, 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 the applicant other than in motor vehicles, or special fuel so purchased and used by the applicant other than in licensed motor vehicles, and shall state when and for what purpose it was used. When a claim contains an error in computation or preparation, the commissioner is authorized to adjust the claim in accordance with the evidence shown on the claim or other information available to the commissioner. The commissioner, on being satisfied that the claimant is entitled to the payments, shall approve the claim and transmit it to the commissioner of 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~~ a written claim is mailed shall determine ~~the~~ its date of filing. The words "gasoline" or "special fuel" as used in this subdivision do not include aviation gasoline or special fuel for aircraft. Gasoline or special fuel bought and used for a "qualifying purpose" means:

(1) Gasoline or special fuel used in carrying on a trade or business, used on a farm situated in Minnesota, and used for a farming purpose. "Farm" and "farming purpose" have the meanings given them in section 6420(c)(2), (3), and

(4) of the Internal Revenue Code of 1986, as amended through December 31, 1988.

(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" includes use of a passenger snowmobile off the public highways as part of the operations of a resort as defined in section 157.01, subdivision 1. "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. 15. Minnesota Statutes 1994, section 296.18, subdivision 2, is amended to read:

Subd. 2. **FAILURE TO USE OR SELL FOR INTENDED PURPOSE; REPORTS REQUIRED.** (1) Any person who shall buy aviation gasoline or special fuel for aircraft use and who shall have paid the excise taxes due thereon directly or indirectly through the amount of the tax being included in the price thereof, or otherwise, and shall use said gasoline or special fuel in motor vehicles or shall knowingly sell it to any person for use in motor vehicles shall, on or before the twenty-third day of the month following that in which such gasoline or special fuel was so used or sold, report the fact of such use or sale to the commissioner in such form and manner as the commissioner may prescribe.

(2) Any person who shall buy gasoline other than aviation gasoline and who shall have paid the motor vehicle gasoline excise tax directly or indirectly through the amount of the tax being included in the price of the gasoline, or otherwise, who shall knowingly sell such gasoline to any person to be used for the purpose of producing or generating power for propelling aircraft, or who shall receive, store, or withdraw from storage such gasoline to be used for that purpose, shall, on or before the 23rd day of the month following that in which such gasoline was so sold, stored, or withdrawn from storage, report the fact of such sale, storage, or withdrawal from storage to the commissioner in such form and manner as the commissioner may prescribe.

(3) Any person who shall buy aviation gasoline or special fuel for aircraft use and who shall have paid the excise taxes directly or indirectly through the amount of the tax being included in the price thereof, or otherwise, who shall not use it in motor vehicles or receive, sell, store, or withdraw it from storage for the purpose of producing or generating power for propelling aircraft, shall be reimbursed and repaid the amount of the tax paid upon filing with the commissioner a ~~signed~~ claim ~~in writing~~ in such form and ~~containing such information as the commissioner shall require and accompanied by the original invoice thereof~~ manner as the commissioner may prescribe. By ~~signing any such~~ filing a claim

which is false or fraudulent, the applicant shall be subject to the penalties provided in section 296.25 for knowingly or willfully making a false claim. The claim shall set forth the total amount of the aviation gasoline or special fuel for aircraft use so purchased and used by the applicant, and shall state when and for what purpose it was used. When a claim contains an error in computation or preparation, the commissioner is authorized to adjust the claim in accordance with the evidence shown on the claim or other information available to the commissioner. The commissioner, on being satisfied that the claimant is entitled to payment, 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~~ a written claim is mailed shall determine ~~the~~ its date of filing.

Sec. 16. Minnesota Statutes 1994, section 296.18, subdivision 5, is amended to read:

Subd. 5. **GRADUATED REDUCTION-BASIS REFUND CLAIM, REQUIREMENTS.** Any distributor or other person claiming to be entitled to any refund provided for in subdivision 4 shall receive such refund upon filing with the commissioner a verified claim in such form and manner, and, containing such information~~, and accompanied by such invoices or other proof~~ as the commissioner shall require. The claim shall set forth, among other things, the total number of gallons of aviation gasoline or special fuel for aircraft use upon which the claimant has directly or indirectly paid the excise tax provided for in sections 296.02, subdivision 2, or 296.025, subdivision 2, during the calendar year, which has been received, stored, or withdrawn from storage by the claimant in this state and not sold or otherwise disposed of to others. The commissioner, on being satisfied that the claimant is entitled to the refund, shall approve the claim and transmit it to the commissioner of finance, and it shall be paid as provided for in section 296.421, subdivision 2. All claims for refunds under this subdivision shall be made on or before April 15 following the end of the calendar year for which the refund is claimed. Claims for aviation gasoline and special fuel tax refund filed within 15 days beyond the due date prescribed by this subdivision shall be honored by the commissioner less a penalty of 25 percent of the amount of the approved claim.

Sec. 17. **[340A.7035] CONSUMER IMPORTATION; ILLEGAL ACTS.**

A person who enters Minnesota from another state and who imports or possesses alcoholic beverages in excess of the tax-exempt quantities provided for in section 297C.07, paragraphs (10), (11), and (12), is guilty of a misdemeanor. A person who enters Minnesota from a foreign country who imports or possesses alcoholic beverages on which the excise tax imposed by sections 297C.02 and 297C.09 has not been paid, other than the tax-exempt quantities provided for in section 297C.07, paragraphs (10), (11), and (12), is guilty of a misdemeanor. A peace officer, the commissioner of public safety, and employees designated by the commissioner of public safety may seize alcoholic beverages imported or

possessed in violation of this section. This section does not apply to the consignments of alcoholic beverages shipped into this state by holders of Minnesota import licenses or Minnesota manufacturers and wholesalers when licensed by the commissioner of public safety or to common carriers with licenses to sell alcoholic beverages in more than one state when licensed by the commissioner of public safety to sell alcoholic beverages in this state.

Sec. 18. **EFFECTIVE DATE.**

Section 1 is effective for lawsuits initiated on or after the day following final enactment.

Sections 2 to 17 are effective the day following final enactment.

ARTICLE 15

REVENUE TECHNICAL INITIATIVES INCOME TAX AND PROPERTY TAX REFUND

Section 1. Minnesota Statutes 1994, 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 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)~~ 402(d) of the Internal Revenue Code and that is subject to tax for such taxable year under section ~~402(e)~~ 402(d) of the Internal Revenue Code.

Sec. 2. Minnesota Statutes 1994, 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)~~ 402(d) of the Internal Revenue Code, except that the initial separate tax shall be an amount equal to five times the tax which would be imposed by section 290.06, subdivision 2c, if the recipient was an unmarried individual, and the taxable net income was an amount equal to one-fifth 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)~~ 402(d) of the Internal Revenue Code to paragraph (1)(A) thereof shall instead be references to subdivision 1, and the excess, if any, of the subtraction base amount over federal taxable income for a qualified individual as provided under section 290.0802, subdivision 2.

Sec. 3. Minnesota Statutes 1994, section 290A.04, subdivision 2h, is amended to read:

Subd. 2h. (a) If the gross property taxes payable on a homestead increase more than 12 percent over the net property taxes payable in the prior year on the same property that is owned and occupied by the same owner on January 2 of both years, and the amount of that increase is $100 or more for taxes payable in 1995 and 1996, a claimant who is a homeowner shall be allowed an additional refund equal to 60 percent of the amount of the increase over the greater of 12 percent of the prior year's net property taxes payable or $100 for taxes payable in 1995 and 1996. This subdivision shall not apply to any increase in the gross property taxes payable attributable to improvements made to the homestead after the assessment date for the prior year's taxes. This subdivision shall not apply to any increase in the gross property taxes payable attributable to the termination of valuation exclusions under section 273.11, subdivision 16.

The maximum refund allowed under this subdivision is $1,000.

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

(1) "Net property taxes payable" means property taxes payable minus refund amounts for which the claimant qualifies pursuant to subdivision 2 and this subdivision.

(2) "Gross property taxes" means net property taxes payable determined without regard to the refund allowed under this subdivision.

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

(d) On or before December 1, 1995, the commissioner shall estimate the cost of making the payments provided by this subdivision for taxes payable in 1996. Notwithstanding the open appropriation provision of section 290A.23, if the estimated total refund claims for taxes payable in 1996 exceed $5,500,000, the commissioner shall first reduce the 60 percent refund rate enough, but to no lower a rate than 50 percent, so that the estimated total refund claims do not exceed $5,500,000. If the commissioner estimates that total claims will exceed $5,500,000 at a 50 percent refund rate, the commissioner shall also reduce the $1,000 maximum refund amount by enough so that total estimated refund claims do not exceed $5,500,000.

The determinations of the revised thresholds by the commissioner are not rules subject to chapter 14.

(e) Upon request, the appropriate county official shall make available the names and addresses of the property taxpayers who may be eligible for the additional property tax refund under this section. The information shall be provided on a magnetic computer disk. The county may recover its costs by charging the person requesting the information the reasonable cost for preparing the data.

The information may not be used for any purpose other than for notifying the homeowner of potential eligibility and assisting the homeowner, without charge, in preparing a refund claim.

Sec. 4. Minnesota Statutes 1994, section 290A.04, subdivision 6, is amended to read:

Subd. 6. **INFLATION ADJUSTMENT.** Beginning for property tax refunds payable in calendar year 1996, the commissioner shall annually adjust the dollar amounts of the income thresholds and the maximum refunds under subdivisions 2 and 2a for inflation. The commissioner shall make the inflation adjustments in accordance with section 290.06, subdivision 2d, except that for purposes of this subdivision the percentage increase shall be determined from the year ending on August 31, ~~1993~~ 1994, to the year ending on August 31 of the year preceding that in which the refund is payable. The commissioner shall use the appropriate percentage increase to annually adjust the income thresholds and maximum refunds under subdivisions 2 and 2a for inflation without regard to whether or not the income tax brackets are adjusted for inflation in that year. The commissioner shall round the thresholds and the maximum amounts, as adjusted to the nearest $10 amount. If the amount ends in $5, the commissioner shall round it up to the next $10 amount.

The commissioner shall annually announce the adjusted refund schedule at the same time provided under section 290.06. The determination of the commissioner under this subdivision is not a rule under the administrative procedure act.

Sec. 5. Laws 1994, chapter 587, article 1, section 27, is amended to read:

Sec. 27. **EFFECTIVE DATE.**

Sections 1, 7, 10, 13, 15, 16, and 22 are effective for taxable years beginning after December 31, 1993.

Section 2 is effective to be used as an offset against premium tax liabilities payable after November 30, 1995. If a guaranty association assessment was made before August 1, 1994, under Minnesota Statutes 1992, sections 61B.01 to 61B.16, and is revoked or invalidated, a subsequent assessment to pay the same liabilities shall not be eligible for the offset as provided for under Minnesota Statutes, section 60A.15, subdivision 15, and shall not be used in any calculation to determine the offset limitation under Minnesota Statutes, section 60A.15, subdivision 15, paragraph (c).

Sections 4 and 25, paragraph (b), are effective for installments of estimated taxes due after the day following enactment.

Section 5 is effective for taxable years beginning after December 31, 1994.

Section 8 is effective for wages paid or incurred after December 31, 1993.

New language is indicated by underline, deletions by ~~strikeout~~.

Section 20 is effective to be used as an offset against tax liabilities payable after June 30, 1995. If a guaranty association assessment was made before August 1, 1994, under Minnesota Statutes 1992, sections 61B.01 to 61B.16 and is revoked or invalidated, a subsequent assessment to pay the same liabilities shall not be eligible for the offset as provided for under Minnesota Statutes, section 290.35, subdivision 6, and shall not be used in any calculation to determine the offset limitation under Minnesota Statutes, section 290.35, subdivision 6, paragraph (c).

Sec. 6. **REPEALER.**

Minnesota Statutes 1994, section 290A.04, subdivision 2i, and Laws 1989, First Special Session chapter 1, article 7, section 9, are repealed.

Sec. 7. **EFFECTIVE DATE.**

Sections 1 and 2 are effective for tax years beginning after December 31, 1994. Section 5 is effective for tax years beginning after December 31, 1993. Section 6 is effective for property taxes payable in 1995 and thereafter. Sections 3 and 4 are effective for refunds based on property taxes payable in 1996 and rent paid in 1995 and thereafter.

ARTICLE 16

REVENUE TECHNICAL INITIATIVES PROPERTY TAX

Section 1. Minnesota Statutes 1994, section 270.47, is amended to read:

270.47 **RULES.**

The board shall establish the rules necessary to accomplish the purpose of section 270.41, and shall establish criteria required of assessing officials in the state. Separate criteria may be established depending upon the responsibilities of the assessor. The board shall prepare and give examinations from time to time to determine whether assessing officials possess the necessary qualifications for performing the functions of the office. Such tests shall be given immediately upon completion of courses required by the board, or to persons who already possess the requisite qualifications under the rules of the board. ~~Rules adopted by the board before July 1, 1981 to accomplish the purposes of sections 270.41 to 270.53, including those relating to licensure, are valid without compliance with the administrative procedure act.~~

Sec. 2. Minnesota Statutes 1994, section 270.48, is amended to read:

270.48 **LICENSURE OF QUALIFIED PERSONS.**

The board shall license persons as possessing the necessary qualifications of

an assessing official. Different levels of licensure may be established as to classes of property which assessors may be certified to assess at the discretion of the board. Every person, except a local or county assessor, regularly employed by the assessor to assist in making decisions regarding valuing and classifying property for assessment purposes shall be required to become licensed within three years of the date of employment ~~or June 1, 1975, whichever is later~~. Licensure shall be required for local and county assessors as otherwise provided in sections 270.41 to 270.53.

Sec. 3. Minnesota Statutes 1994, section 270.485, is amended to read:

270.485 **SENIOR ACCREDITATION.**

The legislature finds that the property tax system would be enhanced by requiring that every senior appraiser in the department of revenue's ~~local government services~~ property tax division obtain senior accreditation from the state board of assessors. Every senior appraiser, including the department's regional representatives, ~~by January 1, 1990,~~ and every county assessor within two years of the first appointment under section 273.061, ~~or by January 1, 1992, whichever is later,~~ must obtain senior accreditation from the state board of assessors. The board shall provide the necessary courses or training. If a department senior appraiser or regional representative fails to obtain or maintain senior accreditation ~~by January 1, 1990~~, the failure shall be grounds for dismissal, disciplinary action, or corrective action. Except as provided in section 273.061, subdivision 2, paragraph (c), ~~after December 30, 1991,~~ the commissioner must not approve the appointment of a county assessor who is not senior accredited by the state board of assessors. No employee hired by the commissioner as a senior appraiser or regional representative ~~after June 30, 1987,~~ shall attain permanent status until the employee obtains senior accreditation.

Sec. 4. Minnesota Statutes 1994, section 270.494, is amended to read:

270.494 **CERTAIN TOWNSHIPS AND CITIES OPTION TO ELECT TO REINSTATE THE OFFICE OF ASSESSOR.**

Notwithstanding the provisions of ~~sections 270.49, 270.493, and~~ section 273.05, subdivision 1, a city or township in which the office of assessor has been eliminated because of ~~failure of the city or township to certify by resolution to the commissioner of revenue its intention to employ or continue to employ a certified assessor on or before April 1, 1972, pursuant to section 270.49, or failure to hire a certified assessor prior to June 15, 1975, pursuant to sections 270.493 and 270.50, or~~ failure to fill a vacancy in the office within 90 days pursuant to section 273.05, subdivision 1, may elect, with the approval of the commissioner, to have the office of assessor reinstated by hiring a certified or accredited assessor. This section shall not apply to Ramsey county or to cities and townships located in counties which have elected a county assessment system in accordance with section 273.055.

Sec. 5. Minnesota Statutes 1994, section 270.50, is amended to read:

270.50 **EMPLOYMENT OF LICENSED ASSESSORS.**

~~Commencing June 15, 1975,~~ No assessor shall be employed who has not been licensed as qualified by the board, provided the time to comply may be extended after application to the board upon a showing that licensed assessors are not available for employment. The board may license that a county or local assessor who has not received the training, but possesses the necessary qualifications for performing the functions of the office by the passage of an approved examination or may waive the examination if such person has demonstrated competence in performing the functions of the office for a period of time the board deems reasonable. The county or local assessing district shall assume the cost of training of its assessors in courses approved by the board for the purpose of obtaining the assessor's license to the extent of course fees, mileage, meals and lodging, and recognized travel expenses not paid by the state. If the governing body of any township or city fails to employ an assessor as required by sections 270.41 to 270.53, the assessment shall be made by the county assessor.

~~A town shall pay its assessor $20 for each day the assessor is attending approved courses or taking the examination. In addition, the town shall pay its assessor $10 for each approved course successfully completed and $20 upon licensure. The maximum payable to an assessor for successful completion of courses and licensure shall not exceed $50.~~

In the case of cities incorporated or townships organized after April 11, 1974 except cities or towns located in Ramsey county or which have elected a county assessor system in accordance with section 273.055, the board shall allow the city or town 90 days from ~~the latter of June 3, 1977 or~~ the date of incorporation or organization to employ a licensed assessor.

Sec. 6. Minnesota Statutes 1994, section 270.52, is amended to read:

270.52 **COSTS OF MAKING ASSESSMENTS.**

The cost of making any assessment provided in sections 270.41 to 270.53 shall be charged to the assessment district involved. The county auditor shall certify the costs incurred to the appropriate governing body not later than ~~September~~ August 1 of each year, and if unpaid as of ~~October 10~~ September 1, the county auditor shall levy a tax upon the taxable property of such taxing district sufficient to pay such costs. The amount so collected shall be credited to the general revenue fund of the county.

Sec. 7. Minnesota Statutes 1994, section 270.53, is amended to read:

270.53 **EXISTING CONTRACTS FOR ASSESSMENT OF PROPERTY.**

Sections 270.41 to 270.53 shall not supersede existing contracts executed pursuant to section 273.072 or 471.59 except to the extent that such contracts may conflict with section ~~270.49 or~~ 270.50 nor preclude contracts between a taxing district and the county for the assessment of property by the county assessor.

Sec. 8. Minnesota Statutes 1994, section 272.121, subdivision 2, is amended to read:

Subd. 2. **EXCEPTIONS.** No certification of current tax paid is required when the land is being conveyed to the federal government, the state, or a home rule charter or statutory city or any other political subdivision~~, or~~. No certification of current tax paid is required under subdivision 1 for any sheriff's or referee's certificate of sale or other instrument if a certification of delinquent tax for the instrument is not required under section 272.12.

Sec. 9. Minnesota Statutes 1994, section 273.11, subdivision 16, is amended to read:

Subd. 16. **VALUATION EXCLUSION FOR CERTAIN IMPROVEMENTS.** Improvements to homestead property made before January 2, 2003, shall be fully or partially excluded from the value of the property for assessment purposes provided that (1) the house is at least 35 years old at the time of the improvement and (2) either (a) the assessor's estimated market value of the house on January 2 of the current year is equal to or less than $150,000, or (b) if the estimated market value of the house is over $150,000 market value but is less than $300,000 on January 2 of the current year, the property qualifies if

(i) it is located in a city or town in which 50 percent or more of the ~~homes~~ owner-occupied housing units were constructed before 1960 based upon the 1990 federal census, and

(ii) the city or town's median family income based upon the 1990 federal census is less than the statewide median family income based upon the 1990 federal census.

Any house which has an estimated market value of $300,000 or more on January 2 of the current year is not eligible to receive any property valuation exclusion under this section. For purposes of determining this eligibility, "house" means land and buildings.

The age of a residence is the number of years that the residence has existed at its present site. In the case of an owner-occupied duplex or triplex, the improvement is eligible regardless of which portion of the property was improved.

If the property lies in a jurisdiction which is subject to a building permit process, a building permit must have been issued prior to commencement of the improvement. Any improvement must add at least $1,000 to the value of the property to be eligible for exclusion under this subdivision. Only improvements to the structure which is the residence of the qualifying homesteader or construction of or improvements to no more than one two-car garage per residence qualify for the provisions of this subdivision. If an improvement was begun between January 2, 1992, and January 2, 1993, any value added from that improvement for the January 1994 and subsequent assessments shall qualify for

exclusion under this subdivision provided that a building permit was obtained for the improvement between January 2, 1992, and January 2, 1993. Whenever a building permit is issued for property currently classified as homestead, the issuing jurisdiction shall notify the property owner of the possibility of valuation exclusion under this subdivision. The assessor shall require an application, including documentation of the age of the house from the owner, if unknown by the assessor. The application may be filed subsequent to the date of the building permit provided that the application is filed prior to the next assessment date.

After the adjournment of the 1994 county board of equalization meetings, no exclusion may be granted for an improvement by a local board of review or county board of equalization unless (1) a building permit was issued prior to the commencement of the improvement if the jurisdiction requires a building permit, and (2) an application was completed on a timely basis. No abatement of the taxes for qualifying improvements may be granted by a county board unless (1) a building permit was issued prior to commencement of the improvement if the jurisdiction requires a building permit, and (2) an application was completed on a timely basis.

The assessor shall note the qualifying value of each improvement on the property's record, and the sum of those amounts shall be subtracted from the value of the property in each year for ten years after the improvement has been made, at which time an amount equal to 20 percent of the qualifying value shall be added back in each of the five subsequent assessment years. The valuation exclusion shall terminate whenever (1) the property is sold, or (2) the property is reclassified to a class which does not qualify for treatment under this subdivision. Improvements made by an occupant who is the purchaser of the property under a conditional purchase contract do not qualify under this subdivision unless the seller of the property is a governmental entity. The qualifying value of the property shall be computed based upon the increase from that structure's market value as of January 2 preceding the acquisition of the property by the governmental entity.

The total qualifying value for a homestead may not exceed $50,000. The total qualifying value for a homestead with a house that is less than 70 years old may not exceed $25,000. The term "qualifying value" means the increase in estimated market value resulting from the improvement if the improvement occurs when the house is at least 70 years old, or one-half of the increase in estimated market value resulting from the improvement otherwise. The $25,000 and $50,000 maximum qualifying value under this subdivision may result from up to three separate improvements to the homestead. The application shall state, in clear language, that if more than three improvements are made to the qualifying property, a taxpayer may choose which three improvements are eligible, provided that after the taxpayer has made the choice and any valuation attributable to those improvements has been excluded from taxation, no further changes can be made by the taxpayer.

If 50 percent or more of the square footage of a structure is voluntarily

razed or removed, the valuation increase attributable to any subsequent improvements to the remaining structure does not qualify for the exclusion under this subdivision. If a structure is unintentionally or accidentally destroyed by a natural disaster, the property is eligible for an exclusion under this subdivision provided that the structure was not completely destroyed. The qualifying value on property destroyed by a natural disaster shall be computed based upon the increase from that structure's market value as determined on January 2 of the year in which the disaster occurred. A property receiving benefits under the homestead disaster provisions under section 273.123 is not disqualified from receiving an exclusion under this subdivision. If any combination of improvements made to a structure after January 1, 1993, increases the size of the structure by 100 percent or more, the valuation increase attributable to the portion of the improvement that causes the structure's size to exceed 100 percent does not qualify for exclusion under this subdivision.

Sec. 10. Minnesota Statutes 1994, section 273.1398, is amended by adding a subdivision to read:

Subd. 2d. **AIDS DETERMINED AS OF JUNE 30.** For aid amounts authorized under subdivisions 2 and 3, and section 273.166: (i) if the effective date for a municipal incorporation, consolidation, annexation, detachment, dissolution, or township organization is on or before June 30 of the year preceding the aid distribution year, the change in boundaries or form of government shall be recognized for aid determinations for the aid distribution year; (ii) if the effective date for a municipal incorporation, consolidation, annexation, detachment, dissolution, or township organization is after June 30 of the year preceding the aid distribution year, the change in boundaries or form of government shall not be recognized for aid determinations until the following year.

Sec. 11. Minnesota Statutes 1994, section 273.17, subdivision 2, is amended to read:

Subd. 2. In counties where the county auditor has elected to discontinue the preparation of assessment books as provided by section 273.03, subdivision 2, such changes as provided for in subdivision 1 of this section, shall be recorded in a separate record prepared under the direction of the county assessor and shall identify, by description or property identification number, or both, the real estate affected, the previous year's net tax capacities and the new market values and net tax capacities, provided that if only property identification numbers are used they shall be such that shall permit positive identification of the real estate to which they apply. Such record shall further indicate the total amount of increase or decrease in net tax capacity contained therein. The county assessor shall make return of such record to the county auditor who shall be the official custodian thereof.

Such record shall be known as "County assessor's changes in real estate valuations for the year ~~19.....~~". Such records on file in the county auditor's office may be destroyed when they are more than ~~20~~ ten years old pursuant to the con-

ditions for destruction of government records contained in Minnesota Statutes ~~1961~~, ~~section~~ ~~384.14~~ sections 138.161 to 138.25.

Sec. 12. Minnesota Statutes 1994, section 275.065, subdivision 6, is amended to read:

Subd. 6. **PUBLIC HEARING; ADOPTION OF BUDGET AND LEVY.** Between November 29 and December 20, the governing bodies of the city, county, metropolitan special taxing districts as defined in subdivision 3, paragraph (i), and regional library districts shall each hold a public hearing to discuss and seek public comment on its final budget and property tax levy for taxes payable in the following year, and the governing body of the school district shall hold a public hearing to review its current budget and proposed property tax levy for taxes payable in the following year. The metropolitan special taxing districts shall be required to hold only a single joint public hearing, the location of which will be determined by the affected metropolitan agencies.

At a subsequent hearing, each county, school district, city, and metropolitan special taxing district may amend its proposed property tax levy and must adopt a final property tax levy. Each county, city, and metropolitan special taxing district may also amend its proposed budget and must adopt a final budget at the subsequent hearing. A school district is not required to adopt its final budget at the subsequent hearing. The subsequent hearing of a taxing authority must be held on a date subsequent to the date of the taxing authority's initial public hearing, or subsequent to the date of its continuation hearing if a continuation hearing is held. The subsequent hearing may be held at a regularly scheduled board or council meeting or at a special meeting scheduled for the purposes of the subsequent hearing. The subsequent hearing of a taxing authority does not have to be coordinated by the county auditor to prevent a conflict with an initial hearing, a continuation hearing, or a subsequent hearing of any other taxing authority. All subsequent hearings must be held prior to five working days after December 20 of the levy year.

The time and place of the subsequent hearing must be announced at the initial public hearing or at the continuation hearing.

The property tax levy certified under section 275.07 by a city, county, metropolitan special taxing district, regional library district, or school district must not exceed the proposed levy determined under subdivision 1, except by an amount up to the sum of the following amounts:

(1) the amount of a school district levy whose voters approved a referendum to increase taxes under section 124.82, subdivision 3, 124A.03, subdivision 2, 124B.03, subdivision 2, or 136C.411, after the proposed levy was certified;

(2) the amount of a city or county levy approved by the voters after the proposed levy was certified;

(3) the amount of a levy to pay principal and interest on bonds issued or

approved by the voters under section 475.58 after the proposed levy was certified;

(4) the amount of a levy to pay costs due to a natural disaster occurring after the proposed levy was certified, if that amount is approved by the commissioner of revenue under subdivision 6a;

(5) the amount of a levy to pay tort judgments against a taxing authority that become final after the proposed levy was certified, if the amount is approved by the commissioner of revenue under subdivision 6a;

(6) the amount of an increase in levy limits certified to the taxing authority by the commissioner of education after the proposed levy was certified; and

(7) the amount required under section 124.755.

At the hearing under this subdivision, the percentage increase in property taxes proposed by the taxing authority, if any, and the specific purposes for which property tax revenues are being increased must be discussed. ~~At the hearing held in 1993 only, specific information for previous year, current year, and proposed budget year must be presented on:~~

~~(i) percent of total proposed budget representing total compensation cost;~~

~~(ii) numbers of employees by general classification, and whether full or part time;~~

~~(iii) number and budgeted expenditures for independent contractors; and~~

~~(iv) the effect of budget increases or decreases on the proposed property tax levy.~~

During the discussion, the governing body shall hear comments regarding a proposed increase and explain the reasons for the proposed increase. The public shall be allowed to speak and to ask questions. At the subsequent hearing held as provided in this subdivision, the governing body, other than the governing body of a school district, shall adopt its final property tax levy prior to adopting its final budget.

If the hearing is not completed on its scheduled date, the taxing authority must announce, prior to adjournment of the hearing, the date, time, and place for the continuation of the hearing. The continued hearing must be held at least five business days but no more than 14 business days after the original hearing.

The hearing must be held after 5:00 p.m. if scheduled on a day other than Saturday. No hearing may be held on a Sunday. The governing body of a county shall hold a hearing on the second Tuesday in December each year, and may hold additional hearings on other dates before December 20 if necessary for the convenience of county residents. If the county needs a continuation of its hearing, the continued hearing shall be held on the third Tuesday in December. If

the third Tuesday in December falls on December 21, the county's continuation hearing shall be held on Monday, December 20. The county auditor shall provide for the coordination of hearing dates for all cities and school districts within the county.

The metropolitan special taxing districts shall hold a joint public hearing on the first Monday of December. A continuation hearing, if necessary, shall be held on the second Monday of December.

By August 10, each school board and the board of the regional library district shall certify to the county auditors of the counties in which the school district or regional library district is located the dates on which it elects to hold its hearings and any continuations. If a school board or regional library district does not certify the dates by August 10, the auditor will assign the hearing date. The dates elected or assigned must not conflict with the hearing dates of the county ~~hearing dates~~ or the metropolitan special taxing districts. ~~The Ramsey county auditor shall coordinate with the metropolitan special taxing districts as defined in subdivision 3, paragraph (i), a date on which the metropolitan special taxing districts will hold their joint public hearing and any continuation. The metropolitan special taxing districts shall decide on mutually agreeable dates for their joint public hearing and for any continuation of that hearing and certify these dates to the Ramsey county auditor on or before July 25.~~ By August 20, the county auditor shall notify the clerks of the cities within the county of the dates on which school districts~~, metropolitan special taxing districts,~~ and regional library districts have elected to hold their hearings. At the time a city certifies its proposed levy under subdivision 1 it shall certify the dates on which it elects to hold its hearings and any continuations. The city must not select dates that conflict with the county hearing dates, metropolitan special taxing district dates, or with those elected by or assigned to the school districts or regional library district in which the city is located.

The county hearing dates and the city, metropolitan special taxing district, regional library district, and school district hearing dates must be designated on the notices required under subdivision 3. The continuation dates need not be stated on the notices.

This subdivision does not apply to towns and special taxing districts other than regional library districts and metropolitan special taxing districts.

Notwithstanding the requirements of this section, the employer is required to meet and negotiate over employee compensation as provided for in chapter 179A.

Sec. 13. Minnesota Statutes 1994, section 276.04, subdivision 2, is amended to read:

Subd. 2. **CONTENTS OF TAX STATEMENTS.** (a) The treasurer shall provide for the printing of the tax statements. The commissioner of revenue shall prescribe the form of the property tax statement and its contents. The

statement must contain a tabulated statement of the dollar amount due to each taxing authority from the parcel of real property for which a particular tax statement is prepared. The dollar amounts due the county, township or municipality, the total of the metropolitan special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), school district excess referenda levy, remaining school district levy, and the total of other voter approved referenda levies based on market value under section 275.61 must be separately stated. The amounts due all other special taxing districts, if any, may be aggregated. For the purposes of this subdivision, "school district excess referenda levy" means school district taxes for operating purposes approved at referenda, including those taxes based on net tax capacity as well as those based on market value. "School district excess referenda levy" does not include school district taxes for capital expenditures approved at referendums or school district taxes to pay for the debt service on bonds approved at referenda. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement. The statement shall include the following sentence, printed in upper case letters in boldface 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."

(b) The property tax statements for manufactured homes and sectional structures taxed as personal property shall contain the same information that is required on the tax statements for real property.

(c) Real and personal property tax statements must contain the following information in the order given in this paragraph. The information must contain the current year tax information in the right column with the corresponding information for the previous year in a column on the left:

(1) the property's estimated market value under section 273.11, subdivision 1;

(2) the property's taxable market value after reductions under section 273.11, subdivisions 1a and 16;

(3) the property's gross tax, calculated by multiplying the property's gross tax capacity times the total local tax rate and adding to the result the sum of the aids enumerated in clause (3);

(4) a total of the following aids:

(i) education aids payable under chapters 124 and 124A;

(ii) local government aids for cities, towns, and counties under chapter 477A; and

(iii) disparity reduction aid under section 273.1398;

(5) for homestead residential and agricultural properties, the homestead and agricultural credit aid apportioned to the property. This amount is obtained by multiplying the total local tax rate by the difference between the property's gross and net tax capacities under section 273.13. This amount must be separately stated and identified as "homestead and agricultural credit." For purposes of comparison with the previous year's amount for the statement for taxes payable in 1990, the statement must show the homestead credit for taxes payable in 1989 under section 273.13, and the agricultural credit under section 273.132 for taxes payable in 1989;

(6) any credits received under sections 273.119; 273.123; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief"; and

(7) the net tax payable in the manner required in paragraph (a).

The commissioner of revenue shall certify to the county auditor the actual or estimated aids enumerated in clauses (3) and (4) that local governments will receive in the following year. In the case of a county containing a city of the first class, for taxes levied in 1991, and for all counties for taxes levied in 1992 and thereafter, the commissioner must certify this amount by September 1.

Sec. 14. Minnesota Statutes 1994, section 284.28, subdivision 2, is amended to read:

Subd. 2. Except as provided in subdivision 5, no cause of action or defense shall be asserted or maintained upon any claim adverse to the state, or its successors in interest, including but not limited to any claim based upon any failure, omission, error, or defect described in subdivision 1, respecting any lands claimed to have been forfeited to the state for taxes, unless such cause of action or defense is asserted in an action commenced within one year after the filing of the county auditor's certificate of forfeiture, as provided by section 281.23, subdivision ~~8~~ 9, and acts supplementary thereto, or by any other law hereafter enacted providing for the filing and recording of such certificates.

Sec. 15. Minnesota Statutes 1994, section 298.75, subdivision 2, is amended to read:

Subd. 2. A county shall impose upon every importer and operator a production tax equal to ten cents per cubic yard or seven cents per ton of aggregate material removed except that the county board may decide not to impose this tax if it determines that in the previous year operators removed less than 20,000 tons or 14,000 cubic yards of aggregate material from that county. The tax shall

be imposed on aggregate material produced in the county when the aggregate material is transported from the extraction site or sold~~, when in the case of storage the~~. When aggregate material is stored in a stockpile ~~is~~ within the state of Minnesota and ~~the highways are~~ a public highway, road or street is not used for transporting the aggregate material, the tax shall be imposed either when the aggregate material is sold, or when it is transported from the stockpile site, or when it is used from the stockpile, whichever occurs first. The tax shall be imposed on an importer when the aggregate material is imported into the county that imposes the tax.

If the aggregate material is transported directly from the extraction site to a waterway, railway, or another mode of transportation other than a highway, road or street, the tax imposed by this section shall be apportioned equally between the county where the aggregate material is extracted and the county to which the aggregate material is originally transported. If that destination is not located in Minnesota, then the county where the aggregate material was extracted shall receive all of the proceeds of the tax.

Sec. 16. Minnesota Statutes 1994, section 428A.01, subdivision 5, is amended to read:

Subd. 5. **NET TAX CAPACITY.** Except as provided in section 428A.05, "net tax capacity" means the net tax capacity most recently certified by the county auditor under section 428A.03, subdivision 1a, before the effective date of the ordinance or resolution adopted under section 428A.02 or 428A.03.

Sec. 17. Minnesota Statutes 1994, section 428A.03, is amended by adding a subdivision to read:

Subd. 1a. **CERTIFICATION OF NET TAX CAPACITY.** Upon a request of the city, the county auditor must certify the most recent net tax capacity of the taxable property subject to service charges within the special service district.

Sec. 18. Minnesota Statutes 1994, section 428A.05, is amended to read:

428A.05 **COLLECTION OF SERVICE CHARGES.**

Service charges may be imposed on the basis of the net tax capacity of the property on which the service charge is imposed but must be spread only upon the net tax capacity of the taxable property located in the geographic area described in the ordinance. Service charges based on net tax capacity may be payable and collected at the same time and in the same manner as provided for payment and collection of ad valorem taxes. When made payable in the same manner as ad valorem taxes, service charges not paid on or before the applicable due date shall be subject to the same penalty and interest as in the case of ad valorem tax amounts not paid by the respective due date. The due date for a service charge payable in the same manner as ad valorem taxes is the due date given in law for the real or personal property tax for the property on which the service charge is imposed. Services charges imposed on net tax capacity which

are to become payable in the following year must be certified to the county auditor by the date provided in section 429.061, subdivision 3, for the annual certification of special assessment installments. Other service charges imposed must be collected as provided by ordinance. Service charges based on net tax capacity collected under sections 428A.01 to 428A.10 are not included in computations under section 469.177, chapter 473F, or any other law that applies to general ad valorem levies. For the purpose of this section, "net tax capacity" means the net tax capacity most recently determined at the time that tax rates are determined under section 275.08.

Sec. 19. Minnesota Statutes 1994, section 473.446, subdivision 1, is amended to read:

Subdivision 1. **TAXATION WITHIN TRANSIT TAXING DISTRICT.** For the purposes of sections 473.404 to 473.449 and the metropolitan transit system, except as otherwise provided in this subdivision, the council shall levy each year upon all taxable property within the metropolitan transit taxing district, defined in subdivision 2, a transit tax consisting of:

(a) an amount which shall be used for payment of the expenses of operating transit and paratransit service and to provide for payment of obligations issued by the council under section 473.436, subdivision 6;

(b) an additional amount, if any, the council determines to be necessary to provide for the full and timely payment of its certificates of indebtedness and other obligations outstanding on July 1, 1985, to which property taxes under this section have been pledged; and

(c) an additional amount necessary to provide full and timely payment of certificates of indebtedness, bonds, including refunding bonds or other obligations issued or to be issued under section 473.39 by the council for purposes of acquisition and betterment of property and other improvements of a capital nature and to which the council has specifically pledged tax levies under this clause.

The property tax levied by the council for general purposes under clause (a) must not exceed the following amount for the years specified:

(1) for taxes payable in 1995, the council's property tax levy limitation for general transit purposes is equal to the former regional transit board's property tax levy limitation for general transit purposes under this subdivision, for taxes payable in 1994, multiplied by an index for market valuation changes equal to the total market valuation of all taxable property located within the metropolitan transit taxing district for the current ~~assessment~~ taxes payable year divided by the total market valuation of all taxable property located within the metropolitan transit taxing district for the previous ~~assessment~~ taxes payable year; and

(2) for taxes payable in 1996 and subsequent years, the product of (i) the council's property tax levy limitation for general transit purposes for the previ-

ous year determined under this subdivision multiplied by (ii) an index for market valuation changes equal to the total market valuation of all taxable property located within the metropolitan transit taxing district for the current taxes payable year divided by the total market valuation of all taxable property located within the metropolitan transit taxing district for the previous taxes payable year.

For the taxes payable year 1995, the index for market valuation changes shall be multiplied by an amount equal to the sum of the regional transit board's property tax levy limitation for the taxes payable year 1994 and $160,665. The $160,665 increase shall be a permanent adjustment to the levy limit base used in determining the regional transit board's property tax levy limitation for general purposes for subsequent taxes payable years.

For the purpose of determining the council's property tax levy limitation for general transit purposes under this subdivision, "total market valuation" means the total market valuation of all taxable property within the metropolitan transit taxing district without valuation adjustments for fiscal disparities (chapter 473F), tax increment financing (sections 469.174 to 469.179), and high voltage transmission lines (section 273.425).

The county auditor shall reduce the tax levied pursuant to this subdivision on all property within statutory and home rule charter cities and towns that receive full-peak service and limited off-peak service by an amount equal to the tax levy that would be produced by applying a rate of 0.510 percent of net tax capacity on the property. The county auditor shall reduce the tax levied pursuant to this subdivision on all property within statutory and home rule charter cities and towns that receive limited peak service by an amount equal to the tax levy that would be produced by applying a rate of 0.765 percent of net tax capacity on the property. The amounts so computed by the county auditor shall be submitted to the commissioner of revenue as part of the abstracts of tax lists required to be filed with the commissioner under section 275.29. Any prior year adjustments shall also be certified in the abstracts of tax lists. The commissioner shall review the certifications to determine their accuracy and may make changes in the certification as necessary or return a certification to the county auditor for corrections. The commissioner shall pay to the council the amounts certified by the county auditors on the dates provided in section 273.1398. There is annually appropriated from the general fund in the state treasury to the department of revenue the amounts necessary to make these payments.

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

For the purposes of property taxes payable in the following year, the council shall annually determine which cities and towns qualify for the 0.510 percent or

0.765 percent tax capacity rate reduction and shall certify this list to the county auditor of the county wherein such cities and towns are located on or before September 15. No changes may be made to the annual list after September 15.

Sec. 20. Minnesota Statutes 1994, section 473.711, subdivision 2, is amended to read:

Subd. 2. **BUDGET; TAX LEVY.** The metropolitan mosquito control commission shall prepare an annual budget. The budget may provide for expenditures in an amount not exceeding the property tax levy limitation determined in this subdivision. The commission may levy a tax on all taxable property in the district as defined in section 473.702 to provide funds for the purposes of sections 473.701 to 473.716. The tax shall not exceed the property tax levy limitation determined in this subdivision. A participating county may agree to levy an additional tax to be used by the commission for the purposes of sections 473.701 to 473.716 but the sum of the county's and commission's taxes may not exceed the county's proportionate share of the property tax levy limitation determined under this subdivision based on the ratio of its total net tax capacity to the total net tax capacity of the entire district as adjusted by section 270.12, subdivision 3. The auditor of each county in the district shall add the amount of the levy made by the district to other taxes of the county for collection by the county treasurer with other taxes. When collected, the county treasurer shall make settlement of the tax with the district in the same manner as other taxes are distributed to political subdivisions. No county shall levy any tax for mosquito, disease vectoring tick, and black gnat (Simuliidae) control except under sections 473.701 to 473.716. The levy shall be in addition to other taxes authorized by law.

The property tax levied by the metropolitan mosquito control commission shall not exceed the product of (1) the commission's property tax levy limitation for the previous year determined under this subdivision multiplied by (2) an index for market valuation changes equal to the total market valuation of all taxable property located within the district for the current ~~assessment~~ taxes payable year divided by the total market valuation of all taxable property located within the district for the previous ~~assessment~~ taxes payable year.

For the purpose of determining the commission's property tax levy limitation under this subdivision, "total market valuation" means the total market valuation of all taxable property within the district without valuation adjustments for fiscal disparities (chapter 473F), tax increment financing (sections 469.174 to 469.179), and high voltage transmission lines (section 273.425).

Sec. 21. **REPEALER.**

Minnesota Statutes 1994, sections 270.49; and 270.493; and Laws 1988, chapter 698, section 5, are repealed.

Sec. 22. **EFFECTIVE DATE.**

New language is indicated by underline, deletions by ~~strikeout~~.

Sections 1 to 5, 7 to 9, 11 to 18, and 21 are effective the day following final enactment. Section 6 is effective for taxes payable in 1997 and thereafter. Section 10 is effective for aids payable in 1995 and thereafter. Sections 19 and 20 are effective for taxes payable in 1995 and thereafter.

ARTICLE 17

REVENUE TECHNICAL INITIATIVES SALES AND SPECIAL TAXES

Section 1. Minnesota Statutes 1994, section 289A.18, subdivision 4, is amended to read:

Subd. 4. **SALES AND USE TAX RETURNS.** (a) Sales and use tax returns must be filed on or before the 20th day of the month following the close of the preceding reporting period, except that annual use tax returns provided for under section 289A.11, subdivision 1, must be filed by April 15 following the close of the calendar year, in the case of individuals. Annual use tax returns of businesses, including sole proprietorships, and annual sales tax returns must be filed by February 5 following the close of the calendar year.

(b) Except for the return for the June reporting period, which is due on the following August 25, returns filed by retailers required to remit liabilities by means of funds transfer under section 289A.20, subdivision 4, paragraph (d), are due on or before the 25th day of the month following the close of the preceding reporting period. ~~The return for the May liability and 75 percent of the estimated June liability is due on the date payment of the estimated June liability is due, and on or before August 25 of a year, the retailer must file a return showing the actual June liability.~~

(c) If a retailer has an average sales and use tax liability, including local sales and use taxes administered by the commissioner, equal to or less than $500 per month in any quarter of a calendar year, and has substantially complied with the tax laws during the preceding four calendar quarters, the retailer may request authorization to file and pay the taxes quarterly in subsequent calendar quarters. The authorization remains in effect during the period in which the retailer's quarterly returns reflect sales and use tax liabilities of less than $1,500 and there is continued compliance with state tax laws.

(d) If a retailer has an average sales and use tax liability, including local sales and use taxes administered by the commissioner, equal to or less than $100 per month during a calendar year, and has substantially complied with the tax laws during that period, the retailer may request authorization to file and pay the taxes annually in subsequent years. The authorization remains in effect during the period in which the retailer's annual returns reflect sales and use tax liabilities of less than $1,200 and there is continued compliance with state tax laws.

(e) The commissioner may also grant quarterly or annual filing and payment authorizations to retailers if the commissioner concludes that the retailers' future tax liabilities will be less than the monthly totals identified in paragraphs (c) and (d). An authorization granted under this paragraph is subject to the same conditions as an authorization granted under paragraphs (c) and (d).

Sec. 2. Minnesota Statutes 1994, section 297A.01, subdivision 3, is amended to read:

Subd. 3. A "sale" and a "purchase" includes, but is not limited to, each of the following transactions:

(a) Any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, and the leasing of or the granting of a license to use or consume tangible personal property other than manufactured homes used for residential purposes for a continuous period of 30 days or more, for a consideration in money or by exchange or barter;

(b) The production, fabrication, printing, or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing, or processing;

(c) The furnishing, preparing, or serving for a consideration of food, meals, or drinks. "Sale" does not include:

(1) meals or drinks served to patients, inmates, or persons residing at hospitals, sanitariums, nursing homes, senior citizens homes, and correctional, detention, and detoxification facilities;

(2) meals or drinks purchased for and served exclusively to individuals who are 60 years of age or over and their spouses or to the handicapped and their spouses by governmental agencies, nonprofit organizations, agencies, or churches or pursuant to any program funded in whole or part through 42 USCA sections 3001 through 3045, wherever delivered, prepared or served; or

(3) meals and lunches served at public and private schools, universities, or colleges. Notwithstanding section 297A.25, subdivision 2, taxable food or meals include, but are not limited to, the following:

(i) heated food or drinks;

(ii) sandwiches prepared by the retailer;

(iii) single sales of prepackaged ice cream or ice milk novelties prepared by the retailer;

(iv) hand-prepared or dispensed ice cream or ice milk products including cones, sundaes, and snow cones;

(v) soft drinks and other beverages prepared or served by the retailer;

(vi) gum;

(vii) ice;

(viii) all food sold in vending machines;

(ix) party trays prepared by the retailers; and

(x) all meals and single servings of packaged snack food, single cans or bottles of pop, sold in restaurants and bars;

(d) The granting of the privilege of admission to places of amusement, recreational areas, or athletic events, except a world championship football game sponsored by the national football league, and the privilege of having access to and the use of amusement devices, tanning facilities, reducing salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

(e) The furnishing for a consideration of lodging and related services by a hotel, rooming house, tourist court, motel or trailer camp and of the granting of any similar license to use real property other than the renting or leasing thereof for a continuous period of 30 days or more;

(f) The furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state, or local exchange telephone service, intrastate toll service, and interstate toll service, if that service originates from and is charged to a telephone located in this state. Telephone service includes paging services and private communication service, as defined in United States Code, title 26, section 4252(d), except for private communication service purchased by an agent acting on behalf of the state lottery. The furnishing for a consideration of access to telephone services by a hotel to its guests is a sale under this clause. Sales by municipal corporations in a proprietary capacity are included in the provisions of this clause. The furnishing of water and sewer services for residential use shall not be considered a sale. The sale of natural gas to be used as a fuel in vehicles propelled by natural gas shall not be considered a sale for the purposes of this section;

(g) The furnishing for a consideration of cable television services, including charges for basic service, charges for premium service, and any other charges for any other pay-per-view, monthly, or similar television services;

(h) Notwithstanding section 297A.25, subdivisions 9 and 12, the sales of racehorses including claiming sales and fees paid for breeding racehorses or horses previously used for racing shall be considered a "sale" and a "purchase." "Racehorse" means a horse that is or is intended to be used for racing and whose birth has been recorded by the Jockey Club or the United States Trotting Association or the American Quarter Horse Association. "Sale" does not include fees paid for breeding horses that are not racehorses;

(i) The furnishing for a consideration of parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(j) The furnishing for a consideration of services listed in this paragraph:

(i) laundry and dry cleaning services including cleaning, pressing, repairing, altering, and storing clothes, linen services and supply, cleaning and blocking hats, and carpet, drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not include services provided by coin operated facilities operated by the customer;

(ii) motor vehicle washing, waxing, and cleaning services, including services provided by coin-operated facilities operated by the customer, and rustproofing, undercoating, and towing of motor vehicles;

(iii) building and residential cleaning, maintenance, and disinfecting and exterminating services;

(iv) ~~services provided by~~ detective ~~agencies~~ services, security services, burglar, fire alarm, and armored car services not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1;

(v) pet grooming services;

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; tree, bush, shrub and stump removal; and tree trimming for public utility lines. Services performed under a construction contract for the installation of shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

(vii) solid waste collection and disposal services as described in section 297A.45;

(viii) massages, except when provided by a licensed health care facility or professional or upon written referral from a licensed health care facility or professional for treatment of illness, injury, or disease; and

(ix) the furnishing for consideration of lodging, board and care services for animals in kennels and other similar arrangements, but excluding veterinary and horse boarding services.

The services listed in this paragraph are taxable under section 297A.02 if the service is performed wholly within Minnesota or if the service is performed partly within and partly without Minnesota and the greater proportion of the service is performed in Minnesota, based on the cost of performance. In applying the provisions of this chapter, the terms "tangible personal property" and "sales at retail" include taxable services and the provision of taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable under this paragraph. Services performed by a partnership or association for another partnership or association are not taxable under this paragraph if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed

between members of an affiliated group of corporations are not taxable. For purposes of this section, "affiliated group of corporations" includes those entities that would be classified as a member of an affiliated group under United States Code, title 26, section 1504, and who are eligible to file a consolidated tax return for federal income tax purposes;

(k) A "sale" and a "purchase" includes the transfer of computer software, meaning information and directions that dictate the function performed by data processing equipment. A "sale" and a "purchase" does not include the design, development, writing, translation, fabrication, lease, or transfer for a consideration of title or possession of a custom computer program; and

(l) The granting of membership in a club, association, or other organization if:

(1) the club, association, or other organization makes available for the use of its members sports and athletic facilities (without regard to whether a separate charge is assessed for use of the facilities); and

(2) use of the sports and athletic facilities is not made available to the general public on the same basis as it is made available to members.

Granting of membership includes both one-time initiation fees and periodic membership dues. Sports and athletic facilities include golf courses, tennis, racquetball, handball and squash courts, basketball and volleyball facilities, running tracks, exercise equipment, swimming pools, and other similar athletic or sports facilities. The provisions of this paragraph do not apply to camps or other recreation facilities owned and operated by an exempt organization under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, for educational and social activities for young people primarily age 18 and under.

Sec. 3. Minnesota Statutes 1994, section 297E.02, subdivision 1, is amended to read:

Subdivision 1. **IMPOSITION.** A tax is imposed on all lawful gambling other than (1) pull-tabs purchased and placed into inventory after January 1, 1987, and (2) tipboards purchased and placed into inventory after June 30, 1988, at the rate of ten percent on the gross receipts as defined in section ~~349.12~~ 297E.01, subdivision ~~21~~ 8, less prizes actually paid. The tax imposed by this subdivision is in lieu of the tax imposed by section 297A.02 and all local taxes and license fees except a fee authorized under section 349.16, subdivision 8, or a tax authorized under subdivision 5.

The tax imposed under this subdivision is payable by the organization or party conducting, directly or indirectly, the gambling.

Sec. 4. Minnesota Statutes 1994, section 297E.02, subdivision 6, is amended to read:

Subd. 6. **COMBINED RECEIPTS TAX.** In addition to the taxes imposed under subdivisions 1 and 4, a tax is imposed on the combined receipts of the organization. As used in this section, "combined receipts" is the sum of the organization's gross receipts from lawful gambling less gross receipts directly derived from the conduct of bingo, raffles, and paddlewheels, as defined in section ~~349.12~~ 297E.01, subdivision ~~21~~ 8, for the fiscal year. The combined receipts of an organization are subject to a tax computed according to the following schedule:

If the combined receipts for the fiscal year are:	The tax is:
Not over $500,000	zero
Over $500,000, but not over $700,000	two percent of the amount over $500,000, but not over $700,000
Over $700,000, but not over $900,000	$4,000 plus four percent of the amount over $700,000, but not over $900,000
Over $900,000	$12,000 plus six percent of the amount over $900,000

Sec. 5. Minnesota Statutes 1994, section 297E.02, subdivision 11, is amended to read:

Subd. 11. **UNPLAYED OR DEFECTIVE PULL-TABS OR TIPBOARDS.** If a deal of pull-tabs or tipboards registered with the board or bar coded in accordance with ~~chapter~~ chapters 297E and 349 and upon which the tax imposed by subdivision 4 has been paid is returned unplayed to the distributor, the commissioner shall allow a refund of the tax paid.

If a defective deal registered with the board or bar coded in accordance with ~~chapter~~ chapters 297E and 349 and upon which the taxes have been paid is returned to the manufacturer, the distributor shall submit to the commissioner of revenue certification from the manufacturer that the deal was returned and in what respect it was defective. The certification must be on a form prescribed by the commissioner and must contain additional information the commissioner requires.

The commissioner may require that no refund under this subdivision be made unless the returned pull-tabs or tipboards have been set aside for inspection by the commissioner's employee.

Reductions in previously paid taxes authorized by this subdivision must be made when and in the manner prescribed by the commissioner.

Sec. 6. Minnesota Statutes 1994, section 297E.031, subdivision 1, is amended to read:

Subdivision 1. **APPLICATION AND ISSUANCE.** A distributor who sells gambling products under this chapter must file an application with the commissioner ~~an application~~, on a form prescribed by the commissioner, for a gambling tax permit and identification number. The commissioner, when satisfied that the applicant ~~has a valid license from the board~~ meets all applicable requirements under chapters 297E and 349, shall issue the applicant a permit and number. A permit is not assignable and is valid only for the distributor in whose name it is issued.

Sec. 7. Minnesota Statutes 1994, section 297E.13, subdivision 5, is amended to read:

Subd. 5. **UNTAXED GAMBLING EQUIPMENT.** It is a gross misdemeanor for a person to possess gambling equipment for resale in this state that has not been stamped or bar-coded in accordance with ~~chapter~~ chapters 297E and 349 and upon which the taxes imposed by chapter 297A or section 297E.02, subdivision 4, have not been paid. The director of gambling enforcement or the commissioner or the designated inspectors and employees of the director or commissioner may seize in the name of the state of Minnesota any unregistered or untaxed gambling equipment.

Sec. 8. Minnesota Statutes 1994, section 325D.33, subdivision 4, is amended to read:

Subd. 4. **WHOLESALER TO PRESERVE COPIES OF INVOICES.** Every person who sells cigarettes to persons other than the ultimate consumer shall prepare for each sale itemized invoices showing the seller's name and address, the purchaser's name and address, the date of sale, and all prices ~~and discounts~~ and shall keep legible copies of them for one year from the date of sale.

Sec. 9. Minnesota Statutes 1994, section 349.163, subdivision 5, is amended to read:

Subd. 5. **PULL-TAB AND TIPBOARD FLARES.** (a) A manufacturer may not ship or cause to be shipped into this state or sell for use or resale in this state any deal of pull-tabs or tipboards that does not have its own individual flare as required for that deal by this subdivision and rule of the board. A person other than a manufacturer may not manufacture, alter, modify, or otherwise change a flare for a deal of pull-tabs or tipboards except as allowed by this chapter or board rules.

(b) A manufacturer must comply with either paragraphs (c) to (g) or (f) to (j) with respect to pull-tabs and tipboards sold by the manufacturer before January 1, 1995, for use or resale in Minnesota or shipped into or caused to be shipped into Minnesota by the manufacturer before January 1, 1995. A manufacturer

must comply with paragraphs (f) to (j) with respect to pull-tabs and tipboards sold by the manufacturer on and after January 1, 1995, for use or resale in Minnesota or shipped into or caused to be shipped into Minnesota by the manufacturer on and after January 1, 1995. Paragraphs (c) to (e) expire January 1, 1995.

(c) The flare of each deal of pull-tabs and tipboards sold by a manufacturer for use or resale in Minnesota must have the Minnesota gambling stamp affixed. The flare, with the stamp affixed, must be placed inside the wrapping of the deal which the flare describes.

(d) Each pull-tab and tipboard flare must bear the following statement printed in letters large enough to be clearly legible:

"Pull-tab (or tipboard) purchasers — This pull-tab (or tipboard) game is not legal in Minnesota unless:

— a Minnesota gambling stamp is affixed to this sheet, and

— the serial number handwritten on the gambling stamp is the same as the serial number printed on this sheet and on the pull-tab (or tipboard) ticket you have purchased."

(e) The flare of each pull-tab and tipboard game must bear the serial number of the game, printed in numbers at least one-half inch high and must be imprinted with the following:

(1) the name of the game;

(2) the name of the manufacturer;

(3) the number of tickets in the deal; and

(4) other information the board by rule requires.

(f) The flare of each pull-tab and tipboard game must have affixed to or imprinted at the bottom a bar code that provides all information required by the commissioner of revenue under section 297E.04, subdivision 2.

The serial number included in the bar code must be the same as the serial number of the tickets included in the deal. A manufacturer who manufactures a deal of pull-tabs must affix to the outside of the box containing that game the same bar code that is affixed to or imprinted at the bottom of a flare for that deal.

(g) No person may alter the bar code that appears on the outside of a box containing a deal of pull-tabs and tipboards. Possession of a box containing a deal of pull-tabs and tipboards that has a bar code different from the bar code of the deal inside the box is prima facie evidence that the possessor has altered the bar code on the box.

(h) The flare of each deal of pull-tabs and tipboards sold by a manufacturer for use or resale in Minnesota must have imprinted on it a symbol that is at

least one inch high and one inch wide consisting of an outline of the geographic boundaries of Minnesota with the letters "MN" inside the outline. The flare must be placed inside the wrapping of the deal which the flare describes.

(i) Each pull-tab and tipboard flare must bear the following statement printed in letters large enough to be clearly legible:

"Pull-tab (or tipboard) purchasers — This pull-tab (or tipboard) game is not legal in Minnesota unless:

— an outline of Minnesota with letters "MN" inside it is imprinted on this sheet, and

— the serial number imprinted on the bar code at the bottom of this sheet is the same as the serial number on the pull-tab (or tipboard) ticket you have purchased."

(j) The flare of each pull-tab and tipboard game must have the serial number of the game imprinted on the bar code at the bottom of the flare in numerals at least one-half inch high.

Sec. 10. **REPEALER.**

Minnesota Statutes 1994, section 60A.15, subdivision 7, is repealed.

Sec. 11. **INSTRUCTIONS TO REVISOR.**

In the next edition of Minnesota Statutes, the revisor of statutes shall renumber section 297E.02, subdivision 5, as section 349.213, subdivision 3, and shall change all references to that section in Minnesota Statutes or Minnesota Rules accordingly.

Sec. 12. **EFFECTIVE DATE.**

Section 1 is effective for returns due in 1996 and thereafter. Sections 2 to 11 are effective the day following final enactment.

ARTICLE 18

REVENUE TECHNICAL INITIATIVES MINNESOTACARE

Section 1. Minnesota Statutes 1994, section 295.50, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** For purposes of sections 295.50 to ~~295.58~~ 295.59, the following terms have the meanings given.

Sec. 2. Minnesota Statutes 1994, section 295.50, subdivision 4, is amended to read:

Subd. 4. **HEALTH CARE PROVIDER.** (a) "Health care provider" means:

(1) a person furnishing any or all of the following goods or services directly to a patient or consumer: medical, surgical, optical, visual, dental, hearing, nursing services, drugs, medical supplies, medical appliances, laboratory, diagnostic or therapeutic services, or any goods and services not listed above that ~~qualifies~~ qualify for reimbursement under the medical assistance program provided under chapter 256B;

(2) a staff model health plan company; or

(3) ~~a licensed~~ an ambulance service required to be licensed.

(b) Health care provider does not include hospitals, nursing homes licensed under chapter 144A or licensed in any other jurisdiction, pharmacies, ~~and~~ surgical centers, bus and taxicab transportation, or any other providers of transportation services other than ambulance services required to be licensed, supervised living facilities for persons with mental retardation or related conditions, licensed under Minnesota Rules, parts 4665.0100 to 4665.9900, residential care homes licensed under chapter 144B, board and lodging establishments providing only custodial services that are licensed under chapter 157 and registered under section 157.031 to provide supportive services or health supervision services, adult foster homes as defined in Minnesota Rules, part 9555.5050 and boarding care homes, as defined in Minnesota Rules, part 4655.0100.

Sec. 3. Minnesota Statutes 1994, section 295.53, subdivision 1, is amended to read:

Subdivision 1. **EXEMPTIONS.** The following payments are excluded from the gross revenues subject to the hospital, surgical center, or health care provider taxes under sections 295.50 to 295.57:

(1) payments received for services provided under the Medicare program, including payments received from the government, and organizations governed by sections 1833 and 1876 of title XVIII of the federal Social Security Act, United States Code, title 42, section 1395, and enrollee deductibles, coinsurance, and copayments, whether paid by the individual or by insurer or other third party. Payments for services not covered by Medicare are taxable;

(2) medical assistance payments including payments received directly from the government or from a prepaid plan;

(3) payments received for home health care services;

(4) payments received from hospitals or surgical centers for goods and services on which liability for tax is imposed under section 295.52 or the source of funds for the payment is exempt under clause (1), (2), (7), (8), or (10);

(5) payments received from health care providers for goods and services on which liability for tax is imposed under ~~sections 295.52 to 295.57~~ this chapter or

the source of funds for the payment is exempt under clause (1), (2), (7), (8), or (10);

(6) amounts paid for legend drugs, other than nutritional products, to a wholesale drug distributor reduced by reimbursements received for legend drugs under clauses (1), (2), (7), and (8);

(7) payments received under the general assistance medical care program including payments received directly from the government or from a prepaid plan;

(8) payments received for providing services under the MinnesotaCare program including payments received directly from the government or from a prepaid plan and enrollee deductibles, coinsurance, and copayments;

(9) payments received by a resident health care provider or the wholly owned subsidiary of a resident health care provider for care provided outside Minnesota to a patient who is not domiciled in Minnesota;

(10) payments received from the chemical dependency fund under chapter 254B;

(11) payments received in the nature of charitable donations that are not designated for providing patient services to a specific individual or group;

(12) payments received for providing patient services if the services are incidental to conducting medical research;

(13) payments received from any governmental agency for services benefiting the public, not including payments made by the government in its capacity as an employer or insurer;

(14) payments received for services provided by community residential mental health facilities licensed under Minnesota Rules, parts 9520.0500 to 9520.0690, community support programs and family community support programs approved under Minnesota Rules, parts 9535.1700 to 9535.1760, and community mental health centers as defined in section 245.62, subdivision 2;

(15) government payments received by a regional treatment center;

(16) payments received for hospice care services;

(17) payments received by a resident health care provider or the wholly owned subsidiary of a resident health care provider for medical supplies, appliances and equipment delivered outside of Minnesota;

(18) ~~payments received for services provided by community supervised living facilities for persons with mental retardation or related conditions licensed under Minnesota Rules, parts 4665.0100 to 4665.9900;~~

~~(19)~~ payments received by a post-secondary educational institution from

student tuition, student activity fees, health care service fees, government appropriations, donations, or grants. Fee for service payments and payments for extended coverage are taxable; and

~~(20)~~ (19) payments received for services provided by: ~~residential care homes licensed under chapter 144B;~~ ~~board and lodging establishments providing only custodial services, that are licensed under chapter 157 and registered under section 157.031 to provide supportive services or health supervision services; and~~ assisted living programs~~;~~ and congregate housing programs~~; and other senior housing options~~.

Sec. 4. Minnesota Statutes 1994, section 295.53, subdivision 5, is amended to read:

Subd. 5. ~~**DEDUCTIONS**~~ **EXEMPTIONS FOR PHARMACIES.** (a) Pharmacies may ~~deduct~~ exclude from their gross revenues subject to tax payments for medical supplies, appliances, and devices that are exempt ~~under subdivision 1, except payments~~ under subdivision 1, clauses ~~(3), (6), (9), (11), and (14)~~ (1), (2), (4), (5), (7), (8), and (13).

(b) Resident pharmacies may ~~deduct~~ exclude from their gross revenues subject to tax payments received for medical supplies, appliances, and equipment delivered outside of Minnesota.

Sec. 5. Minnesota Statutes 1994, section 295.55, is amended by adding a subdivision to read:

Subd. 7. **EXTENSIONS FOR FILING RETURNS.** If good cause exists, the commissioner may extend the time for filing MinnesotaCare tax returns for not more than 60 days.

Sec. 6. Minnesota Statutes 1994, section 295.57, is amended to read:

295.57 **COLLECTION AND ENFORCEMENT; REFUNDS; RULEMAKING; APPLICATION OF OTHER CHAPTERS; INTEREST ON OVERPAYMENTS.**

Subdivision 1. **APPLICATION OF OTHER CHAPTERS.** Unless specifically provided otherwise by sections 295.50 to ~~295.58~~ 295.59, the enforcement, interest, and penalty provisions under chapter 294, appeal provisions in sections 289A.43 and 289A.65, criminal penalties in section 289A.63, and refunds provisions in section 289A.50, and collection and rulemaking provisions under chapter 270, apply to a liability for the taxes imposed under sections 295.50 to ~~295.58~~ 295.59.

Subd. 2. **INTEREST ON OVERPAYMENTS.** Interest must be paid on an overpayment refunded or credited to the taxpayer from the date of payment of the tax until the date the refund is paid or credited. For purposes of this subdivision, the date of payment is the due date of the return or the date of actual payment of the tax, whichever is later.

Sec. 7. **EFFECTIVE DATES.**

Sections 1 and 4 are effective the day following final enactment.

Sections 2 and 3 are effective for tax periods beginning on or after January 1, 1996.

Section 5 is effective for returns due on or after January 1, 1996.

Section 6 is retroactively effective from January 1, 1994.

ARTICLE 19

REVENUE TECHNICAL INITIATIVES MISCELLANEOUS

Section 1. Minnesota Statutes 1994, section 270.69, subdivision 10, is amended to read:

Subd. 10. **LIMITATION FOR HOMESTEAD PROPERTY.** A lien imposed under this section upon property defined as homestead property in ~~chapter 510~~ sections 510.01 and 510.02 may not be enforced against homestead property by levy under section 270.70, or by judgment lien foreclosure under chapter 550, but notwithstanding section 510.07, is enforceable against the proceeds from the sale, conveyance, or transfer of the homestead.

Sec. 2. Minnesota Statutes 1994, section 270B.03, subdivision 1, is amended to read:

Subdivision 1. **WHO MAY INSPECT.** Returns and return information must, on written request, be made open to inspection by or disclosure to the data subject. For purposes of this chapter, the following are the data subject:

(1) in the case of an individual return, that individual;

(2) in the case of an income tax return filed jointly, either of the individuals with respect to whom the return is filed;

(3) in the case of a partnership return, any person who was a member of the partnership during any part of the period covered by the return;

(4) in the case of the return of a corporation or its subsidiary:

(i) any person designated by resolution of the board of directors or other similar governing body;

(ii) any officer or employee of the corporation upon written request signed by any officer and attested to by the secretary or another officer;

(iii) any bona fide shareholder of record owning one percent or more of the outstanding stock of the corporation;

(iv) if the corporation is a corporation that has made an election under section 1362 of the Internal Revenue Code of 1986, as amended through December 31, 1988, any person who was a shareholder during any part of the period covered by the return during which an election was in effect; or

(v) if the corporation has been dissolved, any person authorized by state law to act for the corporation or any person who would have been authorized if the corporation had not been dissolved;

(5) in the case of an estate return:

(i) the personal representative or trustee of the estate; and

(ii) any heir at law, next of kin, or beneficiary of the estate, but only if the commissioner finds that the heir at law, next of kin, or beneficiary has a material interest that will be affected by information contained in the return;

(6) in the case of a trust return:

(i) the trustee or trustees, jointly or separately; and

(ii) any beneficiary of the trust, but only if the commissioner finds that the beneficiary has a material interest that will be affected by information contained in the return;

(7) if liability has been assessed to a transferee under section 289A.31, subdivision 3, the transferee is the data subject with regard to the returns and return information relating to the assessed liability; ~~and~~

(8) in the case of an Indian tribal government or an Indian tribal government-owned entity,

(i) the chair of the tribal government, or

(ii) any person authorized by the tribal government; and

(9) in the case of a successor as defined in section 270.102, subdivision 1, paragraph (b), the successor is the data subject and information may be disclosed as provided by section 270.102, subdivision 4.

Sec. 3. Minnesota Statutes 1994, section 270B.12, subdivision 2, is amended to read:

Subd. 2. ~~**MUNICIPALITIES**~~ **LOCAL UNITS OF GOVERNMENT.** Sales ~~and~~ or use tax returns and return information are open to inspection by or disclosure to the taxing officials of any ~~municipality~~ local unit of government of the state of Minnesota that has a local sales or use tax, for the purpose of and to the extent necessary for the administration of the local sales ~~and~~ or use tax.

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 4. Minnesota Statutes 1994, section 270B.14, subdivision 11, is amended to read:

Subd. 11. **DISCLOSURE TO COMMISSIONER OF HEALTH.** (a) On the request of the commissioner of health, the commissioner may disclose return information to the extent provided in paragraph (b) and for the purposes provided in paragraph (c).

(b) Data that may be disclosed are limited to the taxpayer's identity, as defined in section 270B.01, subdivision 5.

(c) The commissioner of health may request data only for the purposes of carrying out epidemiologic investigations, which includes conducting occupational health and safety surveillance, and locating and notifying individuals exposed to health hazards as a result of employment. Requests for data by the commissioner of health must be in writing and state the purpose of the request. Data received may be used only for the purposes of section 144.0525.

(d) The commissioner may disclose health care service revenue data to the commissioner of health as provided by section 62J.41, subdivision 2.

Sec. 5. Minnesota Statutes 1994, section 289A.50, subdivision 1, is amended to read:

Subdivision 1. **GENERAL RIGHT TO REFUND.** (a) Subject to the requirements of this section and section 289A.40, a taxpayer who has paid a tax in excess of the taxes lawfully due and who files a written claim for refund will be refunded or credited the overpayment of the tax determined by the commissioner to be erroneously paid.

(b) The claim must specify the name of the taxpayer, the date when and the period for which the tax was paid, the kind of tax paid, the amount of the tax that the taxpayer claims was erroneously paid, the grounds on which a refund is claimed, and other information relative to the payment and in the form required by the commissioner. An income tax, estate tax, or corporate franchise tax return, or amended return claiming an overpayment constitutes a claim for refund.

(c) When, in the course of an examination, and within the time for requesting a refund, the commissioner determines that there has been an overpayment of tax, the commissioner shall refund or credit the overpayment to the taxpayer and no demand is necessary. If the overpayment exceeds $1, the amount of the overpayment must be refunded to the taxpayer. If the amount of the overpayment is less than $1, the commissioner is not required to refund. In these situations, the commissioner does not have to make written findings or serve notice by mail to the taxpayer.

(d) If the amount allowable as a credit for withholding, estimated taxes, or dependent care exceeds the tax against which the credit is allowable, the amount

of the excess is considered an overpayment. The refund allowed by section 290.06, subdivision 23, is also considered an overpayment. The requirements of section 270.10, subdivision 1, do not apply to the refunding of such an overpayment shown on the original return filed by a taxpayer.

(e) If the entertainment tax withheld at the source exceeds by $1 or more the taxes, penalties, and interest reported in the return of the entertainment entity or imposed by section 290.9201, the excess must be refunded to the entertainment entity. If the excess is less than $1, the commissioner need not refund that amount.

(f) If the surety deposit required for a construction contract exceeds the liability of the out-of-state contractor, the commissioner shall refund the difference to the contractor.

(g) An action of the commissioner in refunding the amount of the overpayment does not constitute a determination of the correctness of the return of the taxpayer.

(h) There is appropriated from the general fund to the commissioner of revenue the amount necessary to pay refunds allowed under this section.

Sec. 6. Minnesota Statutes 1994, section 296.01, subdivision 34, is amended to read:

Subd. 34. **SPECIAL FUEL.** "Special fuel" means (1) all combustible gases and liquid petroleum products or substitutes therefor including ~~clear~~ undyed diesel fuel, except gasoline, which are delivered into the supply tank of a licensed motor vehicle or into storage tanks maintained by an owner or operator of a licensed motor vehicle as a source of supply for such vehicle; (2) all combustible gases and liquid petroleum products or substitutes therefor, except gasoline, when delivered to a licensed special fuel dealer or to the retail service station storage of a distributor who has elected to pay the special fuel excise tax as provided in section 296.12, subdivision 3; (3) all combustible gases and liquid petroleum products or substitutes therefor, except gasoline, which are used as aviation fuel; or (4) dyed fuel that is being used illegally in a licensed motor vehicle.

Sec. 7. Minnesota Statutes 1994, section 296.025, subdivision 1, is amended to read:

Subdivision 1. **TAX IMPOSED.** There is hereby imposed an excise tax of the same rate per gallon as the gasoline excise tax on all special fuel. For ~~clear~~ undyed diesel fuel, the tax is imposed on the first distributor who received the product in Minnesota. For dyed fuel being used illegally in a licensed motor vehicle, the tax is imposed on the owner or operator of the motor vehicle, or in some instances, on the dealer who supplied the fuel. For dyed fuel used in a motor vehicle but subject to a federal exemption, although no federal tax may be imposed, the fuel is subject to the state tax. For other fuels, including jet fuel,

propane, and compressed natural gas, the tax is imposed on the distributor, special fuel dealer, or bulk purchaser. This tax is payable at the time and in the manner specified in this chapter. For purposes of this section, "owner or operator" means the operation of licensed motor vehicles, whether loaded or empty, whether for compensation or not for compensation, and whether owned by or leased to the motor carrier who operates them or causes them to be operated.

Sec. 8. Minnesota Statutes 1994, section 296.12, subdivision 3, is amended to read:

Subd. 3. **TAX COLLECTION, REPORTING AND PAYMENT.** (a) For ~~clear~~ undyed diesel fuel, the tax is imposed on the distributor who receives the fuel.

(b) For all other special fuels, the tax is imposed on the distributor, bulk purchaser, or special fuel dealer. The tax may be paid upon receipt or sale as follows:

(1) Distributors and special fuel dealers may, subject to the approval of the commissioner, elect to pay to the commissioner the special fuel excise tax on all special fuel delivered or sold into the supply tank of an aircraft or a licensed motor vehicle. Under this option an invoice must be issued at the time of each delivery showing the name and address of the purchaser, date of sale, number of gallons, price per gallon and total amount of sale. A separate sales ticket book shall be maintained for special fuel sales; and

(2) Bulk purchasers shall report and pay the excise tax on all special fuel purchased by them for storage, to the commissioner.

(c) Any person delivering special fuel on which the excise tax has not previously been paid, into the supply tank of an aircraft or a licensed motor vehicle shall report such delivery and pay the excise tax on the special fuel so delivered, to the commissioner.

Sec. 9. Minnesota Statutes 1994, section 296.12, subdivision 4, is amended to read:

Subd. 4. **MONTHLY REPORTS; SHRINKAGE ALLOWANCE.** On or before the 23rd day of each month, the persons subject to the provisions of this section shall file in the office of the commissioner at St. Paul, Minnesota, a report in the following manner:

(1) Distributors of ~~clear~~ undyed diesel fuel must file a monthly tax return with the department listing all purchases or receipts of ~~clear~~ undyed diesel fuel. Distributors may be allowed to take a credit or credits under section 296.14, subdivision 2.

(2) Distributors and dealers of special fuel other than ~~clear~~ undyed diesel fuel shall report the total number of gallons delivered to them during the preceding calendar month and shall pay the special fuel excise tax due thereon to the

commissioner. The invoice must show the true and correct name and address of the purchaser, and the purchaser's signature. The report shall contain such other information as the commissioner may require.

(3) Distributors and dealers of special fuel other than ~~clear~~ undyed diesel fuel who have elected to pay the special fuel excise tax on all special fuel delivered into the supply tank of an aircraft or licensed motor vehicle as provided in subdivision 3, shall report the total number of gallons delivered into the supply tank of an aircraft or licensed motor vehicle during the preceding calendar month and shall pay the special fuel excise tax due thereon to the commissioner.

(4) Bulk purchasers shall report and pay the special fuel excise tax on all special fuel except ~~clear~~ undyed diesel fuel purchased by them for storage, during the preceding calendar month. In such cases as the commissioner may permit, credit for the excise tax due or previously paid on special fuel not used in aircraft or licensed motor vehicles, may be allowed in computing tax liability. The report shall contain such other information as the commissioner may require.

(5) In computing the special fuel excise tax due, a deduction of one percent of the quantity of special fuel on which tax is due shall be made for evaporation and loss.

(6) Each report shall contain a confession of judgment for the amount of the tax shown due thereon to the extent not timely paid.

Sec. 10. **EFFECTIVE DATE.**

Section 1 is effective for sales, conveyances, or transfers on or after the day following final enactment.

Sections 2 to 9 are effective the day following final enactment.

Presented to the governor May 30, 1995

Signed by the governor June 1, 1995, 11:18 a.m.

CHAPTER 265—S.F.No. 371

An act relating to transportation; abolishing certain restrictions relating to highway construction; appropriating money for departments of transportation and public safety, and other state agencies; regulating certain programs, activities, and practices; providing for fees; amending Minnesota Statutes 1994, sections 116.07, subdivision 2a; 160.02, by adding a subdivision; 161.1231, subdivision 1; 161.125, subdivision 1; 162.09, subdivision 4; 169.14, subdivision 5d; 171.06, subdivision 2; 171.20, subdivision 4; 221.031, subdivision 1; 221.0314, subdivision 3; 221.131; 221.132; 299A.38, subdivision 2; 299A.44; 299M.03, subdivision 2; 326.12, subdivision 3; 403.11, subdivision 1; 457A.02, subdivision 2; 457A.03, subdivision 3;