

CHAPTER 471—H.F.No. 2102

An act relating to the financing and operation of government in this state; modifying certain tax rates, credits, refunds, bases, and exemptions; modifying property tax valuation and classification; changing tax increment financing, special services district, and taxing district provisions; authorizing local taxes; authorizing certain special districts; providing local levy or other authority; providing for distribution of production tax proceeds; providing for certain tax base sharing; changing certain aids; providing local performance aid; modifying revenue recapture; making tax policy, collection, administrative and technical changes, corrections, and clarifications; modifying collection of fees; requiring studies; providing for appointments; appropriating money; amending Minnesota Statutes 1994, sections 10A.31, subdivision 3a; 13.99, subdivision 97a; 103E.611, subdivision 7; 115.26, by adding a subdivision; 115A.919, by adding a subdivision; 115A.923, subdivision 1a; 165.08, subdivision 5; 239.761, subdivision 5; 270.067, subdivision 2; 270.07, subdivision 1; 270.102, subdivisions 1, 2, and 3; 270.70, subdivision 2; 270A.03, subdivision 2; 273.02, subdivision 3; 273.111, subdivision 3; 273.13, subdivisions 22 and 23; 273.1398, subdivision 4, and by adding a subdivision; 275.065, subdivision 5a; 275.07, subdivision 4; 275.61; 278.01, by adding a subdivision; 278.08; 279.06, subdivision 1; 279.37, by adding a subdivision; 281.17; 287.06; 289A.39, subdivision 1; 289A.50, by adding a subdivision; 289A.56, subdivision 4; 290.01, subdivision 4a; 290.06, subdivisions 2c and 22; 290.091, subdivision 2; 290.0922, subdivisions 1 and 3; 290.095, subdivision 3; 290.17, subdivision 2; 290A.25; 295.50, subdivision 6; 295.51, subdivision 1, and by adding a subdivision; 295.52, by adding a subdivision; 295.54, subdivisions 1, 2, and by adding a subdivision; 296.01, subdivisions 2 and 13; 296.02, subdivision 8, and by adding a subdivision; 296.025, subdivision 6; 296.141, subdivisions 4 and 5; 296.15, by adding a subdivision; 296.17, subdivision 7; 297.04, subdivision 9; 297A.14, by adding a subdivision; 297A.15, subdivisions 4, 5, and 6; 297A.21, subdivision 4; 297A.211, subdivisions 1 and 3; 297A.24, subdivision 1; 297A.25, subdivisions 14, 28, and 37; 297A.256, subdivision 1; 297A.2572; 297A.2573; 297A.44, subdivision 1; 297A.46; 297E.02, subdivisions 4 and 10; 298.01, subdivision 4e; 298.17; 298.28, subdivisions 2 and 6; 298.296, subdivision 2; 298.75, subdivision 1; 349.15, by adding a subdivision; 349.154, subdivision 2; 349.19, subdivision 2, and by adding a subdivision; 375.192, subdivision 2; 383B.51; 428A.01, subdivisions 2 and 3; 428A.02, subdivision 1; 444.075, by adding a subdivision; 458A.32, subdivision 4; 469.040, by adding a subdivision; 469.167, subdivision 2; 469.173, subdivision 7; 469.174, subdivision 2; 469.176, subdivision 4f; 469.1761, subdivision 1; 469.177, subdivision 3; 471.59, by adding a subdivision; 471.88, subdivision 14; 473.39, by adding a subdivision; 473.608, by adding a subdivision; 473.625; 477A.011, subdivisions 3, 20, 27, 32, and 35; Minnesota Statutes 1995 Supplement, sections 16A.152, subdivision 2; 16A.67, subdivision 5; 41A.09, subdivision 2a; 115B.48, by adding subdivisions; 115B.49, subdivisions 2 and 4; 121.904, subdivision 4a; 124A.03, subdivision 2; 216B.161, subdivision 1; 270A.03, subdivision 7; 273.11, subdivision 16; 273.124, subdivisions 1, 3, and 13; 273.13, subdivision 25; 273.1398, subdivision 1; 273.1399, subdivisions 6 and 7; 275.065, subdivisions 3 and 6; 275.08, subdivision 1b; 276.04, subdivision 2; 289A.02, subdivision 7; 289A.40, subdivision 1; 290.01, subdivisions 19 and 31; 290.191, subdivisions 5 and 6; 290A.04, subdivision 2h; 291.005, subdivision 1; 295.50, subdivisions 3 and 4; 295.53, subdivisions 1 and 5; 296.02, subdivision 1; 296.12, subdivision 3; 297A.02, subdivision 4; 297A.25, subdivisions 57, 59, and 61; 297A.45, subdivisions 2, 3, and 4; 297B.01, subdivision 8; 298.227; 298.24, subdivision 1; 298.28, subdivision 9a; 298.296, subdivision 4; 428A.05; 465.82, subdivision 2; 469.169, subdivisions 9 and 10; 469.174, subdivision 4; 469.175, subdivisions 1, 5, and 6; 469.176, subdivisions 2 and 7; 471.6965; 473.39, subdivision 1b; 473.448; 477A.0121, subdivision 4; 477A.0132; 477A.03, subdivision 2; 501B.38, subdivision 1a; Laws 1963, chapter 118, sections 1, subdivision 3; 2; 4; and 6; Laws 1971, chapter 869, section 2, subdivisions 2, as amended; 14; and 17, as added; section 3, subdivisions 5, 6, and 9; section 4, subdivisions 1, 2, and 5, as amended; section 5, subdivisions 1 and 3; section 8; section 10,

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subdivision 3b, as added; section 12, subdivisions 1, as amended; and 2, as amended; section 17, subdivision 11; section 19; section 20, subdivision 2; section 21; and section 24; Laws 1985, chapter 302, section 2, subdivision 1, as amended; Laws 1989, chapter 211, section 4, subdivision 1; Laws 1991, chapter 291, article 8, section 27; and Laws 1995, chapter 264, article 2, sections 42, subdivision 1; and 44; and article 5, sections 40, subdivision 1; 44, subdivision 4; and 45, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 103D; 115B; 276; 281; 287; 290A; 297A; 298; 315; 375; 428A; and 477A; proposing coding for new law as Minnesota Statutes, chapter 276A; repealing Minnesota Statutes 1994, sections 13.99, subdivision 97; 273.1398, subdivision 5b; 290.06, subdivision 21; 290.092; 295.37; 295.39; 295.40; 295.41; 295.42; 295.43; 295.50, subdivisions 8, 9, 9a, 11, 12, and 12a; 296.25, subdivision 1a; 297A.14, subdivision 3; 297A.24, subdivision 2; and 469.150; Laws 1971, chapter 869, section 6, subdivision 3; and Laws 1987, chapter 285.

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

ARTICLE 1

INCOME AND FRANCHISE TAXES

Section 1. Minnesota Statutes 1994, section 10A.31, subdivision 3a, is amended to read:

Subd. 3a. **QUALIFICATION OF POLITICAL PARTIES.** A major political party as defined in section 10A.01, subdivision 12, qualifies for inclusion on the income tax form and property tax refund return as provided in subdivision 3, provided that it qualifies as a major political party by July 1 of the taxable year.

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

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

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

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

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

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

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

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

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

Sec. 2. Minnesota Statutes 1994, section 165.08, subdivision 5, is amended to read:

Subd. 5. **EXEMPTIONS.** Notwithstanding any other provision of law to the contrary, the properties, moneys, and other assets of any joint and independent international authority or commission created under subdivision 1, all revenues or other income of any such authority or commission, ~~and all bonds, certificates of indebtedness, or other obligations issued by any such authority or commission, and the interest thereon,~~ shall be exempt from all taxation, licenses, fees, or charges of any kind imposed by the state or by any county, municipality, political subdivision, taxing district, or other public agency or body of the state.

Sec. 3. Minnesota Statutes 1994, section 290.01, subdivision 4a, is amended to read:

Subd. 4a. **FINANCIAL INSTITUTION.** (a) "Financial institution" means:

- (1) a holding company;
- (2) any regulated financial corporation; or
- (3) any other corporation organized under the laws of the United States or organized under the laws of this state or any other state or country that is carrying on the business of a financial institution.

(b) "Holding company" means any corporation registered under the Federal Bank Holding Company Act of 1956, as amended, or registered as a savings and loan holding company under the Federal National Housing Act, as amended.

(c) "Regulated financial corporation" means an institution, the deposits or accounts of which are insured under the Federal Deposit Insurance Act or by the Federal Savings and Loan Insurance Corporation, any institution which is a member of a Federal Home Loan Bank, any other bank or thrift institution incorporated or organized under the laws of any state or any foreign country which is engaged in the business of receiving deposits, any corporation organized under the provisions of United States Code, title 12, sections 611 to 631 (Edge Act Corporations), and any agency of a foreign depository as defined in United States Code, title 12, section 3101.

(d) "Business of a financial institution" means:

(1) ~~the business that a regulated financial corporation may be authorized to do under state or federal law or the business that its subsidiary is authorized to do by the proper regulatory authorities;~~

(2) the business that any corporation organized under the authority of the United States or organized under the laws of this state or any other state or country does or has authority to do which is substantially similar to the business which a corporation may be created to do under chapters 46 to 55 or any business which a corporation or its subsidiary is authorized to do by those laws; or

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(3) (2) the business that any corporation organized under the authority of the United States or organized under the laws of this state or any other state or country does or has authority to do if the corporation derives more than 50 percent of its gross income from lending activities (including discounting obligations) in substantial competition with the businesses described in clauses clause (1) and (2). For purposes of this clause, the computation of the gross income of a corporation does not include income from nonrecurring, extraordinary items.

Sec. 4. Minnesota Statutes 1994, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. **SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES, AND TRUSTS.** (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code must be computed by applying to their taxable net income the following schedule of rates:

- (1) On the first \$19,910, 6 percent;
- (2) On all over \$19,910, but not over \$79,120, 8 percent;
- (3) On all over \$79,120, 8.5 percent.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts.

(b) The income taxes imposed by this chapter upon unmarried individuals must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first \$13,620, 6 percent;
- (2) On all over \$13,620, but not over \$44,750, 8 percent;
- (3) On all over \$44,750, 8.5 percent.

(c) The income taxes imposed by this chapter upon unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first \$16,770, 6 percent;
- (2) On all over \$16,770, but not over \$67,390, 8 percent;
- (3) On all over \$67,390, 8.5 percent.

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

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

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(1) The numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code increased by the addition required for interest income from non-Minnesota state and municipal bonds under section 290.01, subdivision 19a, clause (1), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, as amended through April 15, 1995, increased by the addition required for interest income from non-Minnesota state and municipal bonds under section 290.01, subdivision 19a, clause (1).

Sec. 5. Minnesota Statutes 1994, section 290.06, subdivision 22, is amended to read:

Subd. 22. **CREDIT FOR TAXES PAID TO ANOTHER STATE.** (a) A taxpayer who is liable for taxes on or measured by net income to another state or province or territory of Canada, as provided in paragraphs (b) through (f), upon income allocated or apportioned to Minnesota, is entitled to a credit for the tax paid to another state or province or territory of Canada if the tax is actually paid in the taxable year or a subsequent taxable year. A taxpayer who is a resident of this state pursuant to section 290.01, subdivision 7, clause (2), and who is subject to income tax as a resident in the state of the individual's domicile is not allowed this credit unless the state of domicile does not allow a similar credit.

(b) For an individual, estate, or trust, the credit is determined by multiplying the tax payable under this chapter by the ratio derived by dividing the income subject to tax in the other state or province or territory of Canada that is also subject to tax in Minnesota while a resident of Minnesota by the taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue Code, modified by the addition required by section 290.01, subdivision 19a, clause (1), and the subtraction allowed by section 290.01, subdivision 19b, clause (1), to the extent the income is allocated or assigned to Minnesota under sections 290.081 and 290.17.

(c) If the taxpayer is an athletic team that apportions all of its income under section 290.17, subdivision 5, paragraph (c), the credit is determined by multiplying the tax payable under this chapter by the ratio derived from dividing the total net income subject to tax in the other state or province or territory of Canada by the taxpayer's Minnesota taxable income.

(d) The credit determined under paragraph (b) or (c) shall not exceed the amount of tax so paid to the other state or province or territory of Canada on the gross income earned within the other state or province or territory of Canada subject to tax under this chapter, nor shall the allowance of the credit reduce the taxes paid under this chapter to an amount less than what would be assessed if such income amount was excluded from taxable net income.

(e) In the case of the tax assessed on a lump sum distribution under section 290.032, the credit allowed under paragraph (a) is the tax assessed by the other state or province or territory of Canada on the lump sum distribution that is also subject to tax under section 290.032, and shall not exceed the tax assessed under section 290.032. To the extent the total lump sum distribution defined in section 290.032, subdivision 1, includes lump sum distributions received in prior years or is all or in part an annuity contract, the reduction to

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the tax on the lump sum distribution allowed under section 290.032, subdivision 2, includes tax paid to another state that is properly apportioned to that distribution.

(f) If a Minnesota resident reported an item of income to Minnesota and is assessed tax in such other state or province or territory of Canada on that same income after the Minnesota statute of limitations has expired, the taxpayer shall receive a credit for that year under paragraph (a), notwithstanding any statute of limitations to the contrary. The claim for the credit must be submitted within one year from the date the taxes were paid to the other state or province or territory of Canada. The taxpayer must submit sufficient proof to show entitlement to a credit.

(g) For the purposes of this subdivision, a resident shareholder of a corporation having a valid election in effect under section 1362 of the Internal Revenue Code must be considered to have paid a tax imposed on the shareholder in an amount equal to the shareholder's pro rata share of any net income tax paid by the S corporation to a another state that does not measure the income of the shareholder of the S corporation by reference to the income of the S corporation. For the purposes of the preceding sentence, the term "net income tax" means any tax imposed on or measured by a corporation's net income.

(h) For the purposes of this subdivision, a resident member of a limited liability company taxed as a partnership under the Internal Revenue Code must be considered to have paid a tax imposed on the member in an amount equal to the member's pro rata share of any net income tax paid by the limited liability company to a state that does not measure the income of the member of the limited liability company by reference to the income of the limited liability company. For purposes of the preceding sentence, the term "net income" tax means any tax imposed on or measured by a limited liability company's net income.

Sec. 6. Minnesota Statutes 1994, section 290.091, subdivision 2, is amended to read:

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

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

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding the Minnesota charitable contribution deduction and the medical expense deduction;

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the extent not included in federal alternative minimum taxable income, the excess of the deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

(4) to the extent not included in federal alternative minimum taxable income, the amount of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue Code determined without regard to subparagraph (E);

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(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.01, subdivision 19a, clause (1);

less the sum of the amounts determined under the following clauses (1) to (3):

(1) interest income as defined in section 290.01, subdivision 19b, clause (1);

(2) an overpayment of state income tax as provided by section 290.01, subdivision 19b, clause (2), to the extent included in federal alternative minimum taxable income; and

(3) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income.

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code.

(b) "Investment interest" means investment interest as defined in section 163(d)(3) of the Internal Revenue Code.

(c) "Tentative minimum tax" equals seven percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter.

(e) "Net minimum tax" means the minimum tax imposed by this section.

(f) "Minnesota charitable contribution deduction" means a charitable contribution deduction under section 170 of the Internal Revenue Code to or for the use of an entity described in section 290.21, subdivision 3, clauses (a) to (e). When the federal deduction for charitable contributions is limited under section 170(b) of the Internal Revenue Code, the allowable contributions in the year of contribution are deemed to be first contributions to entities described in section 290.21, subdivision 3, clauses (a) to (e).

Sec. 7. Minnesota Statutes 1994, section 290.0922, subdivision 1, is amended to read:

Subdivision 1. **IMPOSITION.** (a) In addition to the tax imposed by this chapter without regard to this section, the franchise tax imposed on a corporation required to file under section 289A.08, subdivision 3, other than a corporation having a valid election in effect under section 1362 of the Internal Revenue Code for the taxable year includes a tax equal to the following amounts:

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If the sum of the corporation's
Minnesota property, payrolls, and sales
or receipts is:

| | the tax equals: |
|------------------------------|-----------------|
| less than \$500,000 | \$0 |
| \$ 500,000 to \$ 999,999 | \$100 |
| \$ 1,000,000 to \$ 4,999,999 | \$300 |
| \$ 5,000,000 to \$ 9,999,999 | \$1,000 |
| \$10,000,000 to \$19,999,999 | \$2,000 |
| \$20,000,000 or more | \$5,000 |

(b) A tax is imposed annually beginning in 1990 for each taxable year on a corporation required to file a return under section 289A.12, subdivision 3, that has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code and on a partnership required to file a return under section 289A.12, subdivision 3, other than a partnership that derives over 80 percent of its income from farming. The tax imposed under this paragraph is due on or before the due date of the return for the taxpayer due under section 289A.18, subdivision 1. The commissioner shall prescribe the return to be used for payment of this tax. The tax under this paragraph is equal to the following amounts:

If the sum of the S corporation's or partnership's
Minnesota property, payrolls, and sales
or receipts is:

| | the tax equals: |
|------------------------------|-----------------|
| less than \$500,000 | \$0 |
| \$ 500,000 to \$ 999,999 | \$100 |
| \$ 1,000,000 to \$ 4,999,999 | \$300 |
| \$ 5,000,000 to \$ 9,999,999 | \$1,000 |
| \$10,000,000 to \$19,999,999 | \$2,000 |
| \$20,000,000 or more | \$5,000 |

Sec. 8. Minnesota Statutes 1994, section 290.17, subdivision 2, is amended to read:

Subd. 2. **INCOME NOT DERIVED FROM CONDUCT OF A TRADE OR BUSINESS.** The income of a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or business must be assigned in accordance with paragraphs (a) to (f):

(a)(1) Subject to paragraphs (a)(2) and (a)(3), income from labor or personal or professional services is assigned to this state if, and to the extent that, the labor or services are performed within it; all other income from such sources is treated as income from sources without this state.

Severance pay shall be considered income from labor or personal or professional services.

(2) In the case of an individual who is a nonresident of Minnesota and who is an athlete or entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner:

(i) The amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under

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a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota; and

(ii) The amount of income to be assigned to Minnesota for an individual who is a *nonresident, and who is an athlete or entertainer not listed in clause (i), for that person's athletic or entertainment performance in Minnesota shall be determined by assigning to this state all income from performances or athletic contests in this state.*

(3) For purposes of this section, amounts received by a nonresident from the United States, its agencies or instrumentalities, the Federal Reserve Bank, the state of Minnesota or any of its political or governmental subdivisions, or a Minnesota volunteer firefighters' relief association, by way of payment as a pension, public employee retirement benefit, or any combination of these, or as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 408, or 409, or as defined in section 403(b) or 457 of the Internal Revenue Code, are not considered income derived from carrying on a trade or business or from performing personal or professional services in Minnesota, and are not taxable under this chapter.

(b) Income or gains from tangible property located in this state that is not employed in the business of the recipient of the income or gains must be assigned to this state.

(c) Income or gains from intangible personal property not employed in the business of the recipient of the income or gains must be assigned to this state if the recipient of the income or gains is a resident of this state or is a resident trust or estate.

Gain on the sale of a partnership interest is allocable to this state in the ratio of the original cost of partnership tangible property in this state to the original cost of partnership tangible property everywhere, determined at the time of the sale. If more than 50 percent of the value of the partnership's assets consists of intangibles, gain or loss from the sale of the partnership interest is allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding the tax period of the partnership during which the partnership interest was sold.

Gain on the sale of goodwill or income from a covenant not to compete that is connected with a business operating all or partially in Minnesota is allocated to this state to the extent that the income from the business in the year preceding the year of sale was assignable to Minnesota under subdivision 3.

When an employer pays an employee for a covenant not to compete, the income allocated to this state is in the ratio of the employee's service in Minnesota in the calendar year preceding leaving the employment of the employer over the total services performed by the employee for the employer in that year.

(d) Income from the operation of a farm shall be assigned to this state if the farm is located within this state and to other states only if the farm is not located in this state.

(e) Income from winnings on Minnesota pari-mutuel betting tickets, the Minnesota state lottery, and lawful gambling as defined in section 349.12, subdivision 24, conducted within the boundaries of the state of Minnesota shall be assigned to this state.

(f) All items of gross income not covered in paragraphs (a) to (e) and not part of the taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

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Sec. 9. Minnesota Statutes 1995 Supplement, 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. Receipts from the lease or rental of moving property including, but not limited to, motor vehicles, rolling stock, aircraft, vessels, or mobile equipment is located in this state if are included in the numerator of the receipts factor to the extent that the property is used in this state. The extent of the use of moving property is determined as follows:

(1) the operation of the property is entirely within this state; or A motor vehicle is used wholly in the state in which it is registered.

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(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. The extent that rolling stock is used in this state is determined by multiplying the receipts from the lease or rental of the rolling stock by a fraction, the numerator of which is the miles traveled within this state by the leased or rented rolling stock and the denominator of which is the total miles traveled by the leased or rented rolling stock.

(3) The extent that an aircraft is used in this state is determined by multiplying the receipts from the lease or rental of the aircraft by a fraction, the numerator of which is the number of landings of the aircraft in this state and the denominator of which is the total number of landings of the aircraft.

(4) The extent that a vessel, mobile equipment, or other mobile property is used in the state is determined by multiplying the receipts from the lease or rental of the property by a fraction, the numerator of which is the number of days during the taxable year the property was in this state and the denominator of which is the total days in the taxable year.

(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 where the services are received. 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 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 services shall be deemed to be received at the office of the customer to which the services are billed.

Sec. 10. Minnesota Statutes 1995 Supplement, section 290.191, subdivision 6, is amended to read:

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Subd. 6. **DETERMINATION OF RECEIPTS FACTOR FOR FINANCIAL INSTITUTIONS.** (a) For purposes of this section, the rules in this subdivision 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. Receipts from the lease or rental of tangible personal property that is characteristically moving property, such as including, but not limited to, motor vehicles, rolling stock, aircraft, vessels, or mobile equipment, and the like, is considered to be located in a state if are included in the numerator of the receipts factor to the extent that the property is used in this state. The extent of the use of moving property is determined as follows:

(1) the operation of the property is entirely within the state; or A motor vehicle is used wholly in the state in which it is registered.

(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. The extent that rolling stock is used in this state is determined by multiplying the receipts from the lease or rental of the rolling stock by a fraction, the numerator of which is the miles traveled within this state by the leased or rented rolling stock and the denominator of which is the total miles traveled by the leased or rented rolling stock.

(3) The extent that an aircraft is used in this state is determined by multiplying the receipts from the lease or rental of the aircraft by a fraction, the numerator of which is the number of landings of the aircraft in this state and the denominator of which is the total number of landings of the aircraft.

(4) The extent that a vessel, mobile equipment, or other mobile property is used in the state is determined by multiplying the receipts from the lease or rental of property by a fraction, the numerator of which is the number of days during the taxable year the property was in this state and the denominator of which is the total days in the taxable year.

(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).

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(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 services are received. 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 state where the services are received is not readily determinable or is a state where the corporation, partnership, or trust does not have a fixed place of doing business, the services shall be deemed to be 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 services shall be deemed to be 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

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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. 11. Minnesota Statutes 1994, section 383B.51, is amended to read:

383B.51 NO ASSIGNMENT OR GARNISHMENT.

The right of a participant who has shares to the credit of the participant's share account record to redeem all or any portion of the shares is a personal right only and shall be in the state of Minnesota or the state board of investment or the nominee of either, subject to the rights of the county of Hennepin. Any assignment or attempted assignment of shares to the credit of a participant's share account record by any person is null and void. The shares are exempt from garnishment or levy under attachment or execution or other legal process, except as provided in section 518.58, 518.581, or 518.611. The shares are also exempt from all taxation, except individual income taxation, by the state of Minnesota.

Sec. 12. Minnesota Statutes 1994, section 458A.32, subdivision 4, is amended to read:

Subd. 4. Revenue bonds of the authority shall be deemed and treated as instrumentalities of a public government agency; and as such, ~~together with interest thereon, exempt from taxation.~~

Sec. 13. EFFECTIVE DATE.

Sections 1, 4, 6, and 8 are effective for tax years beginning after December 31, 1995.

Sections 2 and 12 are effective for income earned after July 1, 1983, in taxable years beginning after December 31, 1982.

Sections 9 and 10 are effective for taxable years beginning after December 31, 1997.

Section 11 is a clarification of the law and is effective the day following final enactment.

ARTICLE 2

SALES AND SPECIAL TAXES

Section 1. Minnesota Statutes 1995 Supplement, section 115B.48, is amended by adding a subdivision to read:

Subd. 7. **FACILITY.** "Facility" means one or more buildings or parts of a building and the equipment, installations, and structures contained in the building, located on a

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single site or on contiguous or adjacent sites. Facility includes any site or area where a hazardous substance, or a pollutant or contaminant, has been deposited, stored, disposed of, or placed, or otherwise comes to be located.

Sec. 2. Minnesota Statutes 1995 Supplement, section 115B.48, is amended by adding a subdivision to read:

Subd. 8. FULL-TIME EQUIVALENCE. "Full-time equivalence" means 2,000 hours worked by employees, owners, and others, at duties related to the drycleaning operation in a drycleaning facility during a 12-month period beginning July 1 of the preceding year and running through June 30 of the year in which the annual registration fee is due. For those drycleaning facilities that were in business less than the 12-month period, full-time equivalence means the total of all of the hours worked at duties related to the drycleaning operation in the drycleaning facility, divided by 2,000 and multiplied by a fraction, the numerator of which is 50 and the denominator of which is the number of weeks in business during the reporting period.

Sec. 3. Minnesota Statutes 1995 Supplement, section 115B.49, subdivision 2, is amended to read:

Subd. 2. **REVENUE SOURCES.** Revenue from the following sources must be deposited in the state treasury and credited to the account:

- (1) the proceeds of the fees imposed by subdivision 4;
- (2) interest attributable to investment of money in the account;
- (3) penalties and interest collected under subdivision 4, paragraphs (e) and (f) paragraph (d); and
- (4) money received by the commissioner for deposit in the account in the form of gifts, grants, and appropriations.

Sec. 4. Minnesota Statutes 1995 Supplement, section 115B.49, subdivision 4, is amended to read:

Subd. 4. **REGISTRATION; FEES.** (a) The owner or operator of a drycleaning facility shall register on or before July 1 of each year with the commissioner of revenue in a manner prescribed by the commissioner of revenue and pay a registration fee for the facility. The amount of the fee is:

- (1) \$500, for facilities with up to four full-time equivalent employees a full-time equivalence of fewer than five;
- (2) \$1,000, for facilities with a full-time equivalence of five to ten full-time equivalent employees; and
- (3) \$1,500, for facilities with a full-time equivalence of more than ten full-time equivalent employees.

(b) A person who sells drycleaning solvents for use by drycleaning facilities in the state shall collect and remit to the commissioner of revenue in a manner prescribed by the commissioner of revenue, on or before the 20th day of the month following the month in which the sales of drycleaning solvents are made, a fee of:

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(1) \$3.50 for each gallon of perchloroethylene sold for use by drycleaning facilities in the state; and

(2) 70 cents for each gallon of hydrocarbon-based drycleaning solvent sold for use by drycleaning facilities in the state.

(c) ~~The commissioner of revenue shall provide each person who pays a registration fee under paragraph (a) with a receipt. The receipt or a copy of the receipt must be produced for inspection at the request of any authorized representative of the commissioner of revenue.~~

(d) The commissioner shall, after a public hearing but notwithstanding section 16A.1285, subdivision 4, annually adjust the fees in this subdivision as necessary to maintain an unencumbered balance in the account of at least \$1,000,000. Any adjustment under this paragraph must be prorated among all the fees in this subdivision. Fees adjusted under this paragraph may not exceed 200 percent of the fees in this subdivision. The commissioner shall notify the commissioner of revenue of an adjustment under this paragraph no later than March 1 of the year in which the adjustment is to become effective. The adjustment is effective for sales of drycleaning solvents made, and annual registration fees due, beginning on July 1 of the same year.

(e) ~~An owner of a drycleaning facility who fails to pay a fee under paragraph (a) when due is subject to a penalty of \$50 per facility for each day the fee is not paid.~~

(f) ~~(d) To enforce this subdivision, the commissioner of revenue may examine documents, assess and collect fees, conduct investigations, issue subpoenas, grant extensions to file returns and pay fees, impose sales and use tax penalties and interest on the annual registration fee under paragraph (a) and the monthly fee under paragraph (b), abate penalties and interest, and administer appeals, in the manner provided in chapters 270 and 289A. The penalties and interest imposed on taxes under chapter 297A apply to the fees imposed under this subdivision. Disclosure of data collected by the commissioner of revenue under this subdivision is governed by chapter 270B.~~

Sec. 5. [115B.49] DRYCLEANING FACILITY USE FEE; FACILITIES TO FILE RETURN.

Subdivision 1. USE FEE. A drycleaning facility that purchases drycleaning solvents for use in Minnesota without paying the seller of drycleaning solvents the fee under section 115B.49, subdivision 4, paragraph (b), is subject to an equivalent fee. Liability for the fee is incurred when drycleaning solvents are received in Minnesota by the drycleaning facility.

Subd. 2. RETURN REQUIRED. On or before the 20th of each calendar month, every drycleaning facility that has purchased drycleaning solvents for use in this state during the preceding calendar month, upon which the fee imposed by section 115B.49, subdivision 4, paragraph (b), has not been paid to the seller of the drycleaning solvents, shall file a return with the commissioner of revenue showing the quantity of solvents purchased and a computation of the fee under section 115B.49, subdivision 4, paragraph (d). The fee must accompany the return. The return must be made upon a form furnished and prescribed by the commissioner of revenue and must contain such other information as the commissioner of revenue may require.

Subd. 3. APPLICABILITY. All of the provisions of section 115B.49, subdivision 4, paragraph (d), apply to this section.

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Sec. 6. [115B.492] ALLOCATION OF PAYMENT.

In the discretion of the commissioner of revenue, payments received for fees may be credited first to the oldest liability not secured by a judgment or lien. For liabilities to which payments are applied, the commissioner of revenue may credit payments first to penalties, next to interest, and then to the fee due.

Sec. 7. Minnesota Statutes 1995 Supplement, 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 extension of time granted for filing the return, but only if filed within the extended time, or one year from the date of an order assessing tax under section 289A.37, subdivision 1, upon payment in full of the tax, penalties, and interest shown on the order, whichever period expires later. Claims for refund, except for taxes under chapter 297A, 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.

In the case of assessments under section 289A.38, subdivisions 5 or 6, claims for refund under chapter 297A 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 that are due for the period before the 3-1/2 year period.

Sec. 8. Minnesota Statutes 1994, section 289A.50, is amended by adding a subdivision to read:

Subd. 2a. **REFUND OF SALES TAX TO PURCHASERS.** If a vendor has collected from a purchaser a tax on a transaction that is not subject to the tax imposed by chapter 297A, the purchaser may apply directly to the commissioner for a refund under this section if:

(a) the purchaser is currently registered to collect and remit the sales and use tax; and

(b) the amount of the refund applied for exceeds \$500.

The purchaser may not file more than two applications for refund under this subdivision in a calendar year.

Sec. 9. Minnesota Statutes 1994, section 289A.56, subdivision 4, is amended to read:

Subd. 4. **CAPITAL EQUIPMENT REFUNDS; REFUNDS TO PURCHASERS.** Notwithstanding subdivision 3, for refunds payable under ~~section sections~~ 297A.15, subdivision 5, and 289A.50, subdivision 2a, interest is computed from the date the refund claim is filed with the commissioner.

Sec. 10. Minnesota Statutes 1994, section 297.04, subdivision 9, is amended to read:

Subd. 9. **APPLICATION DENIAL; LICENSE SUSPENSION AND REVOCATION.** (a) The commissioner may revoke, cancel, or suspend the license or licenses of any distributor or subjobber for violation of sections 297.01 to 297.13, or any other act applicable to the sale of cigarettes, or any rule promulgated by the commission-

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er, and may also revoke any such license or licenses of any distributor or subjobber for the violation of sections 297.31 to 297.39, or any other act applicable to the sale of tobacco products, or any rule promulgated by the commissioner in furtherance of sections 297.31 to 297.39. The commissioner may revoke, ~~cancel~~, or suspend the license or licenses of any distributor or subjobber for violation of sections 325D.31 to 325D.42.

(b) The department must not issue or renew a license under this chapter, and may revoke a license under this chapter, if the applicant or licensee:

- (1) owes \$500 or more in delinquent taxes as defined in section 270.72;
- (2) after demand, has not filed tax returns required by the commissioner of revenue;
- (3) had a cigarette or tobacco license revoked by the commissioner of revenue within the past two years;
- (4) had a sales and use tax permit revoked by the commissioner of revenue within the past two years; or
- (5) has been convicted of a crime involving cigarettes, including but not limited to: selling stolen cigarettes or tobacco items, receiving stolen cigarettes or tobacco items, or involvement in the smuggling of cigarettes or tobacco items.

(c) No license shall be revoked, canceled, or suspended under this chapter, and no application for a license shall be denied under this chapter, except after 20 days' notice and specifying the commissioner's allegations against the licensee or applicant, and the right to request, in writing within 20 days, a contested case hearing by the commissioner as provided in section 297.09 chapter 14. If a written request for a hearing is received by the department of revenue within 20 days of the date of the initial notice, the hearing must be held within 45 days after referral to the office of administrative hearings, and no earlier than 20 days after notice to the licensee or applicant of the hearing time and place. A license is revoked or suspended, and an application is denied, when the commissioner serves notice of revocation, suspension, or denial after 20 days have passed following the initial notice under this paragraph without a request for hearing being made, or if a hearing is held, after the commissioner serves an order of revocation, suspension, or denial under section 14.62, subdivision 1. All notices under this paragraph may be served personally or by mail.

Sec. 11. Minnesota Statutes 1995 Supplement, 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. 12. **[297A.023] REMITTANCE OF AMOUNTS COLLECTED AS TAXES.**

Any amounts collected, even if erroneously or illegally collected, from a purchaser under a representation that they are taxes imposed under this chapter are state funds from the time of collection and must be reported on a return filed with the commissioner and

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are not subject to refund without proof that such amounts have been refunded or credited to the purchaser by the seller.

Sec. 13. Minnesota Statutes 1994, section 297A.14, is amended by adding a subdivision to read:

Subd. 4. **DE MINIMIS EXEMPTION.** Purchases subject to use tax under this section are exempt if (1) the purchase is made by an individual for personal use, and (2) the total purchases that are subject to the use tax do not exceed \$770 in the calendar year. For purposes of this subdivision, "personal use" includes purchases for gifts. If an individual makes purchases, which are subject to use tax, of more than \$770 in the calendar year the individual must pay the use tax on the entire amount.

Sec. 14. Minnesota Statutes 1994, section 297A.15, subdivision 4, is amended to read:

Subd. 4. SEIZURE; COURT REVIEW. The commissioner of revenue or the commissioner's duly authorized agents are empowered to seize and confiscate in the name of the state any truck, automobile or means of transportation not owned or operated by a common carrier, used in the illegal importation and transportation of any article or articles of tangible personal property by a retailer or the retailer's agent or employee who does not have a sales or use tax permit and has been engaging in transporting personal property into the state without payment of the tax. The commissioner may demand the forfeiture and sale of the truck, automobile or other means of transportation together with the property being transported illegally, unless the owner establishes to the satisfaction of the commissioner or the court that the owner had no notice or knowledge or reason to believe that the vehicle was used or intended to be used in any such violation. Within two days after the seizure, the person making the seizure shall deliver an inventory of the vehicle and property seized to the person from whom the seizure was made, if known, and to any person known or believed to have any right, title, interest or lien on the vehicle or property, and shall also file a copy with the commissioner. Within ten days after the date of service of the inventory, the person from whom the vehicle and property was seized or any person claiming an interest in the vehicle or property may file with the commissioner a demand for a judicial determination of the question as to whether the vehicle or 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 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, cause the forfeited vehicle and property 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 vehicle and property shall be released by the commissioner and redelivered to the person entitled to it. If no demand is made, the vehicle and 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. The forfeiture and sale of the automobile, truck or other means of transportation, and of the property being transported illegally in it, is a penalty for the violation of this chapter. After deducting the expense of keeping the vehicle and property, the fee for seizure, and the costs of the sale, the commissioner shall pay from the funds

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collected all liens according to their priority, which are established at the hearing as being bona fide and as existing without the lienor having any notice or knowledge that the vehicle or property was being used or was intended to be used for or in connection with any such violation as specified in the order of the court, and shall pay the balance of the proceeds into the state treasury to be credited to the general fund. The state shall not be liable for any liens in excess of the proceeds from the sale after deductions provided. Any sale under the provisions of this section shall operate to free the vehicle and property sold from any and all liens on it, and appeal from the order of the district court will lie as in other civil cases.

For the purposes of this section, "common carrier" means any person engaged in transportation for hire of tangible personal property by motor vehicle, limited to (1) a person possessing a certificate or permit authorizing or having completed a registration process that authorizes for-hire transportation of property from the interstate commerce commission or the public utilities commission United States Department of Transportation, the transportation regulation board, or the department of transportation; or (2) any person transporting commodities defined as "exempt" in for-hire transportation; or (3) any person who pursuant to a contract with a person described in (1) or (2) above transports tangible personal property.

Sec. 15. Minnesota Statutes 1994, section 297A.211, subdivision 1, is amended to read:

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

Sec. 16. Minnesota Statutes 1994, section 297A.25, subdivision 14, is amended to read:

Subd. 14. **AIRFLIGHT EQUIPMENT.** The gross receipts from sales of airflight equipment to, and the storage, use or other consumption of such property by airline companies ~~taxed under the provisions of sections 270.071 to 270.079, as defined in section 270.071, subdivision 4,~~ are exempt. For purposes of this subdivision, "airflight equipment" includes airplanes and parts necessary for the repair and maintenance of such air-

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flight equipment, and flight simulators, but does not include airplanes with a gross weight of less than 30,000 pounds that are used on intermittent or irregularly timed flights.

Sec. 17. Minnesota Statutes 1994, section 297A.25, subdivision 28, is amended to read:

Subd. 28. **WASTE PROCESSING EQUIPMENT.** The gross receipts from the sale of equipment used for processing solid or hazardous waste at a resource recovery facility, as defined in section 115A.03, subdivision 28, are exempt, including pollution control equipment at a resource recovery facility that burns refuse-derived fuel or mixed municipal solid waste as its primary fuel.

Sec. 18. Minnesota Statutes 1994, section 297A.25, subdivision 37, is amended to read:

Subd. 37. **YMCA AND, YWCA, AND JCC MEMBERSHIPS.** The gross receipts from the sale of memberships, including both one-time initiation fees and periodic membership dues, to an association incorporated under section 315.44 or an organization defined under section 315.51, are exempt. However, all separate charges made for the privilege of having access to and the use of the association's sports and athletic facilities are taxable.

Sec. 19. Minnesota Statutes 1995 Supplement, section 297A.25, subdivision 57, is amended to read:

Subd. 57. **HORSES; RELATED MATERIALS.** (a) The gross receipts from the sale of horses, including racehorses, and all are exempt.

(b) Sales to persons who raise or board horses, of all materials, including feed and bedding, used or consumed in the breeding, raising, owning, boarding, and keeping of horses, are exempt. Machinery, equipment, implements, tools, appliances, furniture, and fixtures, used in the breeding, raising, owning, boarding, and keeping of horses, are not included within this exemption.

Sec. 20. Minnesota Statutes 1995 Supplement, section 297A.25, subdivision 59, is amended to read:

Subd. 59. **FARM MACHINERY.** From July 1, 1994, until June 30, ~~1996~~ 1997, the gross receipts from the sale of used farm machinery are exempt.

Sec. 21. Minnesota Statutes 1995 Supplement, section 297A.25, subdivision 61, is amended 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 the construction project is financed in whole or in part from a grant under sections 240A.09 and 240A.10 or the proceeds of obligations issued under section 373.43 or 475.58, subdivision 3.

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

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Sec. 22. Minnesota Statutes 1994, section 297A.256, subdivision 1, is amended to read:

Subdivision 1. **FUNDRAISING SALES BY NONPROFIT GROUPS.** Notwithstanding the provisions of this chapter, the following sales made by a "nonprofit organization" are exempt from the sales and use tax.

(a)(1) All sales made by an organization for fundraising purposes if that organization exists solely for the purpose of providing educational or social activities for young people primarily age 18 and under. This exemption shall apply only if the gross annual sales receipts of the organization from fundraising do not exceed \$10,000.

(2) A club, association, or other organization of elementary or secondary school students organized for the purpose of carrying on sports, educational, or other extracurricular activities is a separate organization from the school district or school for purposes of applying the \$10,000 limit. This paragraph does not apply if the sales are derived from admission charges or from activities for which the money must be deposited with the school district treasurer under section 123.38, subdivision 2, or be recorded in the same manner as other revenues or expenditures of the school district under section 123.38, subdivision 2b.

(b) All sales made by an organization for fundraising purposes if that organization is a 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 and no part of the net earnings inure to the benefit of any private shareholders. This exemption shall apply only if the gross annual sales receipts of the organization from fundraising do not exceed \$10,000.

(c) The gross receipts from the sales of tangible personal property at, admission charges for, and sales of food, meals, or drinks at fundraising events sponsored by a nonprofit organization when the entire proceeds, except for the necessary expenses therewith, will be used solely and exclusively for charitable, religious, or educational purposes. This exemption does not apply to admission charges for events involving bingo or other gambling activities or to charges for use of amusement devices involving bingo or other gambling activities. For purposes of this ~~clause~~ paragraph, a "nonprofit organization" means any unit of government, corporation, society, association, foundation, or institution organized and operated for charitable, religious, educational, civic, fraternal, senior citizens' or veterans' purposes, no part of the net earnings of which enures to the benefit of a private individual.

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

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

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

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

(d) The gross receipts from the sale or use of tickets or admissions to a golf tournament held in Minnesota are exempt if the beneficiary of the tournament's net proceeds qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code, including a tournament conducted on premises leased or occupied for more than four days.

Sec. 23. Minnesota Statutes 1995 Supplement, section 297B.01, subdivision 8, is amended to read:

Subd. 8. **PURCHASE PRICE.** "Purchase price" means the total consideration valued in money for a sale, whether paid in money or otherwise. The purchase price excludes the amount of a manufacturer's rebate paid or payable to the purchaser. If a motor vehicle is taken in trade as a credit or as part payment on a motor vehicle taxable under this chapter, the credit or trade-in value allowed by the person selling the motor vehicle shall be deducted from the total selling price to establish the purchase price of the vehicle being sold and the trade-in allowance allowed by the seller shall constitute the purchase price of the motor vehicle accepted as a trade-in. The purchase price in those instances where the motor vehicle is acquired by gift or by any other transfer for a nominal or no monetary consideration shall also include the average value of similar motor vehicles, established by standards and guides as determined by the motor vehicle registrar. The purchase price in those instances where a motor vehicle is manufactured by a person who registers it under the laws of this state shall mean the manufactured cost of such motor vehicle and manufactured cost shall mean the amount expended for materials, labor and other properly allocable costs of manufacture, except that in the absence of actual expenditures for the manufacture of a part or all of the motor vehicle, manufactured costs shall mean the reasonable value of the completed motor vehicle.

The term "purchase price" shall not include the portion of the value of a motor vehicle due solely to modifications necessary to make the motor vehicle handicapped accessible. The term "purchase price" shall not include the transfer of a motor vehicle by way of gift between a husband and wife or parent and child, nor shall it include the transfer of a motor vehicle by a guardian to a ward when there is no monetary consideration and the title to such vehicle was registered in the name of the guardian, as guardian, only because the ward was a minor. There shall not be included in "purchase price" the amount of any tax imposed by the United States upon or with respect to retail sales whether imposed upon the retailer or the consumer.

The term "purchase price" shall not include the transfer of a motor vehicle as a gift between a foster parent and foster child. For purposes of this subdivision, a foster relationship exists, regardless of the age of the child, if (1) a foster parent's home is or was licensed as a foster family home under Minnesota Rules, parts 9545.0010 to 9545.0260, and (2) the county verifies that the child was a state ward or in permanent foster care.

Sec. 24. **[315.51] JCC; DEFINITION.**

A "JCC" means a nonprofit religious organization under section 501(c)(3) of the Internal Revenue Code of 1986 known as the Jewish Community Center of Greater Minne-

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apolis or the Jewish Community Center of Greater St. Paul and organized for the purpose of serving the cultural, educational, and recreational needs of the Jewish community.

Sec. 25. Laws 1991, chapter 291, article 8, section 27, is amended by adding a subdivision to read:

Subd. 9. ADDITIONAL AUTHORITY; MANKATO MUNICIPAL AIRPORT. (a) In addition to the uses of revenues authorized in subdivision 3, the city may use revenues received from taxes authorized by subdivisions 1 and 2 to pay for rehabilitation, expansion, improvement, and operation of the Mankato municipal airport and related facilities, including securing or paying debt service on bonds or other obligations issued to finance the improvements.

(b) The city may issue general obligation bonds of the city for the Mankato municipal airport and related facilities without election under Minnesota Statutes, chapter 475, on the question of issuance of the bonds or a tax to pay them. The debt represented by bonds issued for the Mankato municipal airport and related facilities shall not be included in computing any levy or debt limits applicable to the city.

(c) The total capital, administrative, and operating expenses authorized in paragraph (a) payable from bond proceeds and from the taxes authorized in subdivisions 1 and 2, excluding investment earnings on bond proceeds and revenues, shall not exceed \$500,000 in any year, unless the city has dedicated in a reserve fund sufficient funds to pay or secure payment of principal and interest on bonds issued under subdivision 5 for a period of at least one year. The total amount of general obligation bonds of the city issued for the Mankato municipal airport and related facilities may not exceed \$4,500,000.

(d) Notwithstanding the provisions of subdivision 4, the authority of the city to impose taxes under subdivisions 1 and 2 shall not expire until the principal and interest on any bonds or obligations issued to finance the Mankato municipal airport and related facilities have been paid, or the city determines by ordinance an earlier expiration date.

(e) This subdivision is effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of the city of Mankato.

Sec. 26. Laws 1995, chapter 264, article 2, section 42, subdivision 1, is amended to read:

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 and the 1997 legislature. The study shall be completed and Interim findings shall be reported to the legislature by February 1, 1996. The study shall be completed and a final report submitted to the legislature by January 1, 1997.

(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;

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(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.

Sec. 27. Laws 1995, chapter 264, article 2, section 44, is amended to read:

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.

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
1998.

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.

Sec. 28. **SOLID WASTE MANAGEMENT TAXES.**

Subdivision 1. MORATORIUM EXTENDED. The commissioner of revenue shall not initiate or continue any action to collect any underpayment from political subdivisions, or to reimburse any overpayment to any political subdivisions of taxes on solid waste management services under Minnesota Statutes, section 297A.45, until June 1, 1997. The statute of limitations for assessing, collecting, or refunding taxes subject to the provisions of this subdivision and Laws 1995, chapter 264, article 2, section 40, is tolled from the date of enactment of this law, if enacted, until June 1, 1997.

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Subd. 2. **CONTINUE EVALUATION; REPORT.** (a) The commissioner of revenue shall continue the evaluation to determine the taxes paid by all affected political subdivisions on solid waste management services as required by Minnesota Statutes, section 297A.45. This is a continuation of the evaluation provided for under Laws 1995, chapter 264, article 2, section 40, except that the evaluation under this subdivision includes all political subdivisions subject to the tax under Minnesota Statutes, section 297A.45. The political subdivisions shall cooperate fully and shall supply the commissioner of revenue with whatever information the commissioner of revenue deems necessary for compliance under the law.

(b) By May 1, 1996, the commissioner of revenue shall notify all counties of the opportunity to correct the information provided under Laws 1995, chapter 264, article 2, section 40. A county must submit their corrections in writing to the department of revenue by July 1, 1996.

(c) The commissioner of revenue shall report by January 15, 1997, the results of the evaluation under this subdivision to the chairs of the house committee on taxes and the senate committee on taxes and tax laws. The final results of the evaluation are classified as public data.

Subd. 3. **TASK FORCE; SCOPE.** (a) The director of the office of environmental assistance shall establish and staff a task force to study implementation of the sales and use taxes on solid waste management services under Minnesota Statutes, section 297A.45, and the solid waste generator assessment under Minnesota Statutes, section 116.07, subdivision 10. The task force shall make recommendations to the sales tax advisory council and to the chairs of the house environment and natural resources committee, and the senate environment and natural resources committee of the legislature:

(1) by November 30, 1996, for the goals itemized in paragraph (c), clauses (1)(i) and (ii);

(2) by January 15, 1997, for the goals itemized in paragraph (c), clauses (1)(iii) to (vii); and

(3) by February 15, 1997, for the goal itemized in paragraph (c), clause (2).

(b) The task force shall consist of 14 voting members with expertise in the areas of taxation or waste management, as provided in this subdivision:

(1) four legislators, or their designees, including two members of the senate, one from the minority party and one from the majority party, appointed by the subcommittee on committees of the committee on rules and administration and two members of the house of representatives, one from the minority party and one from the majority party, appointed by the speaker;

(2) two representatives from the department of revenue, appointed by the commissioner of revenue;

(3) one representative from the office of environmental assistance, appointed by the director of the office;

(4) one representative from the pollution control agency, appointed by the commissioner of the agency;

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(5) three persons representing political subdivisions, at least one of which must represent county government, appointed by the director of the office of environmental assistance; and

(6) three persons representing the private waste collection industry, appointed by the director of the office of environmental assistance, at least one of which is knowledgeable on how taxing and pricing of waste collection services interact.

(c) The goals of the task force are:

(1) relating to solid waste management taxes:

(i) to monitor the evaluation conducted under subdivision 2 and to provide input to the commissioner of revenue if questions of interpretations arise during the evaluation;

(ii) to discuss the tax base principles and possible options to use for the tax period from January 1, 1990, to December 31, 1995;

(iii) to discuss the base to which the tax applies beginning January 1, 1996, taking into consideration the impact on political subdivisions and private haulers, resulting from recent court decisions regarding government control over the flow of waste and the effect of these decisions on waste management fee structures;

(iv) to examine the impact on total revenues from various funding sources including tipping fees, service charges, assessments, or subsidizing through the property tax system;

(v) to identify ways to simplify or restructure the current tax system for ease of collection and administration;

(vi) to discuss methods to ensure that the taxes due to the state are paid either by the haulers or the political subdivisions; and

(vii) to recommend a procedure for keeping open communication between the various entities on any future issues relating to this tax; and

(2) relating to the solid waste generator assessment:

(i) to discuss the distinction between "residential" and "nonresidential" for purposes of the solid waste generator assessment under Minnesota Statutes, section 116.07, subdivision 10; and

(ii) to examine ways to simplify or restructure the current assessment system for ease of collection and administration.

Subd. 4. USE OF TAX PROCEEDS. It is the legislature's intent that the total amount of tax proceeds collected under Minnesota Statutes, section 297A.45, less the department of revenue's costs of administering the program including the cost of conducting the evaluation under subdivision 2, be used for administration of programs and functions related to reducing the quantity and toxicity of solid waste, recycling, household hazardous waste management, and other similarly related programs. Appropriations may be made in block grants or competitive grants to political subdivisions. Money may also be used by the office of environmental assistance and the pollution control agency in helping to administer and enforce the programs and functions identified in this subdivision. Appropriations may also be made to the state attorney general's office for providing legal assistance to political subdivisions relating to solid waste management.

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Subd. 5. DEPARTMENT OF REVENUE GUIDELINES. The commissioner of revenue shall prepare a single set of guidelines for complying with Minnesota Statutes, section 297A.45, including all existing rules, and shall send a copy of these guidelines on or before May 1, 1996, to all known political subdivisions subject to the tax under Minnesota Statutes, section 297A.45. Notwithstanding taxes collected prior to January 1, 1996, political subdivisions and persons responsible for collecting the tax under Minnesota Statutes, section 297A.45, must follow these guidelines for all taxes collected on solid waste management services beginning January 1, 1996. The commissioner shall send a copy of the guidelines to the chairs of the house committee on taxes and the senate committee on taxes and tax laws by April 22, 1996, for their review and comment.

Subd. 6. SEPARATE REPORTING; ADDITIONAL PENALTY. (a) In order to determine the total amount of sales and use taxes collected under Minnesota Statutes, section 297A.45, the department of revenue shall reexamine the present method of having this tax reported on the sales tax return. The department must also consider other options including requiring the sales and use tax amounts to be reported on a separate form.

(b) In addition to the penalties and interest that apply to taxes under Minnesota Statutes, section 297A.45, a penalty equal to the specified penalty of the taxpayer's tax liability is imposed on any person or political subdivision who fails to separately report the amount of the taxes due under Minnesota Statutes, section 297A.45. The specified penalties are:

| | |
|---|--------------------|
| <u>First violation</u> | <u>ten percent</u> |
| <u>Second and subsequent violations</u> | <u>20 percent</u> |

The additional penalties apply only to that portion of the sales and use tax which should have been reported on the separate line for taxes under Minnesota Statutes, section 297A.45, and that was included on other lines of the sales tax return.

Subd. 7. APPROPRIATION. The amount necessary to conduct the evaluation under subdivision 2, but not to exceed \$250,000, is appropriated for fiscal years 1996 and 1997, to the commissioner of revenue from money deposited in the general fund from the solid waste collection and disposal tax under Minnesota Statutes, section 297A.45.

Subd. 8. EFFECTIVE DATE. Subdivisions 1 to 3, 6, paragraph (a), and 7, are effective the day following final enactment. Subdivisions 4 and 5 are effective for taxes collected January 1, 1996, and thereafter. Subdivision 6, paragraph (b), is effective for returns filed after September 1, 1996.

Sec. 29. CITY OF HERMANTOWN; SALES TAX.

Subdivision 1. SALES TAX AUTHORIZED. Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Hermantown may, by ordinance, impose an additional sales tax of up to one percent on sales transactions taxable pursuant to Minnesota Statutes, chapter 297A, that occur within the city. The proceeds of the tax imposed under this section must be used to meet the costs of:

- (1) extending a sewer interceptor line;
- (2) construction of a booster pump station, reservoirs, and related improvements to the water system; and

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(3) construction of a police and fire station.

Subd. 2. REFERENDUM. If the Hermantown city council proposes to impose the sales tax authorized by this section, it shall conduct a referendum on the issue. The question of imposing the tax must be submitted to the voters at a special or general election. The tax may not be imposed unless a majority of votes cast on the question of imposing the tax are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the election. This subdivision applies notwithstanding any city charter provision to the contrary.

Subd. 3. ENFORCEMENT; COLLECTION; AND ADMINISTRATION OF TAXES. A sales tax imposed under this section must be reported and paid to the commissioner of revenue with the state sales taxes, and be subject to the same penalties, interest, and enforcement provisions. The proceeds of the tax, less refunds and a proportionate share of the cost of collection, shall be remitted at least quarterly to the city. The commissioner shall deduct from the proceeds remitted an amount that equals the indirect state-wide cost as well as the direct and indirect department costs necessary to administer, audit, and collect the tax. The amount deducted shall be deposited in the state general fund.

Subd. 4. TERMINATION. The tax authorized under this section terminates at the later of (1) ten years after the date of initial imposition of the tax, or (2) on the first day of the second month next succeeding a determination by the city council that sufficient funds have been received from the tax to finance the improvements described in subdivision 1, clauses (1) to (3), and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the improvements. Any funds remaining after completion of the improvements and retirement or redemption of the bonds may be placed in the general fund of the city.

Subd. 5. LOCAL APPROVAL; EFFECTIVE DATE. This section is effective the day after final enactment, upon compliance with Minnesota Statutes, section 645.021, subdivision 3, by the city of Hermantown.

Sec. 30. CITY OF LITTLE FALLS; TAX AUTHORIZED.

Subdivision 1. SALES OF FOOD; TAX. The city of Little Falls may by ordinance impose a tax of one-half percent on the gross receipts from the retail sale of food and nonalcoholic beverages sold by the operator of a restaurant or place of refreshment within the city. The tax imposed may be effective at any time after July 1, 1996.

Subd. 2. DEFINITIONS. For purposes of this section:

(1) "restaurant" means every building or other structure or enclosure, or any part thereof and all buildings in connection, kept, used or maintained as, or held out to the public to be an enclosure where meals or lunches are served or prepared for service elsewhere, except schools;

(2) "place of refreshment" means every building, structure, vehicle, sidewalk cart or any part thereof, used as, maintained as, or advertised as, or held out to be a place where confectionery, ice cream, or drinks of various kinds are made, sold, or served at retail, excepting schools and school sponsored events; and

(3) "operator" means the person who is the proprietor of the restaurant, or place of refreshment, whether in the capacity of owner, lessee, subleases, licensee, or an other capacity.

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Subd. 3. **USE OF PROCEEDS.** The ordinance adopted by the city shall provide for distribution of the proceeds of the tax. The proceeds of the tax must be used for tourism purposes, including operating and maintaining the activities and programs of the tourism and convention bureau.

Subd. 4. **ENFORCEMENT, COLLECTION, AND ADMINISTRATION OF TAXES.** The tax imposed under this section shall be enforced, administered, and collected by the city of Little Falls provided that the city may contract with the commissioner of revenue to perform audits of the tax on behalf of the city. The commissioner shall charge the city an amount that equals the direct and indirect costs incurred by the department that are necessary to audit the tax.

Subd. 5. **EXPIRATION OF TAXING AUTHORITY.** The tax imposed under this section shall expire 15 years after it first becomes effective.

Subd. 6. **EFFECTIVE DATE.** This section is effective the day following compliance by the governing body of the city of Little Falls with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 31. **EFFECTIVE DATES.**

Sections 1 to 7, 10, 12, 16 to 20, 22, 26, and 27 are effective the day after final enactment.

Sections 8 and 9 are effective for refunds applied for after December 31, 1996.

Sections 11 and 13 are effective for sales made after December 31, 1996.

Section 23 is effective for transfers of motor vehicles after June 30, 1996.

Section 21 is effective for purchases made after June 30, 1996.

ARTICLE 3

PROPERTY TAXES

Section 1. Minnesota Statutes 1994, section 103E.611, subdivision 7, is amended to read:

Subd. 7. **COLLECTION AND ENFORCEMENT OF DRAINAGE LIENS.** The provisions of law that exist relating to the enforcement, collection of, penalty, and interest provisions relating to real estate taxes are adopted apply to enforce the payment of drainage liens. If there is a default, a penalty may not be added to an installment of principal and interest, but each defaulted payment, principal, and interest draws interest from the date of default until paid at the rate determined by the state court administrator for judgments under section 549.09.

Sec. 2. Minnesota Statutes 1995 Supplement, section 124A.03, subdivision 2, is amended to read:

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Subd. 2. **REFERENDUM REVENUE.** (a) The revenue authorized by section 124A.22, subdivision 1, may be increased in the amount approved by the voters of the district at a referendum called for the purpose. The referendum may be called by the school board or shall be called by the school board upon written petition of qualified voters of the district. The referendum shall be conducted one or two calendar years before the increased levy authority, if approved, first becomes payable. Only one election to approve an increase may be held in a calendar year. Unless the referendum is conducted by mail under paragraph (g), the referendum must be held on the first Tuesday after the first Monday in November. The ballot shall state the maximum amount of the increased revenue per actual pupil unit, the estimated referendum tax rate as a percentage of market value in the first year it is to be levied, and that the revenue shall be used to finance school operations. The ballot may state that existing referendum levy authority is expiring. In this case, the ballot may also compare the proposed levy authority to the existing expiring levy authority, and express the proposed increase as the amount, if any, over the expiring referendum levy authority. The ballot shall designate the specific number of years, not to exceed ten, for which the referendum authorization shall apply. The notice required under section 275.60 may be modified to read, in cases of renewing existing levies:

"BY VOTING "YES" ON THIS BALLOT QUESTION, YOU MAY BE VOTING FOR A PROPERTY TAX INCREASE."

The ballot may contain a textual portion with the information required in this subdivision and a question stating substantially the following:

"Shall the increase in the revenue proposed by (petition to) the board of, School District No. ..., be approved?"

If approved, an amount equal to the approved revenue per actual pupil unit times the actual pupil units for the school year beginning in the year after the levy is certified shall be authorized for certification for the number of years approved, if applicable, or until revoked or reduced by the voters of the district at a subsequent referendum.

(b) The school board shall prepare and deliver by first class mail at least 15 days but no more than 30 days prior to the day of the referendum to each taxpayer a notice of the referendum and the proposed revenue increase. The school board need not mail more than one notice to any taxpayer. For the purpose of giving mailed notice under this subdivision, owners shall be those shown to be owners on the records of the county auditor or, in any county where tax statements are mailed by the county treasurer, on the records of the county treasurer. Every property owner whose name does not appear on the records of the county auditor or the county treasurer shall be deemed to have waived this mailed notice unless the owner has requested in writing that the county auditor or county treasurer, as the case may be, include the name on the records for this purpose. The notice must project the anticipated amount of tax increase in annual dollars and annual percentage for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the school district.

The notice for a referendum may state that an existing referendum levy is expiring and project the anticipated amount of increase over the existing referendum levy, if any, in annual dollars and annual percentage for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the school district.

The notice must include the following statement: "Passage of this referendum will result in an increase in your property taxes." However, in cases of renewing existing le-

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vies, the notice may include the following statement: "Passage of this referendum may result in an increase in your property taxes."

(c) A referendum on the question of revoking or reducing the increased revenue amount authorized pursuant to paragraph (a) may be called by the school board and shall be called by the school board upon the written petition of qualified voters of the district. A referendum to revoke or reduce the levy amount must be based upon the dollar amount, local tax rate, or amount per actual pupil unit, that was stated to be the basis for the initial authorization. Revenue approved by the voters of the district pursuant to paragraph (a) must be received at least once before it is subject to a referendum on its revocation or reduction for subsequent years. Only one revocation or reduction referendum may be held to revoke or reduce referendum revenue for any specific year and for years thereafter.

(d) A petition authorized by paragraph (a) or (c) shall be effective if signed by a number of qualified voters in excess of 15 percent of the registered voters of the school district on the day the petition is filed with the school board. A referendum invoked by petition shall be held on the date specified in paragraph (a).

(e) The approval of 50 percent plus one of those voting on the question is required to pass a referendum authorized by this subdivision.

(f) At least 15 days prior to the day of the referendum, the district shall submit a copy of the notice required under paragraph (b) to the commissioner of children, families, and learning and to the county auditor of each county in which the school district is located. Within 15 days after the results of the referendum have been certified by the school board, or in the case of a recount, the certification of the results of the recount by the canvassing board, the district shall notify the commissioner of children, families, and learning of the results of the referendum.

(g) Except for a referendum held under subdivision 2b, any referendum under this section held on a day other than the first Tuesday after the first Monday in November must be conducted by mail in accordance with section 204B.46. Notwithstanding paragraph (b) to the contrary, in the case of a referendum conducted by mail under this paragraph, the notice required by paragraph (b) shall be prepared and delivered by first class mail at least 20 days before the referendum.

Sec. 3. Minnesota Statutes 1994, section 270.07, subdivision 1, is amended to read:

Subdivision 1. **POWERS OF COMMISSIONER; APPLICATION FOR ABATEMENT; ORDERS.** (a) The commissioner of revenue shall prescribe the form of all blanks and books required under this chapter and shall hear and determine all matters of grievance relating to taxation. Except for matters delegated to the various boards of county commissioners under section 375.192, and except as otherwise provided by law, the commissioner shall have power to grant such reduction or abatement of net tax capacities or taxes and of any costs, penalties or interest thereon as the commissioner may deem just and equitable, and to order the refundment, in whole or in part, of any taxes, costs, penalties or interest thereon which have been erroneously or unjustly paid. Application therefor shall be submitted with a statement of facts in the case and the favorable recommendation of the county board or of the board of abatement of any city where any such board exists, and the county auditor of the county wherein such tax was levied or paid. In the case of taxes other than gross earnings taxes, the order may be made only on

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application and approval as provided in this paragraph. No reduction, abatement, or refundment of any special assessments made or levied by any municipality for local improvements shall be made unless it is also approved by the board of review or similar taxing authority of such municipality.

(b) The commissioner has the power to grant reductions or abatements of gross earnings tax. An application for reduction of gross earnings taxes may be made directly to the commissioner without the favorable action of the county board and county auditor. The commissioner shall direct that any gross earnings taxes that may have been erroneously or unjustly paid be applied against unpaid taxes due from the applicant.

(c) The commissioner shall forward to the county auditor a copy of the order made by the commissioner in all cases in which the approval of the county board is required.

(d) The commissioner may refer any question that may arise in reference to the true construction of this chapter to the attorney general, and the decision thereon shall be in force and effect until annulled by the judgment of a court of competent jurisdiction.

(e) The commissioner may by written order abate, reduce, or refund any penalty or interest imposed by any law relating to taxation, if in the commissioner's opinion the failure to timely pay the tax or failure to timely file the return is due to reasonable cause. The order shall be made on application of the taxpayer to the commissioner.

(f) If an order issued under this subdivision is for an abatement, reduction, or refund of over \$5,000, it shall be valid only if approved in writing by the attorney general.

(g) An appeal may not be taken to the tax court from any order of the commissioner of revenue made in the exercise of the discretionary authority granted in paragraph (a) with respect to the reduction or abatement of real or personal property taxes in response to a taxpayer's application for an abatement, reduction, or refund of taxes, net tax capacities, costs, penalties, or interest.

Sec. 4. Minnesota Statutes 1994, section 273.02, subdivision 3, is amended to read:

Subd. 3. **WHAT RIGHTS NOT AFFECTED.** Nothing in subdivisions 1 to 3 shall affect any rights in undervalued or erroneously classified property, acquired for value in good faith prior to the correction of the net tax capacity thereof by the county auditor as provided in this section. Any person whose rights are adversely affected by any action of the county auditor as provided in this subdivision may apply for a reduction of the net tax capacity under the provisions of section ~~270.07, relating to the powers of the commissioner of revenue~~ 375.192.

Sec. 5. Minnesota Statutes 1995 Supplement, 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

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(i) it is located in a city or town in which 50 percent or more of the 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, or

(c) if the estimated market value of the house is \$300,000 or more on January 2 of the current year, the property qualifies if

(i) it is located in a city or town in which 45 percent or more of the homes were constructed before 1940 based upon the 1990 federal census, and

(ii) it is located in a city or town in which 45 percent or more of the housing units were rental based upon the 1990 federal census, and

(iii) the city or town's median value of owner occupied housing units based upon the 1990 federal census is less than the statewide median value of owner occupied housing units 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 must be filed prior to July 1 of the assessment year in which the market value from the qualifying improvement is added to that property's assessment within three years of the date the building permit was issued for the improvement. If the property lies in a jurisdiction which is not subject to a building permit process, the application must be filed within three years of the date the improvement was made. The assessor may require proof from the taxpayer of the date the improvement was made. Applications must be received prior to July 1 of any year in order to be effective for taxes payable in the following year.

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 and no abatement of the taxes for qualifying improvements may be granted

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by the county board 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. If an application is filed after the first assessment date at which an improvement could have been subject to the valuation exclusion under this subdivision, the ten-year period during which the value is subject to exclusion is reduced by the number of years that have elapsed since the property would have qualified initially. 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.

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Sec. 6. Minnesota Statutes 1994, section 273.111, subdivision 3, is amended to read:

Subd. 3. (a) Real estate consisting of ten acres or more or a nursery or greenhouse, and qualifying for classification as class 1b, 2a, or 2b under section 273.13, subdivision 23, paragraph (d), shall be entitled to valuation and tax deferral under this section only if it is actively and exclusively devoted to agricultural use as defined in subdivision 6 and either:

(1) is the homestead of the owner, or of a surviving spouse, child, or sibling of the owner or is real estate which is farmed with the real estate which contains the homestead property; or

(2) has been in possession of the applicant, the applicant's spouse, parent, or sibling, or any combination thereof, for a period of at least seven years prior to application for benefits under the provisions of this section, or is real estate which is farmed with the real estate which qualifies under this clause and is within two townships or cities or combination thereof from the qualifying real estate; or

(3) is the homestead of a shareholder in a family farm corporation as defined in section 500.24, notwithstanding the fact that legal title to the real estate may be held in the name of the family farm corporation; or

(4) is in the possession of a nursery or greenhouse or an entity owned by a proprietor, partnership, or corporation which also owns the nursery or greenhouse operations on the parcel or parcels.

(b) Valuation of real estate under this section is limited to parcels the ownership of which is in noncorporate entities except for:

(1) family farm corporations organized pursuant to section 500.24; and

(2) corporations that derive 80 percent or more of their gross receipts from the wholesale or retail sale of horticultural or nursery stock.

Corporate entities who previously qualified for tax deferral pursuant to this section and who continue to otherwise qualify under subdivisions 3 and 6 for a period of at least three years following the effective date of Laws 1983, chapter 222, section 8, will not be required to make payment of the previously deferred taxes, notwithstanding the provisions of subdivision 9. ~~Sale of the land prior to the expiration of the three-year period shall result in payment of deferred taxes as follows: sale within the first year requires payment of payable 1980, 1981, and 1982 deferred taxes; sale during the second year requires payment of payable 1981 and 1982 taxes deferred; and sale at any time during the third year will require payment of payable 1983 taxes deferred. Deferred taxes shall be paid even if the land qualifies pursuant to subdivision 11a. Special assessments are payable at the end of the three-year period or at time of sale, whichever comes first.~~

(c) Land that previously qualified for tax deferral pursuant to this section and no longer qualifies because it is not classified as agricultural land but would otherwise qualify under subdivisions 3 and 6 for a period of at least three years will not be required to make payment of the previously deferred taxes, notwithstanding the provisions of subdivision 9. Sale of the land prior to the expiration of the three-year period requires payment of deferred taxes as follows: sale in the year the land no longer qualifies requires payment of the current year's deferred taxes plus payment of deferred taxes for the two prior years;

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sale during the second year the land no longer qualifies requires payment of the current year's deferred taxes plus payment of the deferred taxes for the prior year; and sale during the third year the land no longer qualifies requires payment of the current year's deferred taxes. Deferred taxes shall be paid even if the land qualifies pursuant to subdivision 11a. When such property is sold or no longer qualifies under this paragraph, or at the end of the three-year period, whichever comes first, all deferred special assessments plus interest are payable in equal installments spread over the time remaining until the last maturity date of the bonds issued to finance the improvement for which the assessments were levied. If the bonds have matured, the deferred special assessments plus interest are payable within 90 days. The provisions of section 429.061, subdivision 2, apply to the collection of these installments. Penalties are not imposed on any such special assessments if timely paid.

Sec. 7. Minnesota Statutes 1995 Supplement, 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 out-buildings commonly associated with a homestead, but shall not include vacant land held primarily for future development. In order to receive homestead treatment for the non-contiguous 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.

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(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 has been classified as seasonal recreational residential property at any time during which it has been owned by the current owner or spouse of the current owner will not be reclassified as a homestead unless it is occupied as a homestead by the owner; this 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, (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

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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 1995 Supplement, section 273.124, subdivision 3, is amended to read:

Subd. 3. COOPERATIVES AND CHARITABLE CORPORATIONS; HOMESTEAD AND OTHER PROPERTY. (a) ~~When one or more dwellings, or one or more buildings which each contain several dwelling units, are property is 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 building on the property, or dwelling a unit in the within a building on the property, the corporation or association may claim homestead treatment for each dwelling, or for each unit in the 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 building or unit must be designated by legal description or number, and. The net tax capacity of each dwelling building or unit that qualifies for assessment as a homestead 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 property is the sum of the net tax capacities of each of the respective buildings or units comprising the building property, including the net tax capacity of each unit's or building's proportionate share of the land and any common buildings. 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 building 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.~~

(b) To the extent provided in paragraph (a), a cooperative or corporation organized under chapter 308A may obtain separate assessment and valuation, and separate property tax statements for each residential homestead, residential nonhomestead, or for each seasonal residential recreational building or unit not used for commercial purposes. The appropriate class rates under section 273.13 shall be applicable as if each building or unit were a separate tax parcel; provided, however, that the tax parcel which exists at the time the cooperative or corporation makes application under this subdivision shall be a single parcel for purposes of property taxes or the enforcement and collection thereof, other than as provided in paragraph (a) or (b).

(c) A member of a corporation or association may initially obtain the separate assessment and valuation and separate property tax statements, as provided in paragraph (b), by applying to the assessor by June 30 of the assessment year.

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(d) When a building, or dwelling units within a building, no longer qualify under this subdivision paragraph (a) or (b), the current owner must notify the assessor within 60 30 days. Failure to notify the assessor within 60 30 days shall result in the loss of benefits under this subdivision paragraph (a) or (b) for taxes payable in the year that the failure is discovered. For these purposes, "benefits under this subdivision paragraph (a) or (b)" means the difference in the net tax capacity of the building or units which no longer qualify as computed under this subdivision paragraph (a) or (b) 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 paragraph (a) or (b). 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 paragraph (a) or (b) 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 property.

Sec. 9. Minnesota Statutes 1995 Supplement, 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.

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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 qualifies as a homestead under subdivision 1, paragraph (e).

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 on 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,

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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 may be claiming 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 person who owned the owners of the affected property at the time the homestead application related to the improper homestead was filed, demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent of the homestead benefits. The property owners person notified may appeal the county's determination by filing a notice of appeal serving copies of a petition for review with county officials as provided in section 278.01 and filing 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. Procedurally, the appeal is governed by the provisions in chapter 271 which apply to the appeal of a property tax assessment or levy, but without requiring any prepayment of the amount in controversy. 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 county treasurer. The county treasurer will add interest to the unpaid homestead benefits and penalty amounts at the rate provided for delinquent personal property taxes for the period beginning 60 days after demand for payment was made until payment. If the person notified is the current owner of the property, the treasurer may add the total amount of benefits, penalty, interest, and costs to the real estate taxes otherwise payable on the property in the following year. If the person notified is not the current owner of the property, the treasurer may collect the amounts due under the revenue recapture act in chapter 270A, or use any of the powers granted in sections 277.20 and 277.21 without exclusion, to enforce payment of the benefits, penalty, interest, and costs, as if those amounts were delinquent tax obligations of the person who owned the property at the time the application related to the improperly allowed homestead was filed. The treasurer may relieve a prior owner of personal liability for the benefits, penalty, interest, and costs, and instead extend those amounts on the tax lists against the property for taxes payable in the following year to the extent that the current owner agrees in writing.

(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 prop-

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erty 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. Any amount recovered that is attributable to supplemental homestead credit is to be transmitted to the commissioner of revenue for deposit in the general fund of the state treasury. 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. 10. Minnesota Statutes 1994, section 273.13, subdivision 22, is amended to read:

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

The first \$72,000 of market value of class 1a property has a net class rate of one percent of its market value and a gross class rate of 2.17 percent of its market value. For taxes payable in 1992, the market value of class 1a property that exceeds \$72,000 but does not exceed \$115,000 has a class rate of two percent of its market value; and the market value of class 1a property that exceeds \$115,000 has a class rate of 2.5 percent of its market value. For taxes payable in 1993 and thereafter, the market value of class 1a property that exceeds \$72,000 has a class rate of two percent.

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

(1) any blind person, or the blind person and the blind person's spouse; or

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

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

(ii) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair; and

(iii) has acquired a special housing unit with special fixtures or movable facilities made necessary by the nature of the veteran's disability, or the surviving spouse of the deceased veteran for as long as the surviving spouse retains the special housing unit as a homestead; or

(3) any person who:

(i) is permanently and totally disabled and

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

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

(B) supplemental security income for the disabled; or

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

(D) social security disability, including the amount of a disability insurance benefit which is converted to an old age insurance benefit and any subsequent cost of living increases; or

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

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

(G) pension, annuity, or other income paid as a result of that disability from a private pension or disability plan, including employer, employee, union, and insurance plans and

(iii) has household income as defined in section 290A.03, subdivision 5, of \$50,000 or less; or

(4) any person who is permanently and totally disabled and whose household income as defined in section 290A.03, subdivision 5, is 150 percent or less of the federal poverty level.

Property is classified and assessed under clause (4) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph.

Property is classified and assessed pursuant to clause (1) only if the commissioner of economic security certifies to the assessor that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$32,000 market value of class 1b property has a net class rate of .45 percent of its market value and a gross class rate of .87 percent of its market value. The remaining market value of class 1b property has a gross or net class rate using the rates for class 1 or class 2a property, whichever is appropriate, of similar market value.

(c) Class 1c property is commercial use real property that abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort or a partner in a partnership that owns the resort, even if the title to the homestead is held by the corporation or partnership. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. Class 1c property has a class rate of one percent

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of total market value for taxes payable in 1993 and thereafter with the following limitation: the area of the property must not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property up to a total of 800 feet and 500 feet in depth, measured away from the lakeshore.

Sec. 11. Minnesota Statutes 1994, section 273.13, subdivision 23, is amended to read:

Subd. 23. **CLASS 2.** (a) Class 2a property is agricultural land including any improvements that is homesteaded. The market value of the house and garage and immediately surrounding one acre of land has the same class rates as class 1a property under subdivision 22. The value of the remaining land including improvements up to \$115,000 has a net class rate of .45 percent of market value and a gross class rate of 1.75 percent of market value. The remaining value of class 2a property over \$115,000 of market value that does not exceed 320 acres has a net class rate of one percent of market value, and a gross class rate of 2.25 percent of market value. The remaining property over the \$115,000 market value in excess of 320 acres has a class rate of 1.5 percent of market value, and a gross class rate of 2.25 percent of market value.

(b) Class 2b property is (1) real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products; (2) real estate that is not improved with a structure and is used exclusively for growing trees for timber, lumber, and wood and wood products, if the owner has participated or is participating in a cost-sharing program for afforestation, reforestation, or timber stand improvement on that particular property, administered or coordinated by the commissioner of natural resources; (3) real estate that is nonhomestead agricultural land; or (4) a landing area or public access area of a privately owned public use airport. Class 2b property has a net class rate of 1.5 percent of market value, and a gross class rate of 2.25 percent of market value.

(c) Agricultural land as used in this section means contiguous acreage of ten acres or more, primarily used during the preceding year for agricultural purposes. Agricultural use may include pasture, timber, waste, unusable wild land, and land included in state or federal farm or conservation programs. "Agricultural purposes" as used in this section means the raising or cultivation of agricultural products. Land enrolled in the Reinvest in Minnesota program under sections 103F.505 to 103F.531 or the federal Conservation Reserve Program as contained in Public Law Number 99-198, and consisting of a minimum of ten contiguous acres, shall be classified as agricultural. Agricultural classification for property shall be determined with respect to the use of the whole parcel, and not based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

(d) Real estate of less than ten acres used principally for raising or cultivating agricultural products, shall be considered as agricultural land, if it is not used primarily for residential purposes.

(e) The term "agricultural products" as used in this subdivision includes:

(1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing animals, horticultural and nursery stock described in sections 18.44 to 18.61, fruit of all kinds, vegetables, forage, grains, bees, and apiary products by the owner;

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(2) fish bred for sale and consumption if the fish breeding occurs on land zoned for agricultural use;

(3) the commercial boarding of horses if the boarding is done in conjunction with raising or cultivating agricultural products as defined in clause (1);

(4) property which is owned and operated by nonprofit organizations used for equestrian activities, excluding racing; and

(5) game birds and waterfowl bred and raised for use on a shooting preserve licensed under section 97A.115.

(f) If a parcel used for agricultural purposes is also used for commercial or industrial purposes, including but not limited to:

- (1) wholesale and retail sales;
- (2) processing of raw agricultural products or other goods;
- (3) warehousing or storage of processed goods; and
- (4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3),

the assessor shall classify the part of the parcel used for agricultural purposes as class 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use. The grading, sorting, and packaging of raw agricultural products for first sale is considered an agricultural purpose. A greenhouse or other building where horticultural or nursery products are grown that is also used for the conduct of retail sales must be classified as agricultural if it is primarily used for the growing of horticultural or nursery products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products. Use of a greenhouse or building only for the display of already grown horticultural or nursery products does not qualify as an agricultural purpose.

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

(g) To qualify for classification under paragraph (b), clause (4), a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of paragraph (b), clause (4), "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

(i) the land is properly cleared and regularly maintained for the primary purposes of the landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;

(ii) the land is part of the airport property; and

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(iii) the land is not used for commercial or residential purposes.

The land contained in a landing area under paragraph (b), clause (4), must be described and certified by the commissioner of transportation. The certification is effective until it is modified, or until the airport or landing area no longer meets the requirements of paragraph (b), clause (4). For purposes of paragraph (b), clause (4), "public access area" means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival and departure building in connection with the airport.

Sec. 12. Minnesota Statutes 1995 Supplement; 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 2.3 percent of market value for taxes payable in 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.

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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 rehabilitation 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.

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(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 pre-

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ceding 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) the first \$72,000 of market value on each parcel has a class rate of ~~1.9~~ 1.75 percent for taxes payable in 1997 and ~~1.8~~ 1.5 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 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.

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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)

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is assessed at 2.3 percent of market value if it is found to be a substandard building under section 273.1316.

(f) Class 4e property consists of the residential portion of any structure located within a city that was converted from nonresidential use to residential use, provided that:

- (1) the structure had formerly been used as a warehouse;
 - (2) the structure was originally constructed prior to 1940;
 - (3) the conversion was done after December 31, 1995, but before January 1, 2003;
- and
- (4) the conversion involved an investment of at least \$25,000 per residential unit.

Class 4e property has a class rate of 2.3 percent, provided that a structure is eligible for class 4e classification only in the 12 assessment years immediately following the conversion.

Sec. 13. Minnesota Statutes 1995 Supplement, 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 1996 the class rate applicable to all class 4a shall be 3.4 percent; and (ii) estimated market values for the assessment two years prior to that in which aid is payable. "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,

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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) (d) "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) (e) "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 transition revenue under section 124A.22, subdivision 13c;
- (4) capital expenditure equipment revenue under section 124.244, subdivision 2;
- (5) basic transportation under section 124.226, subdivision 1; and
- (6) (5) referendum revenue under section 124A.03.

(g) (f) "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) (g) 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;

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- (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) (h) "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) (i) "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, (j) "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) (k) "Net tax capacity adjustment" means (1) the total previous net tax capacity minus the total net tax capacity tax base differential defined in subdivision 1a, multiplied by (2) the unique taxing jurisdiction's current local tax rate. The net tax capacity adjustment cannot be less than zero.

(n) (l) "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 tax base differential percent referenced in subdivision 1a for 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. 14. Minnesota Statutes 1994, section 273.1398, is amended by adding a subdivision to read:

Subd. 1a. **TAX BASE DIFFERENTIAL.** (a) For aids payable in 1997, the tax base differential is 0.25 percent of the assessment year 1995 taxable market value of class 4c noncommercial seasonal recreational residential property up to \$72,000.

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(b) For aids payable in 1998, the tax base differential is 0.25 percent of the assessment year 1996 taxable market value of class 4c noncommercial seasonal recreational residential property up to \$72,000.

Sec. 15. Minnesota Statutes 1994, section 273.1398, subdivision 4, is amended to read:

Subd. 4. **DISPARITY REDUCTION CREDIT.** (a) Beginning with taxes payable in 1989, class 4a, class 3a, and class 3b property qualifies for a disparity reduction credit if: (1) the property is located in a border city that has an enterprise zone designated pursuant to section 469.168, subdivision 4; (2) the property is located in a city with a population greater than 2,500 and less than 35,000 according to the 1980 decennial census; (3) the city is adjacent to a city in another state or immediately adjacent to a city adjacent to a city in another state; and (4) the adjacent city in the other state has a population of greater than 5,000 and less than 75,000.

(b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a property to ~~three~~ 2.3 percent of the property's market value and (ii) the tax on class 3a and class 3b property to 3.3 percent of market value.

(c) The county auditor shall annually certify the costs of the credits to the department of revenue. The department shall reimburse local governments for the property taxes foregone as the result of the credits in proportion to their total levies.

Sec. 16. Minnesota Statutes 1995 Supplement, 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.

(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;

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(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. If a school district has certified under section 124A.03, subdivision 2, that a referendum will be held in the school district at the November general election, the county auditor must note next to the school district's proposed amount that a referendum is pending and that, if approved by the voters, the tax amount may be higher than shown on the notice. 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 non-homestead 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.

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(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.

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.

(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.

Sec. 17. Minnesota Statutes 1994, section 275.065, subdivision 5a, is amended to read:

Subd. 5a. **PUBLIC ADVERTISEMENT.** (a) A city that has a population of more than 4,000 2,500, county, a metropolitan special taxing district as defined in subdivision 3, paragraph (i), a regional library district established under section 134.201, or school district shall advertise in a newspaper a notice of its intent to adopt a budget and property tax levy or, in the case of a school district, to review its current budget and proposed property taxes payable in the following year, at a public hearing. The notice must be published not less than two business days nor more than six business days before the hearing.

The advertisement must be at least one-eighth page in size of a standard-size or a tabloid-size newspaper. The advertisement must not be placed in the part of the newspaper where legal notices and classified advertisements appear. The advertisement must be published in an official newspaper of general circulation in the taxing authority. The newspaper selected must be one of general interest and readership in the community, and not one of limited subject matter. The advertisement must appear in a newspaper that is published at least once per week.

For purposes of this section, the metropolitan special taxing district's advertisement must only be published in the Minneapolis Star and Tribune and the Saint Paul Pioneer Press.

(b) The advertisement must be in the following form, except that the notice for a school district may include references to the current budget in regard to proposed property taxes.

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"NOTICE OF
PROPOSED PROPERTY TAXES

(City/County/School District/Metropolitan
Special Taxing District/Regional
Library District) of

The governing body of will soon hold budget hearings and vote on the property taxes for (city/county/metropolitan special taxing district/regional library district services that will be provided in 199_/school district services that will be provided in 199_ and 199_).

NOTICE OF PUBLIC HEARING:

All concerned citizens are invited to attend a public hearing and express their opinions on the proposed (city/county/school district/metropolitan special taxing district/regional library district) budget and property taxes, or in the case of a school district, its current budget and proposed property taxes, payable in the following year. The hearing will be held on (Month/Day/Year) at (Time) at (Location, Address)."

(c) A city with a population of ~~1,000 or less~~ over 500 but not more than 2,500 must advertise by posted notice as defined in section 645.12, subdivision 1. The advertisement must be posted at the time provided in paragraph (a). It must be in the form required in paragraph (b).

(d) For purposes of this subdivision, the population of a city is the most recent population as determined by the state demographer under section 4A.02.

(e) The commissioner of revenue, subject to the approval of the chairs of the house and senate tax committees, shall prescribe the form and format of the advertisement.

(f) For calendar year 1993, each taxing authority required to publish an advertisement must include on the advertisement a statement that information on the increases or decreases of the total budget, including employee and independent contractor compensation in the prior year, current year, and proposed budget year will be discussed at the hearing.

(g) Notwithstanding paragraph (f), for 1993, the commissioner of revenue shall prescribe the form, format, and content of an advertisement comparing current and proposed expense budgets for the metropolitan council, the metropolitan airports commission, and the metropolitan mosquito control commission. The expense budget must include occupancy, personnel, contractual and capital improvement expenses. The form, format, and content of the advertisement must be approved by the chairs of the house and senate tax committees prior to publication.

Sec. 18. Minnesota Statutes 1995 Supplement, 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~~ a city that has a population over 500, 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

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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 children, families, and learning after the proposed levy was certified; and

(7) the amount required under section 124.755.

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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.

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 or the metropolitan special taxing districts. By August 20, the county auditor shall notify the clerks of the cities within the county of the dates on which school 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. For its initial hearing and for the subsequent hearing at which the final property tax levy will be adopted, 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. For continuation hearings, the city may select dates that conflict with other taxing authorities' dates if the city deems it necessary.

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.

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Notwithstanding the requirements of this section, the employer is required to meet and negotiate over employee compensation as provided for in chapter 179A.

Sec. 19. Minnesota Statutes 1994, section 275.07, subdivision 4, is amended to read:

Subd. 4. **REPORT TO COMMISSIONER.** On or before ~~September 30~~ for taxes payable in 1994, and thereafter October 8 of each year, the county auditor shall report to the commissioner of revenue the proposed levy certified by local units of government under section 275.065, subdivision 1. On or before January 15, ~~for taxes levied in 1989 and thereafter of each year~~, the county auditor shall report to the commissioner of revenue the final levy certified by local units of government under subdivision 1. The levies must be reported in the manner prescribed by the commissioner. The reports must show a total levy and the amount of each special levy.

Sec. 20. Minnesota Statutes 1995 Supplement, section 275.08, subdivision 1b, is amended to read:

Subd. 1b. **COMPUTATION OF TAX RATES.** The amounts certified to be levied against net tax capacity under section 275.07 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 net tax capacity 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~~, to be levied against market value shall be divided by the total estimated referendum 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 referendum market value shall be each property's new referendum tax before reduction by any credits. For the purposes of this subdivision, "referendum market value" means the market value as defined in section 124A.02, subdivision 3b.

Sec. 21. Minnesota Statutes 1994, section 275.61, is amended to read:

275.61 REFERENDUM LEVY; MARKET VALUE.

For local governmental subdivisions other than school districts, any levy, including the issuance of debt obligations payable in whole or in part from property taxes, required to be approved and approved by the voters at a general or special election for taxes payable in 1993 and thereafter, shall be levied against the referendum market value of all taxable property within the governmental subdivision, as defined in section 124A.02, subdivision 3b. Any levy amount subject to the requirements of this section shall be certified separately to the county auditor under section 275.07.

The ballot shall state the maximum amount of the increased levy as a percentage of market value and the amount that will be raised by the new referendum tax rate in the first year it is to be levied.

Sec. 22. **[276.017] TIMELY PAYMENTS.**

Subdivision 1. DATE OF MAILING OR RECEIPT. When a payment described in this section is required to be made to a county on or before the prescribed date, the pay-

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ment is timely if received by the county on or before a prescribed date, or if mailed on or before that date. This section applies to the payment of current or delinquent real or personal property taxes, any other amount shown as payable on a property tax statement, and all related penalties, interest, or costs.

Subd. 2. MAILING REQUIREMENTS. Mailing is timely under this section only if the payment was deposited in the mail in the United States on or before the due date, in an envelope or other appropriate wrapper, postage prepaid, and properly addressed.

Subd. 3. UNITED STATES POSTAL SERVICE POSTMARK. The postmark of the United States Postal Service qualifies as proof of timely mailing for this section. If the payment is sent by United States registered mail, the date of registration is the postmark date. If the payment is sent by United States certified mail, the date of the United States Postal Service postmark on the receipt given to the person presenting the payment for delivery is the date of mailing. Mailing, or the time of mailing, may also be established by other available evidence except that the postmark of a private postage meter may not be used as proof of a timely mailing made under this section.

Subd. 4. RECEIPT OTHERWISE GOVERNS. In any case in which the payment is not treated as timely mailed under this section, the date of receipt governs for purposes of determining the amount of any penalty, interest, or cost assessment.

Sec. 23. Minnesota Statutes 1995 Supplement, 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."

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(b) The property tax statements for manufactured homes and sectional structures treated 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).

(d) If the county uses envelopes for mailing property tax statements and if the county agrees, a taxing district may include a notice with the property tax statement notifying taxpayers when the taxing district will begin its budget deliberations for the current year, and encouraging taxpayers to attend the hearings. If the county allows notices to be included in the envelope containing the property tax statement, and if more than one taxing district relative to a given property decides to include a notice with the tax statement, the county treasurer or auditor must coordinate the process and may combine the information on a single announcement.

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

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in 1991, and for all counties for taxes levied in 1992 and thereafter, the commissioner must certify this amount by September 1.

Sec. 24. Minnesota Statutes 1994, section 278.01, is amended by adding a subdivision to read:

Subd. 4. **FILING OF APPEAL DEADLINE; EXCEPTION.** Notwithstanding the March 31 date in subdivision 1, whenever the exempt status, valuation, or classification of real or personal property is changed other than by an abatement or a court decision, and the owner responsible for payment of the tax is not given notice of the change until after January 31 of the year the tax is payable or after July 1 in the case of property subject to section 273.125, subdivision 4, an eligible petitioner, as defined and limited in subdivision 1, has 60 days from the date of mailing of the notice to initiate an appeal of the property's exempt status, classification, or valuation change under this chapter.

Sec. 25. Minnesota Statutes 1994, section 278.08, is amended to read:

278.08 **INTEREST.**

Subdivision 1. **INTEREST; PENALTY.** In the case of real or personal property, the judgment must include the following interest:

(1) if the tax is sustained in full, interest on the unpaid part of the tax computed under section 279.03, subdivision 1, at the rate provided in section 549.09;

(2) if the tax is increased, interest on the unpaid part of the tax as originally assessed computed under section 279.03, subdivision 1, at the rate provided in section 549.09;

(3) if the tax is reduced, interest on the difference between the tax as recomputed and the amount previously paid computed under section 279.03, subdivision 1, at the rate provided in section 549.09.

If the tax is sustained or increased, penalty on the unpaid part of the tax as originally assessed computed under section 279.01 must be included in the judgment.

Subd. 2. **REFUND.** In the case of real or personal property, if the petitioner has overpaid the tax determined or stipulated to be due, the county auditor shall compute interest on the overpayment from the date of the filing of the petition for review or from the date of payment of the tax, whichever is later, until the date of issuance of the refund warrant. Interest shall be calculated on the overpayment under section 279.03, subdivision 1, at the rate provided in section 279.03 549.09 for delinquent property taxes originally due and payable in the same year as the tax which was became or remained overpaid. For the purposes of computing interest due under this subdivision, an overpayment occurs on the date when the cumulative total of the payments made by the taxpayer for the payable year exceed the final total tax amount determined for that payable year. In determining whether an overpayment has occurred, taxpayer payments are allocated first to any penalty imposed due to late payment of installments, then to the tax due.

Sec. 26. Minnesota Statutes 1994, section 279.06, subdivision 1, is amended to read:

Subdivision 1. **LIST AND NOTICE.** Within five days after the filing of such list, the court administrator shall return a copy thereof to the county auditor, with a notice prepared and signed by the court administrator, and attached thereto, which may be substantially in the following form:

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

State of Minnesota)
) ss.
 County of)

District Court
 Judicial District.

The state of Minnesota, to all persons, companies, or corporations who have or claim any estate, right, title, or interest in, claim to, or lien upon, any of the several parcels of land described in the list hereto attached:

The list of taxes and penalties on real property for the county of remaining delinquent on the first Monday in January, 19....., has been filed in the office of the court administrator of the district court of said county, of which that hereto attached is a copy. Therefore, you, and each of you, are hereby required to file in the office of said court administrator, on or before the 20th day after the publication of this notice and list, your answer, in writing, setting forth any objection or defense you may have to the taxes, or any part thereof, upon any parcel of land described in the list, in, to, or on which you have or claim any estate, right, title, interest, claim, or lien, and, in default thereof, judgment will be entered against such parcel of land for the taxes on such list appearing against it, and for all penalties, interest, and costs. Based upon said judgment, the land shall be sold to the state of Minnesota on the second Monday in May, 19... The period of redemption for all lands sold to the state at a tax judgment sale shall be three years from the date of sale to the state of Minnesota if the land is within an incorporated area unless it is:

- (a) nonagricultural homesteaded land as defined in section 273.13, subdivision 22;
- (b) homesteaded agricultural land as defined in section 273.13, subdivision 23, paragraph (a); or
- (c) seasonal recreational land as defined in section 273.13, subdivisions 22, paragraph (c), and 25, paragraph (c), clause (5), in which event the period of redemption is five years from the date of sale to the state of Minnesota;
- (d) abandoned property and pursuant to section 281.173 a court order has been entered shortening the redemption period to five weeks; or
- (e) vacant property as described under section 281.174, subdivision 2, and for which a court order is entered shortening the redemption period under section 281.174.

The period of redemption for all other lands sold to the state at a tax judgment sale shall be five years from the date of sale.

Inquiries as to the proceedings set forth above can be made to the county auditor of county whose address is

(Signed)
 Court Administrator of the District Court of the County
 of
 (Here insert list.)

New language is indicated by underline, deletions by strikeout.

The list referred to in the notice shall be substantially in the following form:

List of real property for the county of, on which taxes remain delinquent on the first Monday in January, 19...:

Town of (Fairfield),
Township (40), Range (20),

Names (and Current Filed Addresses) for the Taxpayers and Fee Owners and in Addition Those Parties Who Have Filed Their Addresses Pursuant to section 276.041

Subdivision of Section

Section

Tax Parcel Number

Total Tax and Penalty \$ cts.

John Jones
(825 Fremont
Fairfield, MN
55000)

S.E. 1/4 of S.W. 1/4

10

23101

2.20

Bruce Smith
(2059 Hand
Fairfield,
MN 55000)
and
Fairfield
State Bank
(100 Main
Street
Fairfield,
MN 55000)

That part of N.E. 1/4 of S.W. 1/4 desc. as follows: Beg. at the S.E. corner of said N.E. 1/4 of S.W. 1/4; thence N. along the E. line of said N.E. 1/4 of S.W. 1/4 a distance of 600 ft.; thence W. parallel with the S. line of said N.E. 1/4 of S.W. 1/4 a distance of 600 ft.; thence S. parallel with said E. line a distance of 600 ft. to S. line of said N.E. 1/4 of S.W. 1/4; thence E. along said S. line a distance of 600 ft. to the point of beg.....

21

33211

3.15

As to platted property, the form of heading shall conform to circumstances and be substantially in the following form:

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

City of (Smithtown)
Brown's Addition, or Subdivision

| Names (and Current Filed Addresses) for the Taxpayers and Fee Owners and in Addition Those Parties Who have Filed Their Addresses Pursuant to section 276.041 | Lot | Block | Tax Parcel Number | Total Tax and Penalty \$ cts |
|---|-----|-------|-------------------------|------------------------------------|
| John Jones (825 Fremont Fairfield, MN 55000) | 15 | 9 | 58243 | 2.20 |
| Bruce Smith (2059 Hand Fairfield, MN 55000) and Fairfield State Bank (100 Main Street Fairfield, MN 55000) | 16 | 9 | 58244 | 3.15 |

The names, descriptions, and figures employed in parentheses in the above forms are merely for purposes of illustration.

The name of the town, township, range or city, and addition or subdivision, as the case may be, shall be repeated at the head of each column of the printed lists as brought forward from the preceding column.

Errors in the list shall not be deemed to be a material defect to affect the validity of the judgment and sale.

Sec. 27. Minnesota Statutes 1994, section 279.37, is amended by adding a subdivision to read:

Subd. 11. This section shall not apply in cases where the redemption period has been shortened under sections 281.173 and 281.174.

Sec. 28. Minnesota Statutes 1994, section 281.17, is amended to read:

281.17 PERIOD FOR REDEMPTION.

Except for properties for which the period of redemption has been limited under sections 281.173 and 281.174, the following periods for redemption apply.

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

The period of redemption for all lands sold to the state at a tax judgment sale shall be three years from the date of sale to the state of Minnesota if the land is within an incorporated area unless it is: (a) nonagricultural homesteaded land as defined in section 273.13, subdivision 22; (b) homesteaded agricultural land as defined in section 273.13, subdivision 23, paragraph (a); or (c) seasonal recreational land as defined in section 273.13, subdivision 22, paragraph (c), or 25, paragraph (c), clause (5), for which the period of redemption is five years from the date of sale to the state of Minnesota.

The period of redemption for homesteaded lands as defined in section 273.13, subdivision 22, located in a targeted neighborhood as defined in Laws 1987, chapter 386, article 6, section 4, and sold to the state at a tax judgment sale is three years from the date of sale. The period of redemption for all lands located in a targeted neighborhood as defined in Laws 1987, chapter 386, article 6, section 4, except (1) homesteaded lands as defined in section 273.13, subdivision 22, and (2) for periods of redemption beginning after June 30, 1991, but before July 1, 1996, lands located in the Loring Park targeted neighborhood on which a notice of lis pendens has been served, and sold to the state at a tax judgment sale is one year from the date of sale.

The period of redemption for all real property constituting a mixed municipal solid waste disposal facility that is a qualified facility under section 115B.39, subdivision 1, is one year from the date of the sale to the state of Minnesota.

The period of redemption for all other lands sold to the state at a tax judgment sale shall be five years from the date of sale, except that the period of redemption for non-homesteaded agricultural land as defined in section 273.13, subdivision 23, paragraph (b), shall be two years from the date of sale if at that time that property is owned by a person who owns one or more parcels of property on which taxes are delinquent, and the delinquent taxes are more than 25 percent of the prior year's school district levy.

Sec. 29. **[281.173] FIVE-WEEK REDEMPTION PERIOD FOR CERTAIN ABANDONED PROPERTIES.**

Subdivision 1. APPLICATION. This section applies if at any time after the tax sale as provided in section 280.01 has occurred but before notice of expiration of time for redemption has been given, a court order is entered reducing to five weeks the redemption period during which the owner, the owner's personal representatives and assigns, or any other person holding an interest in the premises, may redeem the premises in accordance with the provisions of this chapter.

Subd. 2. SUMMONS AND COMPLAINT. Any city, housing and redevelopment authority, port authority, or economic development authority, in which the premises are located may commence an action in district court to reduce the period otherwise allowed for redemption under this chapter. The action must be commenced by the filing of a complaint, naming as defendants the record fee owners or the owner's personal representative, or the owner's heirs as determined by a court of competent jurisdiction, contract for deed purchasers, mortgagees, assigns of any of the above, the taxpayers as shown on the records of the county auditor, the Internal Revenue Service of the United States and the revenue department of the state of Minnesota if tax liens against the owners or contract for deed purchasers have been recorded or filed; and any other person the plaintiff determines should be made a party. The action shall be filed in district court for the county in which the premises are located. The complaint must identify the premises by legal de-

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scription. The complaint must allege (1) that the premises are abandoned, (2) that the tax judgment sale pursuant to section 280.01 has been made, and (3) notice of expiration of the time for redemption has not been given.

The complaint must request an order reducing the redemption period to five weeks. When the complaint has been filed, the court shall issue a summons commanding the person or persons named in the complaint to appear before the court on a day and at a place stated in the summons. The appearance date shall be not less than 15 nor more than 25 days from the date of the issuing of the summons. A copy of the filed complaint must be attached to the summons.

Subd. 3. SERVICE OF SUMMONS AND COMPLAINT. The summons and complaint may be served by any person not named a party to the action. The summons and complaint must be served at least seven days before the appearance date, in the manner provided for service of a summons and complaint in a civil action in the district court, and posted in a conspicuous place on the premises. If a defendant cannot be found in the state, then upon an affidavit to that effect being filed with the court, the summons and complaint may be served by sending a copy by certified mail to the defendant's last known address, if any, at least ten days before the appearance date. Summons by certified mail is complete upon mailing. If personal or certified mail service cannot be made on a defendant, then the plaintiff or plaintiff's attorney may file an affidavit to that effect with the court and service by posting the summons and complaint on the premises is sufficient as to that defendant. Service upon the United States of America shall be made in accordance with applicable federal law.

Subd. 4. HEARING; EVIDENCE; ORDER. At the hearing on the summons and complaint, the court shall enter an order reducing the redemption period to five weeks from the date of the order, if evidence is presented supporting the allegations in the complaint and no appearance is made to oppose the relief sought. An affidavit by the sheriff or a deputy sheriff of the county in which the premises are located, or of a building inspector, zoning administrator, housing official, or other municipal or county official having jurisdiction over the premises, stating that the premises are not actually lawfully occupied and further setting forth any of the following supporting facts, is prima facie evidence of abandonment:

(1) windows or entrances to the premises are boarded up or closed off, or multiple window panes are broken and unrepaired;

(2) doors to the premises are smashed through, broken off, unhinged, or continuously unlocked;

(3) gas, electric, or water service to the premises has been terminated;

(4) rubbish, trash, or debris has accumulated on the premises;

(5) the police or sheriff's office has received at least two reports of trespassers on the premises, or of vandalism or other illegal acts being committed on the premises; or

(6) the premises are deteriorating and are either below or are in imminent danger of falling below minimum community standards for public safety and sanitation.

The court may consider an affidavit from any other person having personal knowledge, which states facts supporting any other allegations in the complaint. Written state-

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ments of the owner, the owner's personal representatives or assigns, including documents of conveyance, which indicate a clear intent to abandon the premises, are conclusive evidence of abandonment. In the absence of affidavits or written statements, or if rebuttal evidence is offered by the defendant or a party lawfully claiming an interest through the defendant, the court may consider any competent evidence, including oral testimony, concerning any allegations in the complaint. An order entered under this section must contain specific findings of abandonment and must contain a legal description of the premises.

Subd. 5. RECORDING AND SERVICE OF ORDER. Within ten days after the order is entered, a certified copy of the order must be filed by the moving party with the office of the county recorder or registrar of titles and with the auditor for the county in which the premises are located. Failure to file the order within ten days shall not invalidate the proceedings.

Subd. 6. DUTY OF AUDITOR. If the property is not redeemed within five weeks of the date of entry of the order the county auditor, without further notice, shall execute a certificate as provided for in section 281.23, subdivision 9.

Subd. 7. HOMESTEAD STATUS. This section applies regardless of the subject property's homestead tax status at the time of sale.

Subd. 8. EFFECTIVE DATE. This section shall apply only to tax judgment sales occurring on and after the effective date, which shall be the day following final enactment.

Sec. 30. [281.174] FIVE-WEEK REDEMPTION PERIOD FOR CERTAIN VACANT PROPERTIES.

Subdivision 1. APPLICATION. This section applies to property located within a city if at any time after the tax sale as provided in section 280.01 has occurred but before notice of expiration of time for redemption has been given, a court order is entered reducing to five weeks the redemption period on property under subdivision 2 during which the owner, the owner's personal representatives and assigns, or any other person holding an interest in the property, may redeem that property in accordance with the provisions of this chapter.

Subd. 2. VACANT PROPERTY SUBJECT TO FIVE-WEEK REDEMPTION PERIOD. Only property that meets all of the following criteria is subject to the five-week redemption period as provided in this section:

(1) the property is located in a targeted neighborhood revitalization program under section 469.201;

(2) no structures are located on the land;

(3) the property is classified under section 273.13 as residential; and

(4) a residential structure existed on the land within the last five years.

Subd. 3. SUMMONS AND COMPLAINT. Any city, housing and redevelopment authority, port authority, or economic development authority in which the property is located may commence an action in district court to reduce the period otherwise allowed for redemption under this chapter from the date of the requested order. The action must be

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commenced by the filing of a complaint, naming as defendants the record fee owners or the owner's personal representative, or the owner's heirs as determined by a court of competent jurisdiction, contract for deed purchasers, mortgagees, assigns of any of the above, the taxpayers as shown on the records of the county auditor, the Internal Revenue Service of the United States and the revenue department of the state of Minnesota if tax liens against the owners or contract for deed purchasers have been recorded or filed, and any other person the plaintiff determines should be made a party. The action shall be filed in district court for the county in which the property is located. The complaint must identify the property by legal description. The complaint must allege (1) that the property is vacant, (2) that the tax judgment sale under section 280.01 has been made, and (3) notice of expiration of the time for redemption has not been given.

The complaint must request an order reducing the redemption period to five weeks. When the complaint has been filed, the court shall issue a summons commanding the person or persons named in the complaint to appear before the court on a day and at a place stated in the summons. The appearance date shall be not less than 15 nor more than 25 days from the date of the issuing of the summons, except that, when the United States of America is a party, the date shall be set in accordance with applicable federal law. A copy of the filed complaint must be attached to the summons.

Subd. 4. SERVICE OF SUMMONS AND COMPLAINT. The summons and complaint may be served by any person not named a party to the action. The summons and complaint must be served at least seven days before the appearance date, in the manner provided for service of a summons and complaint in a civil action in the district court, and posted in a conspicuous place on the property. If a defendant cannot be found in the state, then upon an affidavit to that effect being filed with the court, the summons and complaint may be served by sending a copy by certified mail to the defendant's last known address, if any, at least ten days before the appearance date. Summons by certified mail is complete upon mailing. If personal or certified mail service cannot be made on a defendant, then the plaintiff or plaintiff's attorney may file an affidavit to that effect with the court and service by posting the summons and complaint on the premises is sufficient as to that defendant.

Subd. 5. HEARING; EVIDENCE; ORDER. At the hearing on the summons and complaint, the court shall enter an order reducing the redemption period to five weeks from the date of the order, if evidence is presented supporting the allegations in the complaint and no appearance is made to oppose the relief sought. An affidavit from any person having personal knowledge about the property may be filed stating facts supporting any allegations in the complaint. In the absence of affidavits or written statements, or if rebuttal evidence is offered by the defendant or a party lawfully claiming an interest through the defendant, the court may consider any competent evidence, including oral testimony, concerning any allegations in the complaint. An order entered under this section must contain a legal description of the property.

Subd. 6. RECORDING AND SERVICE OF ORDER. Within ten days after the order is entered, a certified copy of the order must be filed by the moving party with the office of the county recorder or registrar of titles and with the auditor for the county in which the property is located. Failure to file the order within ten days shall not invalidate the proceedings.

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Subd. 7. **DUTY OF AUDITOR.** If the property is not redeemed within five weeks of the date of entry of the order the county auditor, without further notice, shall execute a certificate as provided for in section 281.23, subdivision 9.

Subd. 8. **EFFECTIVE DATE.** This section shall apply only to tax judgment sales occurring on and after the effective date which shall be the day following final enactment.

Sec. 31. Minnesota Statutes 1994, section 287.06, is amended to read:

287.06 EXEMPTION FROM OTHER TAXES.

All mortgages upon which such tax has been paid, with the debts or obligations secured thereby and the papers evidencing the same, shall be exempt from all other taxes; but nothing herein shall exempt such property from the operation of the laws relating to the taxation of gifts and inheritances, or those governing the taxation of banks, savings banks, or trust companies; provided, that Sections 287.01 to 287.12 shall not apply to mortgages taken in good faith by persons or corporations whose personal property is expressly exempted from taxation by law section 272.02, subdivision 1, clauses (1) to (7), or is taxed upon the basis of gross earnings or other methods of computation in lieu of all other taxes mortgagees that are fraternal benefit societies subject to section 64B.24.

Sec. 32. [287.37] INVESTIGATIONS AND ASSESSMENTS.

The commissioner of revenue may investigate and examine persons and transactions that are subject to this chapter using the powers and authorities granted in chapters 270 and 289A. The commissioner may issue orders of assessment under chapter 289A, and enforce collection of unpaid tax or penalty amounts, including interest, under the authority of chapter 270. All tax amounts collected by the commissioner must be apportioned under section 287.12. The commissioner's expenses under this section are not expenses of administration under section 287.33. All data and information made available to the commissioner under this section is public except for investigative data covered by section 270B.03, subdivision 6.

Sec. 33. Minnesota Statutes 1995 Supplement, 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 and 1997, 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 and 1997. 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.

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(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. 34. Minnesota Statutes 1994, section 290A.25, is amended to read:

290A.25 VERIFICATION OF SOCIAL SECURITY NUMBERS.

Annually, the commissioner of revenue shall furnish a list to the county assessor containing the names and social security numbers of persons who have applied for both homestead classification under section 273.13 and a property tax refund as a renter under this chapter.

Within 90 days of the notification, the county assessor shall investigate to determine if the homestead classification was improperly 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 has 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~~, and the taconite homestead credit under section ~~273.1391~~ has the meaning given in section 273.124, subdivision 13, paragraph (h). The county auditor shall send a notice to persons who owned the owners of affected property at the time the homestead application related to the property improper homestead was filed, demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent of the homestead benefits. The property owners person notified 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 as provided in section 273.124, subdivision 13, paragraph (h).

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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 county treasurer. The county treasurer will add interest to the unpaid homestead benefits and penalty amounts at the rate provided for delinquent personal property taxes for the period beginning 60 days after demand for payment was made until payment. If the person notified is the current owner of the property, the treasurer may add the total amount of benefits, penalty, interest, and costs to the real estate taxes otherwise payable on the property in the following year. If the person notified is not the current owner of the property, the treasurer may collect the amounts due under the revenue recapture act in chapter 270A, or use any of the powers granted in sections 277.20 and 277.21 without exclusion, to enforce payment of the benefits, penalty, interest, and costs, as if those amounts were delinquent tax obligations of the person who owned the property at the time the application related to the improperly allowed homestead was filed. The treasurer may relieve a prior owner of personal liability for the benefits, penalty, interest, and costs, and instead extend those amounts on the tax lists against the property for taxes payable in the following year to the extent that the current owner agrees in writing.

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. Any amount recovered that is attributable to supplemental homestead credit is to be transmitted to the commissioner of revenue for deposit in the general fund of the state treasury. The total amount of penalty collected must be deposited in the county general fund.

Sec. 35. [290A.27] ROUNDING.

In computing the dollar amount of items on the property tax refund claim form and accompanying schedules, items may be rounded off to the nearest whole dollar amount, disregarding amounts of less than 50 cents and increasing amounts of 50 cents to 99 cents to the next highest dollar.

Sec. 36. Minnesota Statutes 1994, section 375.192, subdivision 2, is amended to read:

Subd. 2. Upon written application by the owner of any property, the county board may grant the reduction or abatement of estimated market valuation or taxes and of any costs, penalties, or interest on them as the board deems just and equitable and order the refund in whole or part of any taxes, costs, penalties, or interest which have been erroneously or unjustly paid. Except as provided in section 375.194, the county board is authorized to consider and grant reductions or abatements on applications only as they relate to taxes payable in the current year and the two prior years; provided that reductions or abatements for the two prior years shall be considered or granted only for (i) clerical errors, or (ii) when the taxpayer fails to file for a reduction or an adjustment due to hardship, as determined by the county board. The application must include the social security number of the applicant. The social security number is private data on individuals as defined by section 13.02, subdivision 12. All applications must be approved by the county assessor, or, if the property is located in a city of the first or second class having a city

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assessor, by the city assessor, and by the county auditor before consideration by the county board, except that the part of the application which is for the abatement of penalty or interest must be approved by the county treasurer and county auditor. Approval by the county or city assessor is not required for abatements of penalty or interest. No reduction, abatement, or refund of any special assessments made or levied by any municipality for local improvements shall be made unless it is also approved by the board of review or similar taxing authority of the municipality. Before taking action on any reduction or abatement where the reduction of taxes, costs, penalties, and interest exceed \$10,000, the county board shall give 20 days' notice to the school board and the municipality in which the property is located. The notice must describe the property involved, the actual amount of the reduction being sought, and the reason for the reduction. If the school board or the municipality object to the granting of the reduction or abatement, the county board must refer the abatement or reduction to the commissioner of revenue with its recommendation. The commissioner shall consider the abatement or reduction under section 270.07, subdivision 1.

An appeal may not be taken to the tax court from any order of the county board made in the exercise of the discretionary authority granted in this section.

The county auditor shall notify the commissioner of revenue of all abatements resulting from the erroneous classification of real property, for tax purposes, as nonhomestead property. For the abatements relating to the current year's tax processed through June 30, the auditor shall notify the commissioner on or before July 31 of that same year of all abatement applications granted. For the abatements relating to the current year's tax processed after June 30 through the balance of the year, the auditor shall notify the commissioner on or before the following January 31 of all applications granted. The county auditor shall submit a form containing the social security number of the applicant and such other information the commissioner prescribes.

Sec. 37. [375.194] ECONOMIC DEVELOPMENT TAX ABATEMENT.

Subdivision 1. DEFINITIONS. For purposes of this section, the following terms have the meanings given them.

(a) "Eligible county" means a county whose county government average tax rate is at least 45 points higher than an adjacent neighboring county's county government average tax rate in the initial year that the tax abatement is granted on the eligible property. An eligible county cannot be one of the seven metropolitan counties under section 473.121, subdivision 4.

(b) "Neighboring county" means a county whose average county government tax rate is at least 45 points lower than the average county government tax rate of an adjacent county that is an eligible county, in the initial year that the tax abatement is granted.

(c) "Eligible property" means property located in an eligible county within 20 miles of the neighboring county and is either (i) commercial property classified under section 273.13, subdivision 24, whose estimated market value has increased by at least \$400,000 from improvements made on that property by the taxpayer after January 2, 1996, or (ii) industrial property classified under section 273.13, subdivision 24, whose estimated market value has increased by at least \$100,000 from improvements made on that property by the taxpayer after January 2, 1996.

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(d) "Improvements" means (i) new construction, and (ii) rehabilitation, reconstruction, and additions to existing structures.

(e) "Maximum tax abatement" for any given year means the difference between (i) the eligible county's current year county government tax rate times the net tax capacity of the eligible property, and (ii) the neighboring county's current year county government tax rate times the net tax capacity of the eligible property.

(f) "Taxpayer" means the person who is responsible for payment of the property tax, including a lessee who pays the taxes on the eligible property.

Subd. 2. ABATEMENT AUTHORITY. The county board of an eligible county may enter into a written agreement with the taxpayer of eligible property to grant a property tax abatement to the taxpayer. The agreement must specify the percentage of the maximum tax abatement to be granted for each of the designated tax abatement years. The agreement must not provide a property tax abatement for any given year that exceeds the maximum tax abatement under subdivision 1, paragraph (e). The maximum length of the agreement is ten years. Even if the difference in the two county average tax rates in any given year is less than the required 45-point minimum, the agreement shall remain in effect for its duration. The agreement is binding unless both the eligible county's county board and the taxpayer mutually agree upon any changes in the agreement.

Subd. 3. ABATEMENT CALCULATIONS. The actual tax abatement shall be computed annually by the county auditor of the county in which the eligible property is located using (i) the difference between the eligible county's current year average county government tax rate and the neighboring county's current year average county government tax rate, and (ii) the percentage of the maximum tax abatement specified in the agreement.

If the improvements are made over two calendar years, the county board is allowed to grant the initial tax abatement based on improvements of less than the \$100,000 estimated market value for industrial property and \$400,000 estimated market value for commercial property, provided that the county board has finalized the agreement and is reasonably assured that the minimum dollar requirements provided in subdivision 1 will be met over the two-year time period. However, the agreement's ten-year maximum time period begins with the year the first abatement is granted.

Subd. 4. PROPOSED AND FINAL PROPERTY TAX STATEMENTS. For purposes of determining the eligible property's taxes on the proposed property tax statement under section 275.065, the amount shown will be the amount before the deduction of the tax abatement under subdivision 3. The property taxes shown on the final property tax statement shall reflect both the taxes before and after the tax abatement granted under this section.

Subd. 5. DETERMINATION OF COUNTY TAX RATE. The eligible county's proposed and final tax rates shall be determined by dividing the certified levy by the total taxable net tax capacity, without regard to any abatements granted under this section. The county board shall make available the estimated amount of the abatement at the public hearing under section 275.065, subdivision 6.

Subd. 6. ELIGIBLE PROPERTY LOCATED IN A TAX INCREMENT FINANCING DISTRICT. Eligible property may be located in a tax increment financing

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district, provided that (i) the governing body of the municipality containing the district approves the written agreement under subdivision 2, and (ii) the county treasurer, when making property tax settlements of the property tax collected on eligible property, shall deduct the full amount of the tax abatement granted to the eligible property under this section from the property tax distribution made to the tax increment financing district.

Sec. 38. Minnesota Statutes 1994, section 469.040, is amended by adding a subdivision to read:

Subd. 4. FACILITIES FUNDED FROM MULTIPLE SOURCES. In the metropolitan area, as defined in section 473.121, subdivision 2, the tax treatment provided in subdivision 3 applies to that portion of any multifamily rental housing facility represented by the ratio of (1) the number of units in the facility that are subject to the requirements of Section 5 of the United States Housing Act of 1937, as the result of the implementation of a federal court order or consent decree to (2) the total number of units within the facility.

The housing and redevelopment authority for the city in which the facility is located, any public entity exercising the powers of such housing and redevelopment authority, or the county housing and redevelopment authority for the county in which the facility is located, shall annually certify to the assessor responsible for assessing the facility, at the time and in the manner required by the assessor, the number of units in the facility that are subject to the requirements of Section 5 of the United States Housing Act of 1937.

Nothing in this subdivision shall prevent that portion of the facility not subject to this subdivision from meeting the requirements of section 273.1317, and for that purpose the total number of units in the facility must be taken into account.

Sec. 39. Minnesota Statutes 1994, section 471.59, is amended by adding a subdivision to read:

Subd. 13. JOINT POWERS BOARD FOR HOUSING. (a) For purposes of implementing a federal court order or decree, two or more housing and redevelopment authorities, or public entities exercising the public housing powers of housing and redevelopment authorities, may by adoption of a joint powers agreement that complies with the provisions of subdivisions 1 to 5, establish a joint board for the purpose of acquiring an interest in, rehabilitating, constructing, owning, or managing low-rent public housing located in the metropolitan area, as defined in section 473.121, subdivision 2, and financed, in whole or in part, with federal financial assistance under Section 5 of the United States Housing Act of 1937. The joint board established pursuant to this subdivision shall:

(1) be composed of members designated by the governing bodies of the governmental units which established such joint board, and possess such representative and voting power provided by the joint powers agreement;

(2) constitute a public body, corporate, and politic; and

(3) notwithstanding the provisions of subdivision 1, requiring commonality of powers between parties to a joint powers agreement, and solely for the purpose of acquiring an interest in, rehabilitating, constructing, owning, or managing federally financed low-rent public housing, shall possess all of the powers and duties contained in sections 469.001 to 469.047 and, if at least one participant is an economic development authority, sections 469.090 to 469.1081, except (i) as may be otherwise limited by the terms of the

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joint powers agreement; and (ii) a joint board shall not have the power to tax pursuant to section 469.033, subdivision 6, or section 469.107, nor shall it exercise the power of eminent domain. Every joint powers agreement establishing a joint board shall specifically provide which and under what circumstances the powers granted herein may be exercised by that joint board.

(b) If a housing and redevelopment authority exists in a city which intends to participate in the creation of a joint board pursuant to paragraph (a), such housing and redevelopment authority shall be the governmental unit which enters into the joint powers agreement unless it determines not to do so, in which event the governmental entity which enters into the joint powers agreement may be any public entity of that city which exercises the low-rent public housing powers of a housing and redevelopment authority.

(c) A joint board shall not make any contract with the federal government for low-rent public housing, unless the governing body or bodies creating the participating authority in whose jurisdiction the housing is located has, by resolution, approved the provision of that low-rent public housing.

(d) This subdivision shall not apply to any housing and redevelopment authority, or public entity exercising the powers of a housing and redevelopment authority, within the jurisdiction of a county housing and redevelopment authority which is actively carrying out a public housing program under Section 5 of the United States Housing Act of 1937. For purposes of this paragraph, a county housing and redevelopment authority shall be considered to be actively carrying out a public housing program under Section 5 of the United States Housing Act of 1937, if it (1) owns 200 or more public housing units constructed under Section 5 of the United States Housing Act of 1937, and (2) has applied for public housing development funds under Section 5 of the United States Housing Act of 1937, during the three years immediately preceding January 1, 1996.

(e) For purposes of sections 469.001 to 469.047, "city" means the city in which the housing units with respect to which the joint board was created are located and "governing body" or "governing body creating the authority" means the council of such city.

Sec. 40. Minnesota Statutes 1995 Supplement, section 471.6965, is amended to read:

471.6965 PUBLICATION OF SUMMARY BUDGET STATEMENT.

Annually, upon adoption of the city budget, the city council shall publish a summary budget statement in either of the following:

(1) the official newspaper of the city, or if there is none, in a qualified newspaper of general circulation in the city; or

(2) for a city in the metropolitan area as defined in section 473.121, subdivision 2, a city newsletter or other city mailing sent to all households in the city.

If the summary budget statement is published in a city newsletter, it must be the lead story. If the summary budget statement is published through a city newsletter or other city mailing, a copy of the newsletter or mailing shall be sent on request to any nonresident. If the summary budget statement is published by a mailing to households other than a newsletter, the color of the paper on which the summary budget statement is printed must be distinctively different than the paper containing other printed material included in the mailing.

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If the budget statement is mailed to households, the city may also include a notice notifying taxpayers when the city will begin its budget process for the current year and encouraging taxpayers to attend the hearings. A telephone number where taxpayers can check on the dates and times of those future hearings should be included.

The statement shall contain information relating to anticipated revenues and expenditures, in a form prescribed by the state auditor. The form prescribed shall be designed so that comparisons can be made between the current year and the budget year. A note shall be included that the complete budget is available for public inspection at a designated location within the city.

Sec. 41. Minnesota Statutes 1995 Supplement, section 473.448, is amended to read:

473.448 COUNCIL; EXEMPTION FROM TAXATION TRANSIT ASSETS EXEMPT FROM TAX BUT MUST PAY ASSESSMENTS.

(a) Notwithstanding any other provision of law to the contrary, the properties, moneys, and other assets of the council used for transit operations or for special transportation services and all revenues or other income from the council's transit operations or special transportation services shall be are exempt from all taxation, licenses, or fees, or charges of any kind imposed by the state or by any county, municipality, political subdivision, taxing district, or other public agency or body of the state.

(b) Notwithstanding paragraph (a), the council's transit properties are subject to special assessments levied by a political subdivision for a local improvement in amounts proportionate to and not exceeding the special benefit received by the properties from the improvement.

Sec. 42. APPLICATION.

Section 41 applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 43. Minnesota Statutes 1994, section 473.625, is amended to read:

473.625 DETACHMENT OF CERTAIN MAJOR AIRPORTS LAND FROM CITIES AND SCHOOL DISTRICTS.

(a) Lands constituting any major airport or a part thereof now and which may hereafter be operated by any public corporation organized under sections 473.601 to 473.679, and embraced within any city or school district organized under the laws of the state, are hereby detached from such city or school district.

(b)(i) Except as provided in clause (ii), real and personal property, including real and personal property otherwise taxable under section 272.01, constituting all or part of an intermediate airport operated by a public corporation organized under sections 473.601 to 473.679 and embraced within a home rule charter or statutory city or school district is exempt from taxation by the city or school district.

(ii) The county assessor of the county where the property under this paragraph is located shall determine the total market value for all property at that site for assessment year 2001, compare it to the market value of the property existing on that site for the 1996 assessment, and report those market values to the commission. If the total market value has not increased by at least 20 percent, the property tax exemption under clause (i) shall

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expire and the property shall be taxable beginning in assessment year 2001 and thereafter, for taxes payable in 2002 and thereafter. The provisions of section 473.629 apply to lands exempted from property tax under this paragraph.

(c) For the purposes of this section, an intermediate airport is an airport that as of March 14, 1996, is a primary reliever airport, provides general aviation services, has a primary runway between 5,001 and 8,000 feet in length, and has precision instrument capability.

Sec. 44. Minnesota Statutes 1994, section 477A.011, subdivision 3, is amended to read:

Subd. 3. **POPULATION.** "Population" means the population established as of July 1 in an aid calculation year by the most recent federal census, by a special census conducted under contract with the United States Bureau of the Census, by a population estimate made by the metropolitan council, or by a population estimate of the state demographer made pursuant to section 4A.02, whichever is the most recent as to the stated date of the count or estimate for the preceding calendar year. The term "per capita" refers to population as defined by this subdivision.

Sec. 45. Minnesota Statutes 1995 Supplement, section 477A.0121, subdivision 4, is amended to read:

Subd. 4. **PUBLIC DEFENDER COSTS.** Each calendar year, ~~two~~ 1.5 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. 46. Minnesota Statutes 1995 Supplement, section 477A.0132, is amended to read:

477A.0132 **AID REDUCTIONS TO LOCAL GOVERNMENTS.**

Subdivision 1. **AFFECTED LOCAL GOVERNMENTS.** The following reductions shall be made in aids paid to the following local units of government:

(a) For aids payable in 1996, there shall be a nonpermanent reduction in aids to counties, cities, towns, and special taxing districts of \$16,000,000, provided that Laws 1995, chapter 264, article 8, 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 Laws 1995, chapter 264, article 8, section 16, is enacted.

(d) For aids payable in 1997 there shall be a permanent reduction in aids to county regional rail authorities and counties of \$6,800,000, provided that section 45 is enacted.

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

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 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.

(d) For subdivision 1, clause (d), the reduction base is a county's aid in calendar year 1997 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 calculated under subdivisions 1, paragraph (d), and 2, paragraph (d), is applied to homestead and agricultural credit aid paid under section 273.1398 only; the amount is first subtracted from the amount paid to a county's regional rail authority, if there is one, and then from the county's general homestead and agricultural credit aid.

(c) 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. 47. Minnesota Statutes 1995 Supplement, 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, 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. Aid payments to counties under section 477A.0121 are limited to \$27,571,625 in 1997. For aid payable in 1997-1998 and thereafter, the total aids paid under section 477A.0121

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are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

Sec. 48. [477A.05] LOCAL PERFORMANCE AID.

Subdivision 1. QUALIFICATION. By May 15, 1996, and March 31 of each year thereafter, the commissioner shall send a local performance aid qualification form to each county and city in the state. Jurisdictions that are eligible to receive the aid must return the completed form by June 30 in order to receive aid in the following calendar year. For each determinator specified in subdivision 2, the form shall have a space for the jurisdiction to indicate that it has satisfied the conditions of the determinator. For counties, the form must be signed by the chair of the county board. For cities, the form must be signed by the mayor and a member of the city council.

Subd. 2. ELIGIBILITY DETERMINATOR. For calendar year 1997 and subsequent calendar years, a jurisdiction is eligible to receive local performance aid if the jurisdiction affirms that it has developed a system of performance measures for the services provided by the jurisdiction, and that these measures are regularly compiled and presented to the county board or the city council at least once a year. A jurisdiction is also eligible for aid under this determinator if it affirms that it is in the process of developing and implementing a system of performance measures; however, eligibility based upon being in the process of development may not be used for more than two consecutive years.

Subd. 3. DETERMINATION OF AID AMOUNT. The commissioner shall sum the populations of all jurisdictions that have met the condition specified in subdivision 2. The commissioner shall determine a per capita aid amount by dividing the aggregate aid available under subdivision 5 by the sum of the populations for all qualifying jurisdictions, separately for counties and cities. Each jurisdiction shall then be eligible for aid equal to the jurisdiction's population times the per capita aid amount. For purposes of this subdivision, population means the most recent population established under section 477A.011, subdivision 3 in the year in which the aid is determined.

Subd. 4. NOTIFICATION AND PAYMENT. Jurisdictions shall be notified of their aid under this section at the same time as the notification for aid under section 477A.014, subdivision 1. Payments of aid under this section shall be made on the dates prescribed in section 477A.015.

Subd. 5. APPROPRIATION. For payments to counties under this section, there is annually appropriated from the general fund to the commissioner of revenue an amount equal to the sum of \$558,625 plus the amount by which county aids were reduced under section 49, adjusted for inflation as provided under section 477A.03, subdivision 3. For payments to cities under this section, there is annually appropriated from the general fund to the commissioner of revenue an amount equal to the sum of \$441,735 plus the amount by which city aids were reduced under section 49, adjusted for inflation as provided under section 477A.03, subdivision 3.

Sec. 49. AID REDUCTION.

Calendar year 1997 aids to counties and cities under section 273.1398, subdivision 2, shall be permanently reduced by an amount equal to \$1 times the most recent population of the jurisdiction, established under section 477A.011, subdivision 3 in the year in which the aid is determined.

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

Sec. 50. Laws 1989, chapter 211, section 4, subdivision 1, is amended to read:

Subdivision 1. **EXPENSES PAID FROM REVENUE, TAXES, AND APPROPRIATIONS; TAX LIMITS.** Expenses of acquiring, improving, and running medical clinic facilities operated by the medical clinic district, and expenses of organization and administration of the district and of planning and financing the facilities, must be paid from the revenues derived from them, and to the extent necessary, from property taxes levied by the medical clinic board on all taxable property within the district. Taxes levied by the board in any year may not exceed \$30,000 \$50,000.

Sec. 51. **RECREATION LEVY FOR SAWYER BY CARLTON COUNTY.**

Subdivision 1. **LEVY AUTHORIZED.** Notwithstanding other law to the contrary, the Carlton county board of commissioners may levy in and for the unorganized township of Sawyer an amount up to \$1,500 annually for recreational purposes, beginning with taxes payable in 1997 and ending with taxes payable in 2006.

Subd. 2. **EFFECTIVE DATE.** This section is effective June 1, 1996, without local approval.

Sec. 52. **ONE YEAR DELAY; PROPERTY TAX REFUND ON TAX STATEMENT.**

The dates contained in Laws 1995, chapter 264, article 4, sections 16, 17, 18, 19, and 20 are delayed for a period of one year from the dates contained in those sections.

Sec. 53. **TEMPORARY ABATEMENT AUTHORITY.**

Notwithstanding any law to the contrary, a county board may abate, in full or part, unpaid property taxes, interest, and penalties, if all the following conditions are satisfied:

(1) The property contains a vacant hotel building, constructed before 1930 and in need of substantial rehabilitation and repair.

(2) The property contains a building listed on the national register or is located in a registered historic district.

(3) At least three years of property taxes are unpaid.

(4) The property is located in a city with a population of less than 5,000.

(5) The city or another public development authority has entered into a contract or development agreement with a private person or entity who agrees to substantially rehabilitate the building.

(6) The abatement is granted before January 1, 1997.

Sec. 54. **REVISOR INSTRUCTIONS.**

(a) In the next edition of Minnesota Statutes, the revisor shall renumber section 383.06, subdivision 2, as section 373.01, subdivision 4.

(b) In the next edition of Minnesota Statutes, the revisor shall change the references in Minnesota Statutes, section 290A.26, from "fiscal year 1998" to "fiscal year 1999" and from "fiscal year 1999" to "fiscal year 2000."

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

Sec. 55. REPEALER.

Minnesota Statutes 1994, section 273.1398, subdivision 5b, is repealed.

Sec. 56. EFFECTIVE DATE.

Section 1 is effective for lien amounts first becoming payable in 1996 and thereafter.

Section 2 is effective for referenda held in November of 1996 and thereafter.

Sections 3, 4, 7, 9, 11, 19, 22, 24, 32, 34, 38, 39, and 53 are effective the day following final enactment.

Sections 5, 6, 8, 10, 36, 37, 43, and 50 are effective for the 1996 assessment and thereafter, for taxes payable in 1997, and thereafter.

Sections 13 to 15, 45 to 49, and 55 are effective for aids paid in 1997 and thereafter.

Section 16 is effective for notices prepared in 1996 for taxes payable in 1997, and thereafter.

Section 17 is effective for public advertisements beginning in 1996 and thereafter.

Section 18 is effective for public hearings held in 1996 and thereafter.

Section 25 is effective for petitions filed after the day of final enactment.

Section 31 is effective for mortgages recorded or registered after the day of final enactment.

Section 33 is effective for refunds for taxes payable in 1997.

Section 35 is effective for timely filed property tax refund claims based on rent paid in 1996 and property taxes payable in 1997, and thereafter.

Section 40 is effective for publication of budget statements beginning in 1997.

Section 44 is effective for calculations in 1996 and thereafter, for aids payable in 1997 and thereafter.

ARTICLE 4**FEDERAL UPDATE**

Section 1. Minnesota Statutes 1995 Supplement, section 289A.02, subdivision 7, is amended to read:

Subd. 7. **INTERNAL REVENUE CODE.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through April 15, 1995 March 22, 1996, and includes the provisions of section 1(a) and (b) of Public Law Number 104-117.

Sec. 2. Minnesota Statutes 1994, section 289A.39, subdivision 1, is amended to read:

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

Subdivision 1. **EXTENSIONS FOR SERVICE MEMBERS.** (a) The limitations of time provided by this chapter, chapter 290 relating to income taxes, chapter 271 relating to the tax court for filing returns, paying taxes, claiming refunds, commencing action thereon, appealing to the tax court from orders relating to income taxes, and the filing of petitions under chapter 278 that would otherwise be due May 15, ~~1991~~ 1996, and appealing to the Supreme Court from decisions of the tax court relating to income taxes are extended, as provided in section 7508 of the Internal Revenue Code.

(b) If a member of the national guard or reserves is called to active duty in the armed forces, the limitations of time provided by this chapter and chapters 290 and 290A relating to income taxes and claims for property tax refunds are extended by the following period of time:

(1) in the case of an individual whose active service is in the United States, six months; or

(2) in the case of an individual whose active service includes service abroad, the period of initial service plus six months.

Nothing in this paragraph reduces the time within which an act is required or permitted under paragraph (a).

(c) If an individual entitled to the benefit of paragraph (a) files a return during the period disregarded under paragraph (a), interest must be paid on an overpayment or refundable credit from the due date of the return, notwithstanding section 289A.56, subdivision 2.

(d) The provisions of this subdivision apply to the spouse of an individual entitled to the benefits of this subdivision with respect to a joint return filed by the spouses.

Sec. 3. Minnesota Statutes 1995 Supplement, 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.

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

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 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, 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.

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

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.

The Internal Revenue Code of 1986, as amended through March 22, 1996, is in effect for taxable years beginning after December 31, 1995.

The provisions of Public Law Number 104-117 become effective at the time they become effective for federal purposes.

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.

Sec. 4. Minnesota Statutes 1995 Supplement, section 290.01, subdivision 31, is amended to read:

Subd. 31. **INTERNAL REVENUE CODE.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~April 15, 1995~~ March 22, 1996, and includes the provisions of section 1(a) and (b) of Public Law Number 104-117.

Sec. 5. Minnesota Statutes 1995 Supplement, section 291.005, subdivision 1, is amended to read:

Subdivision 1. Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Federal gross estate" means the gross estate of a decedent as valued and otherwise determined for federal estate tax purposes by federal taxing authorities pursuant to the provisions of the Internal Revenue Code.

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

(2) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included therein which has its situs outside Minnesota and (b) including therein any property omitted from the federal gross estate which is includable therein, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

(3) "Personal representative" means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

(4) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota.

(5) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(6) "Situs of property" means, with respect to real property, the state or country in which it is located; with respect to tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death; and with respect to intangible personal property, the state or country in which the decedent was domiciled at death.

(7) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(8) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through April 15, 1995 March 22, 1996, and includes the provisions of section 1(a)(4) of Public Law Number 104-117.

Sec. 6. **EFFECTIVE DATE.**

Sections 1, 4, and 5 are effective at the same time section 1 of Public Law Number 104-117 is effective. Section 2 is effective for taxable years beginning after December 31, 1994, and claims for property tax refunds filed after the day of final enactment.

ARTICLE 5

MOTOR FUELS TAXES

Section 1. Minnesota Statutes 1995 Supplement, section 41A.09, subdivision 2a, is amended to read:

Subd. 2a. **DEFINITIONS.** For the purposes of this section, the terms defined in this subdivision have the meanings given them.

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

(a) "Ethanol" means fermentation ethyl alcohol derived from agricultural products, including potatoes, cereal, grains, cheese whey, and sugar beets; forest products; or other renewable resources, including residue and waste generated from the production, processing, and marketing of agricultural products, forest products, and other renewable resources, that:

(1) meets all of the specifications in ASTM specification D 4806-88; and

(2) is denatured with ~~unleaded gasoline or rubber hydrocarbon solvent~~ as defined specified in Code of Federal Regulations, title 27, parts 211.20 and 212, as adopted by the Bureau of Alcohol, Tobacco and Firearms of the United States Treasury Department 21.

(b) "Wet alcohol" means agriculturally derived fermentation ethyl alcohol having a purity of at least 50 percent but less than 99 percent.

(c) "Anhydrous alcohol" means fermentation ethyl alcohol derived from agricultural products as described in paragraph (a), but that does not meet ASTM specifications or is not denatured and is shipped in bond for further processing.

(d) "Ethanol plant" means a plant at which ethanol, anhydrous alcohol, or wet alcohol is produced.

Sec. 2. Minnesota Statutes 1994, section 239.761, subdivision 5, is amended to read:

Subd. 5. **DENATURED ETHANOL.** Denatured ethanol that is to be blended with gasoline must be agriculturally derived and must comply with ASTM specification D 4806-88. This includes the requirement that ethanol may be denatured only with ~~specified concentrations of unleaded gasoline or rubber hydrocarbon solvent~~ as defined specified in Code of Federal Regulations, title 27, parts 211.20 and 212, as adopted by the Bureau of Alcohol, Tobacco and Firearms of the United States Treasury Department 21.

Sec. 3. Minnesota Statutes 1994, section 296.01, subdivision 2, is amended to read:

Subd. 2. **AGRICULTURAL ALCOHOL GASOLINE.** "Agricultural alcohol gasoline" means a gasoline-ethanol blend of up to ten percent agriculturally derived fermentation ethanol derived from agricultural products, such as potatoes, cereal, grains, cheese whey, sugar beets, or forest products or other renewable resources, that:

(1) meets the specifications in ASTM specification D 4806-88; and

(2) is denatured with ~~unleaded gasoline or rubber hydrocarbon solvent~~ as defined specified in Code of Federal Regulations, title 27, parts 211.20 and 212, as adopted by the Bureau of Alcohol, Tobacco and Firearms of the United States Treasury Department 21.

Sec. 4. Minnesota Statutes 1994, section 296.01, subdivision 13, is amended to read:

Subd. 13. **DENATURED ETHANOL.** "Denatured ethanol" means ethanol that is to be blended with gasoline, has been agriculturally derived, and complies with ASTM specification D 4806-88. This includes the requirement that ethanol may be denatured only with ~~specified concentrations of unleaded gasoline or rubber hydrocarbon solvent~~ as defined specified in Code of Federal Regulations, title 27, parts 211.20 and 212, as adopted by the Bureau of Alcohol, Tobacco and Firearms of the United States Treasury Department 21.

Sec. 5. Minnesota Statutes 1995 Supplement, section 296.02, subdivision 1, is amended to read:

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

Subdivision 1. **TAX IMPOSED; EXCEPTION FOR QUALIFIED SERVICE 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. The tax is imposed on the first distributor who received the product in Minnesota. 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. 6. Minnesota Statutes 1994, section 296.02, is amended by adding a subdivision to read:

Subd. 1c. QUALIFYING SERVICE STATIONS. Notwithstanding any other provision of law to the contrary, the tax imposed on gasoline or undyed diesel fuel delivered to a qualified service station may not exceed, or 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 this subdivision.

A distributor shall be allowed a credit or refund for the amount of reduction computed in accordance with this subdivision.

For purposes of this subdivision, 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.

Sec. 7. Minnesota Statutes 1994, section 296.02, subdivision 8, is amended to read:

Subd. 8. **CREDITS FOR SALES TO GOVERNMENTS AND SCHOOLS.** Un-
til October 1, 1999, a distributor shall be allowed a credit of 80 cents for every on each
gallon of fuel grade alcohol blended with gasoline to produce agricultural alcohol gaso-
line which is sold to the state, local units of government, or for use in the transportation of
pupils to and from school-related events in vehicles owned by or under contract to a
school district. This reduction is in lieu of the reductions provided in subdivision 7.

The amount of the credit for every gallon is:

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- (1) until October 1, 1996, 80 cents;
- (2) until October 1, 1997, 60 cents;
- (3) until October 1, 1998, 40 cents; and
- (4) until October 1, 1999, 20 cents.

Sec. 8. Minnesota Statutes 1995 Supplement, section 296.025, subdivision 1, is amended to read:

Subdivision 1. **TAX IMPOSED.** There is hereby imposed an excise tax on all special fuel at the rates specified in subdivision 1b. For 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 owner or operator of the vehicle is liable for 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. 9. Minnesota Statutes 1994, section 296.025, subdivision 6, is amended to read:

Subd. 6. **WHEN FUEL DEEMED SPECIAL FUEL; TAX.** All sales of combustible gases and liquid petroleum products (except gasoline) shall be deemed to be sales of special fuel if the sales tickets, invoices, and records evidencing such sales fail to show the true and correct names and addresses of the purchasers. In such cases, ~~there is hereby imposed an excise tax of the same rate per gallon as the gasoline excise tax on all such combustible gases and liquid petroleum products, and the vendor shall be liable for such tax to the extent not previously paid.~~

Sec. 10. Minnesota Statutes 1995 Supplement, section 296.12, subdivision 3, is amended to read:

Subd. 3. **TAX COLLECTION, REPORTING AND PAYMENT.** (a) For 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 in the form and manner prescribed by the commissioner.

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

(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 shall pay, or collect and pay the excise tax on the special fuel so delivered, to the commissioner.

Sec. 11. Minnesota Statutes 1994, section 296.141, subdivision 4, is amended to read:

Subd. 4. **CREDIT OR REFUND OF TAX PAID.** The commissioner shall allow the distributor credit or refund of the tax paid on gasoline and special fuel:

(1) exported or sold for export from the state, other than in the supply tank of a motor vehicle or of an aircraft;

(2) sold to the United States government to be used exclusively in performing its governmental functions and activities or to any "cost plus a fixed fee" contractor employed by the United States government on any national defense project;

(3) if the fuel is placed in a tank used exclusively for residential heating;

(4) destroyed by accident while in the possession of the distributor;

(5) in error;

~~(6) sold for storage in an on-farm bulk storage tank, if the tax was not collected on the sale; and~~

~~(7)~~ (6) in such other cases as the commissioner may permit, not inconsistent with the provisions of this chapter and other laws relating to the gasoline and special fuel excise taxes.

Sec. 12. Minnesota Statutes 1994, section 296.141, subdivision 5, is amended to read:

Subd. 5. **REFUND TO DEALER; DESTRUCTION BY ACCIDENT.** Notwithstanding the provisions of subdivision 4, the commissioner shall allow a dealer a refund of the tax paid on gasoline or special fuel destroyed by accident while in the possession of the dealer:

(1) the tax paid by the distributor on gasoline or undyed diesel fuel destroyed by accident while in the possession of the dealer; or

(2) the tax paid by a distributor or special fuels dealer on other special fuels destroyed by accident while in the possession of the dealer.

Sec. 13. Minnesota Statutes 1994, section 296.15, is amended by adding a subdivision to read:

Subd. 2a. **IMPOSITION OF CIVIL PENALTY; DYED FUEL.** (a) If any dyed fuel is sold or held for sale by a person for any use which the person knows or has reason to know is not a nontaxable use of the fuel; or if any dyed fuel is held for use or used in a licensed motor vehicle or for any other use by a person for a use other than a nontaxable use and the person knew, or had reason to know, that the fuel was so dyed; or if a person willfully alters, or attempts to alter, the strength or composition of any dye or marking in any dyed fuel, then the person shall pay a penalty in addition to the tax, if any.

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(b) Except as provided in paragraph (c), the amount of penalty under paragraph (a) for each act is the greater of \$1,000, or \$10 for each gallon of dyed fuel involved.

(c) With regard to a multiple violation under paragraph (a), the penalty shall be applied by increasing the amount in paragraph (b) by the product of (1) such amount, and (2) the number of prior penalties, if any, imposed by this section on the person, or a related person, or any predecessor of the person or related person.

(d) If a penalty is imposed under this section on a business entity, each officer, employee, or agent of the entity who willfully participated in any act giving rise to the penalty is jointly and severally liable with the entity for the penalty.

Sec. 14. Minnesota Statutes 1994, section 296.17, subdivision 7, is amended to read:

Subd. 7. **DEFINITIONS.** As used in subdivisions 7 to 22:

(a) "motor fuel" means a liquid, regardless of its composition or properties, used to propel a motor vehicle;

(b) "commercial motor vehicle" means a passenger vehicle that has seats for more than 20 passengers in addition to the driver, or a power unit that (1) has a gross weight in excess of 26,000 pounds, or (2) has three or more axles regardless of weight, or (3) when used in combination, the weight of the combination exceeds 26,000 pounds gross vehicle weight; motor vehicle used, designed, or maintained for transportation of persons or property that:

(1) has two axles and a gross vehicle weight or registered gross vehicle weight exceeding 26,000 pounds; or

(2) has three or more axles regardless of weight; or

(3) is used in combination, when the weight of such combination exceeds 26,000 pounds gross vehicle or registered gross vehicle weight. "Commercial motor vehicle" does not include recreational vehicles;

(c) "motor carrier" means a person who operates or causes to be operated a commercial motor vehicle on a highway in this state;

(d) "operation" means operation of commercial 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; and

(e) "highway" means the entire width between the boundary lines of every way publicly maintained when part of the highway is open for the public to travel on.

Sec. 15. **REPEALER.**

Minnesota Statutes 1994, section 296.25, subdivision 1a, is repealed.

Sec. 16. **EFFECTIVE DATE.**

Sections 1 to 6, 8 to 10, and 12 to 15 are effective the day following final enactment. Section 11 is effective for gasoline or special fuel purchased after July 1, 1996.

New language is indicated by underline, deletions by strikeout.

ARTICLE 6

MINNESOTACARE TAXES

Section 1. Minnesota Statutes 1995 Supplement, section 295.50, subdivision 3, is amended to read:

Subd. 3. **GROSS REVENUES.** "Gross revenues" are total amounts received in money or otherwise by:

- (1) a resident hospital for patient services;
- (2) a resident surgical center for patient services;
- (3) a nonresident hospital for patient services provided to patients domiciled in Minnesota;
- (4) a nonresident surgical center for patient services provided to patients domiciled in Minnesota;
- (5) a resident health care provider, other than a staff model health carrier, for patient services;
- (6) a nonresident health care provider for patient services provided to an individual domiciled in Minnesota or patient services provided in Minnesota;
- (7) (4) a wholesale drug distributor for sale or distribution of legend drugs that are delivered: (i) to a Minnesota resident by a wholesale drug distributor who is a nonresident pharmacy directly, by common carrier, or by mail; or (ii) in Minnesota by the wholesale drug distributor, by common carrier, or by mail, unless the legend drugs are delivered to another wholesale drug distributor who sells legend drugs exclusively at wholesale. Legend drugs do not include nutritional products as defined in Minnesota Rules, part 9505.0325;
- (8) (5) a staff model health plan company as gross premiums for enrollees, copayments, deductibles, coinsurance, and fees for patient services covered under its contracts with groups and enrollees; and
- (9) (6) a resident pharmacy for medical supplies, appliances, and equipment; and
- (10) a nonresident pharmacy for medical supplies, appliances, and equipment provided to consumers domiciled in Minnesota or delivered into Minnesota.

Sec. 2. Minnesota Statutes 1995 Supplement, 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 qualify for reimbursement under the medical assistance program provided under chapter 256B. For purposes of this clause, "directly to a patient or consumer" includes goods and services provided in connection

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with independent medical examinations under section 65B.56 or other examinations for purposes of litigation or insurance claims;

- (2) a staff model health plan company; or
- (3) 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, 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~~ 9555.5105, day training and habilitation services for adults with mental retardation and related conditions as defined in section 252.41, subdivision 3, and boarding care homes, as defined in Minnesota Rules, part 4655.0100.

Sec. 3. Minnesota Statutes 1994, section 295.50, subdivision 6, is amended to read:

Subd. 6. **HOME HEALTH CARE SERVICES.** "Home health care services" are services:

- (1) defined under the state medical assistance program as home health agency services provided by a home health agency, personal care services and supervision of personal care services, private duty nursing services, and waived services; and
- (2) provided at a recipient's residence, if the recipient does not live in a hospital, nursing facility, as defined in section 62A.46, subdivision 3, or intermediate care facility for persons with mental retardation as defined in section 256B.055, subdivision 12, paragraph (d).

Sec. 4. Minnesota Statutes 1994, section 295.51, subdivision 1, is amended to read:

Subdivision 1. **BUSINESS TRANSACTIONS IN MINNESOTA.** A hospital, surgical center, pharmacy, or health care provider is subject to tax under sections 295.50 to ~~295.58~~ 295.59 if it is "transacting business in Minnesota." A hospital, surgical center, pharmacy, or health care provider is transacting business in Minnesota only if it:

- (1) maintains an office in Minnesota used in the trade or business of providing patient services or medical supplies, appliances, or equipment;
- (2) has employees, representatives, or independent contractors conducting business in Minnesota related to the trade or business of providing patient services or medical supplies, appliances, or equipment;
- (3) regularly provides patient services or medical supplies, appliances, or equipment to customers that receive the services in Minnesota;
- (4) regularly solicits business from potential customers in Minnesota. A hospital, surgical center, pharmacy, or health care provider is presumed to regularly solicit business within Minnesota if it receives gross receipts for patient services or medical sup-

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plies, appliances, or equipment from 20 or more patients domiciled in Minnesota in a calendar year;

(5) regularly performs services outside Minnesota the benefits of which are consumed in Minnesota;

(6) owns or leases tangible personal or real property physically located in Minnesota and used in the trade or business of providing patient services or medical supplies, appliances, or equipment; or

(7) receives medical assistance payments from the state of Minnesota, maintains contacts with or presence in the state of Minnesota sufficient to permit taxation of gross revenues received for patient services under the United States Constitution.

Sec. 5. Minnesota Statutes 1994, section 295.51, is amended by adding a subdivision to read:

Subd. 1a. **NEXUS IN MINNESOTA.** A wholesale drug distributor has nexus in Minnesota if its contacts with or presence in Minnesota is sufficient to satisfy the requirements of the United States Constitution.

Sec. 6. Minnesota Statutes 1994, section 295.52, is amended by adding a subdivision to read:

Subd. 4a. **TAX COLLECTION.** A wholesale drug distributor with nexus in Minnesota, who is not subject to tax under subdivision 3, on all or a particular transaction, is required to collect the tax imposed under subdivision 4, from the purchaser of the drugs and give the purchaser a receipt for the tax paid. The tax collected shall be remitted to the commissioner in the manner prescribed by section 295.55, subdivision 3.

Sec. 7. Minnesota Statutes 1995 Supplement, section 295.53, subdivision 1, is amended to read:

Subdivision 1. **EXEMPTIONS.** (a) 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 Medicare enrollee or by a Medicare supplemental coverage as defined in section 62A.011, subdivision 3, clause (10). 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 this chapter or the source of funds for the payment is exempt under clause (1), (2), (7), (8), or (10);

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

(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. For purposes of this clause, coinsurance means the portion of payment that the enrollee is required to pay for the covered service;

(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 incurred through a formal program of health care research conducted in conformity with federal regulations governing research on human subjects. Payments received from patients or from other persons paying on behalf of the patients are subject to tax;

(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 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

(19) payments received for services provided by: assisted living programs and congregate housing programs.

(b) Payments received by wholesale drug distributors for prescription drugs sold directly to veterinarians or veterinary bulk purchasing organizations are excluded from the

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gross revenues subject to the wholesale drug distributor tax under sections 295.50 to 295.59.

Sec. 8. Minnesota Statutes 1995 Supplement, section 295.53, subdivision 5, is amended to read:

Subd. 5. **EXEMPTIONS FOR PHARMACIES.** (a) Pharmacies may exclude from their gross revenues subject to tax payments for medical supplies, appliances, and devices that are exempt under subdivision 1, clauses (1), (2), (4), (5), (7), (8), and (13).

(b) ~~Resident~~ Pharmacies may exclude from their gross revenues subject to tax payments received for medical supplies, appliances, and equipment delivered outside of Minnesota.

Sec. 9. Minnesota Statutes 1994, section 295.54, subdivision 1, is amended to read:

Subdivision 1. **TAXES PAID TO ANOTHER STATE.** A ~~resident~~ hospital, ~~resident~~ surgical center, pharmacy, or ~~resident~~ health care provider who is liable for that has paid taxes payable to another state or province or territory of Canada measured by gross receipts revenues and is subject to tax under ~~section~~ sections 295.52 to 295.59 on the same gross revenues is entitled to a credit for the tax legally due and paid to another state or province or territory of Canada to the extent of the lesser of (1) the tax actually paid to the other state or province or territory of Canada, or (2) the amount of tax imposed by Minnesota on the gross receipts revenues subject to tax in the other taxing jurisdictions.

Sec. 10. Minnesota Statutes 1994, section 295.54, subdivision 2, is amended to read:

Subd. 2. **PHARMACY CREDIT.** A ~~resident~~ pharmacy may claim a quarterly credit against the total amount of tax the pharmacy owes during that quarter under section 295.52, subdivision 1b, as provided in this subdivision. The credit shall equal two percent of the amount paid by the pharmacy to a wholesale drug distributor subject to tax under section 295.52, subdivision 3, for legend drugs delivered by the pharmacy outside of Minnesota. If the amount of the credit exceeds the tax liability of the pharmacy under section 295.52, subdivision 1b, the commissioner shall provide the pharmacy with a refund equal to the excess amount.

Sec. 11. Minnesota Statutes 1994, section 295.54, is amended by adding a subdivision to read:

Subd. 3. **WHOLESALE DRUG DISTRIBUTOR CREDIT.** A wholesale drug distributor who has paid taxes to another state or province or territory of Canada measured by gross revenues or sales and is subject to tax under sections 295.52 to 295.59 on the same gross revenues or sales is entitled to a credit for the tax legally due and paid to another state or province or territory of Canada to the extent of the lesser of (1) the tax actually paid to the other state or province or territory of Canada or (2) the amount of tax imposed by Minnesota on the gross revenues or sales subject to tax in the other taxing jurisdictions.

Sec. 12. **LEGISLATIVE INTENT.**

Section 3 is intended to clarify, rather than change, the original intent of the statute amended.

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

Sec. 13. REPEALER.

Minnesota Statutes 1994, section 295.50, subdivisions 8, 9, 9a, 11, 12, and 12a, are repealed.

Sec. 14. EFFECTIVE DATES.

Sections 1, 3, 4, 7 to 10, 12, and 13 are effective the day following final enactment.

Sections 5, 6, and 11 are effective for tax periods beginning on or after January 1, 1997.

ARTICLE 7
ECONOMIC DEVELOPMENT

Section 1. Minnesota Statutes 1994, section 13.99, subdivision 97a, is amended to read:

Subd. 97a. **ECONOMIC DEVELOPMENT DATA.** Access to preliminary information submitted to the commissioner of trade and economic development under sections 469.142 to 469.151 or sections 469.152 to 469.165 is limited under ~~sections 469.150 and section~~ section 469.154, subdivision 2.

Sec. 2. Minnesota Statutes 1995 Supplement, section 216B.161, subdivision 1, is amended to read:

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

(b) "Area development rate" means a rate schedule established by a utility that provides customers within an area development zone service under a base utility rate schedule, except that charges may be reduced from the base rate as agreed upon by the utility and the customer consistent with this section.

(c) "Area development zone" means a contiguous or noncontiguous area designated by an authority or municipality for development or redevelopment and within which one of the following conditions exists:

- (1) obsolete buildings not suitable for improvement or conversion or other identified hazards to the health, safety, and general well-being of the community;
- (2) buildings in need of substantial rehabilitation or in substandard condition; or
- (3) low values and damaged investments.

(d) "Authority" means a rural development financing authority established under sections 469.142 to 469.150 469.151; a housing and redevelopment authority established under sections 469.001 to 469.047; a port authority established under sections 469.048 to 469.068; an economic development authority established under sections 469.090 to

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469.108; a redevelopment agency as defined in sections 469.152 to 469.165; the iron range resources and rehabilitation board established under section 298.22; a municipality that is administering a development district created under sections 469.124 to 469.134 or any special law; a municipality that undertakes a project under sections 469.152 to 469.165, except a town located outside the metropolitan area as defined in section 473.121, subdivision 2, or with a population of 5,000 persons or less; or a municipality that exercises the powers of a port authority under any general or special law.

(e) "Municipality" means a city, however organized, and, with respect to a project undertaken under sections 469.152 to 469.165, "municipality" has the meaning given in sections 469.152 to 469.165, and, with respect to a project undertaken under sections 469.142 to 469.151 or a county or multicounty project undertaken under sections 469.004 to 469.008, also includes any county.

Sec. 3. Minnesota Statutes 1995 Supplement, section 273.1399, subdivision 6, is amended to read:

Subd. 6. **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 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 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. On or before the expiration of the exemption, the municipality may elect to make a qualifying local contribution under paragraph (d) in lieu of the state aid reduction.

(c) A qualified housing district is exempt.

(d)(1) 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 sub-district:

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

(1) (A) for an economic development district, a housing district, or a renewal and renovation district, ten percent;

(2) (B) for a redevelopment district, a mined underground space district, a hazardous substance subdistrict, or a soils condition district, ~~7.5~~ five percent.

(2) If the municipality elects to make a qualifying contribution and fails to make the required contribution for a year, the state aid reduction applies for the year. The state aid reduction equals the greater of (A) the required local contribution or (B) the amount of the aid reduction that applies under subdivision 3. For a district exempt under paragraph (b), no qualifying local contribution is required for years in which the district is exempt.

The maximum local contribution for all districts in the municipality is limited to (3)(A) If the sum of required local contributions for all districts in the municipality exceeds two percent of city net tax capacity as defined in section 477A.011, subdivision 20, for a year, the municipality's total required local contribution for that year is limited to two percent of net tax capacity to qualify for the exemption under this subdivision. The municipality may allocate the contribution among the districts on which it has made elections as it determines appropriate.

(B) If a municipality makes an election under this subdivision for a district in a year in which item (A) applies, a minimum annual qualifying contribution must be made for the district equal to the lesser of 0.25 percent of city net tax capacity or three percent of increment revenues. This minimum contribution applies for the life of the district for each year that the restriction in item (A) applies and is in addition to the contribution required by item (A).

(4) 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.

(5) The municipality may make a local contribution in excess of the required contribution for a year. If it does so, the municipality may credit the excess to a local contribution account for the district. The balance in the account may be used to meet the requirements for qualifying local contributions for later years. No interest or investment earnings may be credited or imputed to the account, except those (A) actually paid by the municipality out of its unrestricted funds or by another person or entity, other than a developer as used in section 469.1766, and (B) used as required for a qualifying local contribution.

(6) 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.

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

Sec. 4. Minnesota Statutes 1995 Supplement, section 273.1399, subdivision 7, is amended 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 except that a required rate of five percent applies and the limitation to two percent of city tax capacity under subdivision 6, paragraph (d), clause (3) also applies; 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. 5. Minnesota Statutes 1994, section 469.167, subdivision 2, is amended to read:

Subd. 2. **DURATION.** The designation of an area as an enterprise zone shall be effective for seven years after the date of designation, except that enterprise zones in border cities eligible to receive allocations for tax reductions under section 469.169, subdivisions 7 and 8, and under section 469.171, subdivision 6a or 6b, shall be effective until these allocations have been expended terminated by resolution adopted by the city in which the border city enterprise zone is located.

Sec. 6. Minnesota Statutes 1995 Supplement, 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

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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, 1995.~~

Sec. 7. Minnesota Statutes 1995 Supplement, section 469.169, subdivision 10, is amended 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. 8. Minnesota Statutes 1994, section 469.173, subdivision 7, is amended to read:

Subd. 7. **REPEALER.** Sections 469.169, 469.171, 469.172, and this section are effective for border city enterprise zones until the enterprise zone is terminated by resolution adopted by the city in which the border city enterprise zone is located. For all other enterprise zones, sections 469.169, 469.171, 469.172, and this section are repealed effective December 31, 1996.

Sec. 9. Minnesota Statutes 1994, section 469.174, subdivision 2, is amended to read:

Subd. 2. **AUTHORITY.** "Authority" means a rural development financing authority created pursuant to sections 469.142 to ~~469.150~~ 469.151; a housing and redevelopment authority created pursuant to sections 469.001 to 469.047; a port authority created pursuant to sections 469.048 to 469.068; an economic development authority created pursuant to sections 469.090 to 469.108; a redevelopment agency as defined in sections 469.152 to 469.165; a municipality that is administering a development district created pursuant to sections 469.124 to 469.134 or any special law; a municipality that undertakes a project pursuant to sections 469.152 to 469.165, except a town located outside the metropolitan area or with a population of 5,000 persons or less; or a municipality that exercises the powers of a port authority pursuant to any general or special law.

Sec. 10. Minnesota Statutes 1995 Supplement, section 469.174, subdivision 4, is amended to read:

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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, if any, by which the lesser of (1) the original net tax capacity or (2) the current 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. 11. Minnesota Statutes 1995 Supplement, 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 and within any subdistrict;
- (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 and any subdistrict'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 or subdistrict;

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(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. 12. Minnesota Statutes 1995 Supplement, section 469.175, subdivision 5, is amended to read:

Subd. 5. **ANNUAL DISCLOSURE.** (a) 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, 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 and any subdistrict, 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.

(b) 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 and any subdistrict'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. The authority must publish the annual statement for a year no later than July 1 of the next year. The authority must provide a copy of the annual statement to the state auditor by the time it submits it for publication.

Sec. 13. Minnesota Statutes 1995 Supplement, 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:

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(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 and any subdistrict;

(2) the captured net tax capacity of the district, including the amount of any captured net tax capacity shared with other taxing districts;

(3) 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;

(4) for properties sold to developers, the total cost of the property to the authority and the price paid by the developer; and

(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 apply to districts certified before, on, and after August 1, 1979.

Sec. 14. Minnesota Statutes 1995 Supplement, section 469.176, subdivision 2, is amended to read:

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Subd. 2. **EXCESS TAX INCREMENTS.** (a) In any year in which the tax increment exceeds the amount necessary to pay the costs authorized by the tax increment financing plan, including the amount necessary to cancel any tax levy as provided in section 475.61, subdivision 3, the authority shall use the excess amount to do any of the following: (1) prepay any outstanding bonds, (2) discharge the pledge of tax increment therefor, (3) pay into an escrow account dedicated to the payment of such bond, or (4) return the excess amount to the county auditor who shall distribute the excess amount to the municipality, county, and school district in which the tax increment financing district is located in direct proportion to their respective local tax rates. The county auditor must report to the commissioner of children, families, and learning the amount of any excess tax increment distributed to a school district within 30 days of the distribution.

(b) ~~The amounts distributed to a city or county must be deducted from the levy limits of the governmental unit for the following year. In calculating the levy limit base for later years, the amount deducted must be treated as a local government aid payment.~~

Sec. 15. Minnesota Statutes 1994, section 469.176, subdivision 4f, is amended to read:

Subd. 4f. **INTEREST REDUCTION.** Revenues derived from tax increment may be used to finance the costs of an interest reduction program operated pursuant to section 469.012, subdivisions 7 to 10, or pursuant to other law granting interest reduction authority and power by reference to those subdivisions only under the following conditions: (1) tax increments may not be collected for a program for a period in excess of 12 ~~15~~ years after the date of the first interest rate reduction payment for the program, (2) tax increments may not be used for an interest reduction program, if the proceeds of bonds issued pursuant to section 469.178 after December 31, 1985, have been or will be used to provide financial assistance to the specific project which would receive the benefit of the interest reduction program, and (3) tax increments may not be used to finance an interest reduction program for owner-occupied single-family dwellings.

Sec. 16. Minnesota Statutes 1995 Supplement, section 469.176, subdivision 7, is amended to read:

Subd. 7. **PARCELS NOT INCLUDABLE IN DISTRICTS.** (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 only for

(1) 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; or

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(2) a qualified housing district as defined in section 273.1399, subdivision 1.

Sec. 17. Minnesota Statutes 1994, section 469.1761, subdivision 1, is amended to read:

Subdivision 1. **REQUIREMENT IMPOSED.** In order for a tax increment financing district to qualify as a housing district, the income limitations provided in this section must be satisfied. The requirements imposed by this section apply to residential property receiving assistance financed with tax increments, including interest reduction, land transfers at less than the authority's cost of acquisition, utility service or connections, roads, or other subsidies. The provisions of this section do not apply ~~(1) to interest reduction programs, provided that the duration of the district is limited to 12 years from the collection of the first increment or~~ (2) to districts located in a targeted area as defined in section 462C.02, subdivision 9, clause (e).

Sec. 18. Minnesota Statutes 1994, section 471.88, subdivision 14, is amended to read:

Subd. 14. **HOUSING AND REDEVELOPMENT AUTHORITY LOCAL DEVELOPMENT ORGANIZATION.** (a) For the purposes of this subdivision:

(1) "local development organization" means a housing and redevelopment authority, economic development authority, community action program, port authority, or private consultant; and

(2) "government unit" has the meaning given in section 471.59, subdivision 1.

(b) When a county or multicounty housing and redevelopment authority local development organization administers a loan or grant program for individual residential property owners within the geographical boundaries of a government unit by an agreement entered into by the government unit and the housing and redevelopment authority local development organization, an officer of the government unit may apply for a loan or grant from the housing and redevelopment authority local development organization. If an officer applies for a loan or grant, the officer must disclose as part of the official minutes of a public meeting of the governmental unit that the officer has applied for a loan or grant.

Sec. 19. Minnesota Statutes 1994, section 473.608, is amended by adding a subdivision to read:

Subd. 12a. **REVENUE BONDS.** (a) The commission may issue general airport revenue bonds, special facilities bonds, and passenger facility charge bonds to fund:

(1) airports and air navigation facilities;

(2) other capital improvements at airports managed by the commission;

(3) noise abatement and natural resource protection measures, regardless of location and ownership;

(4) transportation and parking improvements related to airports managed by the commission, regardless of location; and

(5) the refund of any outstanding obligations of the commission.

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The commission may secure the bonds with available revenue in accordance with generally accepted public financial practices under a resolution of the commission or trust indenture for the bonds. The bonds may not be secured by the full faith and credit of the commission or a pledge of the taxing authority of the commission or of any city in or for which the commission has been created.

(b) The commission shall notify the commissioner of finance, the chair of the taxes committee of the House of Representatives, and the chair of the taxes and tax laws committee of the Senate of any proposal to issue bonds under this subdivision and provide them an opportunity to review the proposal.

(c) The commission may obligate itself to establish, revise, and collect rates, fees, charges, and rentals for all airport and air navigation facilities used by or made available to any person, firm, association, or corporation to produce revenues sufficient:

(1) to pay principal and interest on all obligations of the commission;

(2) to fund reserves for the bonds;

(3) to pay other commission expenses in accordance with law.

(d) (1) Any pledge of revenues under this section is subordinate to the pledge of current revenues to cancel taxes levied for general obligation revenue bonds issued under section 473.665.

(2) Subject to clause (1), if the bonds meet the conditions of section 473.667, subdivision 7, the commission may pledge revenues to the revenue bonds issued under this subdivision on a parity with the pledge of revenues to general obligation revenue bonds issued under section 473.667. The pledge of revenues to revenue bonds issued under this subdivision may be prior to the obligation under section 473.667, subdivision 6, to repay any deficiency taxes levied for general obligation revenue bonds.

(3) The commission may pledge revenues of any discrete facility or portions of the airport and air navigation facilities of the commission to the bonds. The commission may establish reserves from any available funds or the proceeds of the bonds and may make other covenants as it deems necessary to protect the holders of the bonds. Passenger facility charge bonds may pledge receipts from passenger facility charges separately or together with a pledge of other revenues.

(e) The commission may use any powers under chapter 475, except the power to issue general obligation bonds.

Sec. 20. Laws 1995, chapter 264, article 5, section 40, subdivision 1, is amended to read:

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 23, Stevens county - 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

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(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.

Sec. 21. Laws 1995, chapter 264, article 5, section 44, subdivision 4, is amended to read:

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. For housing replacement projects in the city of Duluth, "authority" means the Duluth economic development authority. For housing replacement projects in the city of Richfield, "authority" is the authority as defined in Minnesota Statutes, section 469.174, subdivision 2, that is designated by the governing body of the city of Richfield.

Sec. 22. Laws 1995, chapter 264, article 5, section 45, subdivision 1, is amended to read:

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, and Richfield, 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, and Duluth, 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 houses that 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 its 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.

Sec. 23. **SOUTH ST. PAUL; TAX INCREMENT DISTRICT.**

Subdivision 1. **EXPENDITURE OF TAX INCREMENTS.** Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1c, the city of South St. Paul may expend tax increments derived from the Concord street redevelopment tax in-

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crement financing district to pay debt service on or defease general obligation tax increment bonds issued to refund tax increment bonds of the city issued before April 1, 1990, provided the average maturity of the refunding bonds does not exceed the average maturity of the refunded bonds by more than two years and provided further that the refunding does not increase the amount of debt service to be paid after April 1, 2001.

Subd. 2. **EFFECTIVE DATE.** Subdivision 1 is effective upon compliance by the South St. Paul city council with Minnesota Statutes, section 645.021, subdivision 2.

Sec. 24. CITY OF WOODBURY; TAX INCREMENT FINANCING DISTRICT.

Subdivision 1. **EXTENSION.** Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, tax increment may be paid until December 31, 2006, from the following parcels identified as parcel identification numbers, plat and parcel numbers in an existing tax increment economic development district in the city of Woodbury: 73701-2025; 72003-3350; 72003-2350; 72003-2250; 72003-2100; 73701-2050; 73701-2075; 73701-2100; 73701-2125; 73701-2150; 72003-2550; 72003-2500; 73445-2000; and 73445-2050.

Subd. 2. **EFFECTIVE DATE.** Subdivision 1 is effective upon compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 25. CITY OF BRECKENRIDGE; TAX INCREMENT DISTRICT.

Subdivision 1. **EXTENSION.** Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1c, the duration of the city of Breckenridge tax increment financing district number 1-1 may be extended by resolution of the Breckenridge city council until April 1, 2009. The provisions of Minnesota Statutes, sections 469.1782, subdivision 1, and 273.1399, subdivision 8, do not apply to the extension of the duration of the district under this section.

Subd. 2. **EFFECTIVE DATE; APPROVAL.** Subdivision 1 is effective the day after compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 2.

Sec. 26. CITY OF MOUNTAIN IRON HOUSING AND REDEVELOPMENT AUTHORITY; TAX INCREMENT DISTRICTS.

Subdivision 1. **ORIGINAL NET TAX CAPACITY.** Notwithstanding the provisions of the county auditor's certification issued pursuant to Minnesota Statutes, section 469.177, the original net tax capacity of property described as plat number 71, parcel numbers 1212, 1213, and 1223 in tax increment financing district No. 6 located in the city of Mountain Iron shall be deemed \$6,407 as of January 1, 1996.

Subd. 2. **EXTENSION.** Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 4c, the housing and redevelopment authority in and for the city of Mountain Iron may collect and expend tax increments generated by the Sawmill restaurant project in tax increment financing district No. 6 located in the city of Mountain Iron after August 7, 1999, for eligible activities within the district. The authority under this subdivision expires August 7, 2004.

Subd. 3. **LOCAL APPROVAL.** Subdivisions 1 and 2 are effective upon compliance with Minnesota Statutes, sections 469.1782, and 645.021, subdivision 3.

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Sec. 27. AUTHORITY TO ELECT LOCAL CONTRIBUTIONS.

Notwithstanding the provisions of Laws 1995, chapter 264, article 5, section 49, a city may elect to make local contributions under Minnesota Statutes, section 273.1399, subdivision 6, paragraph (d), in lieu of the state aid reduction, if the following conditions are satisfied:

- (1) the district was certified after April 30, 1994;
- (2) the municipality and the authority agree to decertify the district at least three years before the expiration of the district's duration limit under Minnesota Statutes, section 469.176, subdivision 1b;
- (3) the municipality makes an irrevocable election to make local contributions and to be governed by clause (2) by December 31, 1996; and
- (4) the authority notifies the commissioner of revenue of the election by January 31, 1997.

Sec. 28. DEFINITIONS.

Subdivision 1. AUTHORITY. "Authority" means the Brooklyn Park economic development authority.

Subd. 2. DISTRESSED RENTAL PROPERTIES. (a) "Distressed rental properties," "distressed rental property," "property," or "properties" means those multifamily rental projects located within the city of Brooklyn Park which meet:

- (1) both of the following:
 - (i) are 20 years old or older at the time of the request for certification; and
 - (ii) are determined by the authority to be in need of substantial rehabilitation or demolition; and
 - (2) one of the following:
 - (i) have a vacancy rate as established by rental records of the owner, which has averaged at least 25 percent over the five-year period preceding the request for certification;
 - (ii) have an estimated market value determined by the assessor which has decreased by at least 20 percent over the five-year period preceding the request for certification; or
 - (iii) were converted from home ownership to rental housing.
- (b) Buildings located on contiguous properties, which are commonly owned and financed, and which were constructed at approximately the same time constitute a single distressed rental property.

Subd. 3. CAPTURED NET TAX CAPACITY. "Captured net tax capacity" means the amount by which the current net tax capacity of the distressed housing district exceeds the original net tax capacity including the value of property normally taxable as personal property by reason of its location or over property owned by a tax-exempt entity.

Subd. 4. ORIGINAL NET TAX CAPACITY. With respect to distressed rental properties which according to the distressed housing district plan are to be rehabilitated,

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"original net tax capacity" means (i) the net tax capacity of the properties as certified by the commissioner of revenue for the appropriate assessment year minus (ii) all estimated costs associated with rehabilitating said properties as set forth in the distressed housing plan, but (iii) not less than zero. With respect to distressed rental properties which according to the distressed housing district plan are to be demolished, "original net tax capacity" means the net tax capacity of the land only as certified by the commissioner of revenue for the appropriate assessment year. For purposes of this subdivision, the appropriate assessment year shall be the previous assessment year, provided that a request by the authority for certification has been made to the county auditor by June 30. If the request for certification is filed after June 30, the appropriate assessment year shall be the current assessment year.

Subd. 5. SUBSTANTIAL REHABILITATION. "Substantial rehabilitation" means rehabilitation, as defined in Minnesota Statutes, section 462C.02, subdivision 8, in an amount of at least \$7,000 per unit.

Sec. 29. ESTABLISHMENT OF A DISTRESSED HOUSING DISTRICT.

Subdivision 1. CREATION. The authority may establish a distressed housing district within the city which may contain not more than five distressed rental properties. The distressed rental properties need not be contiguous and may all be included when establishing the district, or may be added from time to time as described in subdivision 4, clause (2), provided that no distressed rental property shall be added to the district after five years from the date of the initial request for certification of the district.

Subd. 2. TAX INCREMENT. Minnesota Statutes, section 469.177, subdivisions 1, paragraphs (a), (d), and (g), 1a, and 3 to 10, apply to the computation of tax increment for the distressed housing district created under sections 28 to 31.

Subd. 3. DISTRESSED HOUSING DISTRICT PLAN. To establish a distressed housing district, the authority shall adopt a distressed housing plan that contains:

(1) a description of the distressed rental properties to be included in the district to the extent known at the time the plan is prepared, including identification of the current and proposed owner of the property. If the maximum allowable number of distressed rental properties are not included in the district initially, a description of the criteria that will be used by the authority to select properties to be included later;

(2) a general description of the types of substantial rehabilitation or demolition which will be undertaken, and by whom; and

(3) estimates of the following:

(i) total cost of substantial rehabilitation or demolition for each distressed rental property included in the district, including public administrative costs and relocation expenses;

(ii) sources of revenue, public and private, to pay the estimated costs of substantial rehabilitation or demolition;

(iii) the most recent net tax capacity of each distressed rental property included in the district;

(iv) the estimated captured net tax capacity of each distressed rental property included in the district, at completion; and

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(v) the authority's alternate estimates of the impact of the distressed housing district on the net tax capacities of all taxing jurisdictions in which the distressed housing 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 distressed housing 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 distressed housing district.

Subd. 4. **PROCEDURE.** Minnesota Statutes, section 469.175, subdivisions 3 to 6a, apply to the establishment and operation of the distressed housing district created under sections 28 to 31, except as follows:

(1) the determination required in Minnesota Statutes, section 469.175, subdivision 3, clause (1), is not required; and

(2) the addition to the district of distressed rental properties not identified in the original distressed housing district plan is not a modification of the plan requiring notice, public hearing, findings, or approval if the addition of the distressed rental properties is consistent with the criteria described in subdivision 3, clause (1).

Subd. 5. **LOCAL CONTRIBUTION.** The city of Brooklyn Park must pay at least five percent of the distressed housing district project costs from its general fund, a property tax levy, or other unrestricted money, not including tax increments.

Sec. 30. **LIMITATIONS.**

Subdivision 1. **DURATION.** Tax increment generated by each distressed rental property included in the district shall cease to be paid to the authority after the expiration of 15 years from the receipt by the county of the first tax increment from that property.

Subd. 2. **USE.** (a) All tax increment received by the authority from the district shall be used in accordance with the distressed housing district plan.

(b) Tax increment may be used to pay the costs of:

(1) acquiring title to or an ownership interest in a distressed rental property;

(2) relocation of tenants residing in a distressed rental property;

(3) demolition of all or a part of a distressed rental property;

(4) substantial rehabilitation of a distressed rental property;

(5) public improvements associated with the substantial rehabilitation or demolition of distressed housing properties; and

(6) the costs of the authority in administering the creation and operation of the district.

(c) The authority may pay the costs of substantial rehabilitation or demolition of the distressed rental properties directly, through the issuance and sale of obligations pursuant to Minnesota Statutes, section 469.178, by means of loans or grants to the owners of such properties, or through the exercise of any authority contained in Minnesota Statutes, sections 469.090 to 469.1081.

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(d) Tax increment received by the authority in excess of that needed to pay the costs described in paragraph (b), clause (2), shall be deposited into the housing account established by the authority pursuant to Laws 1994, chapter 587, article 9, section 20.

Subd. 3. **RELOCATION.** As part of the acquisition of any distressed rental property by the authority, the authority shall comply with the provisions of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, United States Code, title 42, sections 4601 to 4655, and regulations adopted thereunder and existing on the effective date of this act. The authority shall also retain a professional relocation consultant to assist families in finding suitable replacement housing.

Sec. 31. APPLICABILITY OF OTHER LAWS.

References in Minnesota Statutes to tax increment financing districts created and tax increment generated under Minnesota Statutes, sections 469.174 to 469.179, except for references in Minnesota Statutes, section 273.1399, include the distressed housing district and tax increment subject to sections 28 to 31. Minnesota Statutes, sections 469.174 to 469.179, apply only to the extent specified in sections 28 to 31. The distressed housing district does not have a longer duration than permitted by general law for purposes of Minnesota Statutes, section 469.1782.

Sec. 32. ENTERPRISE ZONE ALLOCATION; CITY OF DULUTH.

In addition to tax reductions authorized by other law, the commissioner of trade and economic development may allocate \$300,000 for tax reductions pursuant to Minnesota Statutes, section 469.171, subdivision 1, for a financial services facility of at least 100,000 square feet located in the city of Duluth. This amount is not subject to any funding limitations or maximum allocation limitations under Minnesota Statutes, section 469.169, subdivision 7. The tax reductions may be provided until the allocation under this section has been expended.

Sec. 33. APPLICATION.

Section 19 applies in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties.

Sec. 34. REPEALER.

Minnesota Statutes 1994, sections 13.99, subdivision 97; and 469.150, are repealed.

Sec. 35. EFFECTIVE DATE.

Sections 3 and 4 are effective for all tax increment financing districts and subdistricts for which an election was or is made under Minnesota Statutes, section 273.1399, subdivision 6, paragraph (d), except the amendment in section 3 adding paragraph (d), clause (3), item (B) applies to elections made after the day following final enactment.

Sections 5 to 8 are effective the day following final enactment for border city enterprise zones existing on that date.

Section 12 is effective beginning for annual statements required to be published for calendar year 1995.

Sections 10, 11, 13, and 14 are effective the day following final enactment and apply to all tax increment financing districts for which the request for certification was made after August 1, 1979.

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Sections 15 and 17 are effective for districts for which the request for certification is made after April 30, 1996. For districts for which the request for certification was made before May 1, 1996, the governing body of the development authority may elect, by resolution, to be governed by the provisions of sections 15 and 17. The election is irrevocable and must be made no later than December 31, 1996.

Notwithstanding the provisions of Minnesota Statutes, section 469.1782, subdivision 2, section 20 is effective without local approval on the effective date of Laws 1995, chapter 264, article 5, section 40.

Sections 21 and 22 are effective for the city of Duluth on the day the chief clerical officer of the city of Duluth complies with Minnesota Statutes, section 645.021, subdivision 3 and are effective for the city of Richfield on the day the chief clerical officer of the city of Richfield complies with Minnesota Statutes, section 645.021, subdivision 3.

Sections 28 to 31 are effective the day following final enactment and upon compliance by the governing body of Brooklyn Park with Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 8

SPECIAL TAXING DISTRICTS

Section 1. [103D.729] WATER MANAGEMENT DISTRICT.

Subdivision 1. WATER MANAGEMENT DISTRICT. A watershed district may establish a water management district or districts in the territory within the watershed, for the purpose of collecting revenues and paying the costs of projects initiated under section 103B.231, 103D.601, 103D.605, 103D.611, or 103D.730.

Subd. 2. PROCEDURE. A watershed district may establish a water management district only by amendment to its plan in accordance with section 103D.411, or 103B.231 for watershed districts in the metropolitan area, and compliance with subdivisions 3 and 4. The amendment shall describe with particularity the territory or the area to be included in the water management district, the amount of the necessary charges, the methods used to determine charges, and the length of time the water management district will remain in force. After adoption the amendment shall be filed with the county auditor and county recorder of each county affected by the water management district. The water management district may be dissolved by the procedure prescribed for the establishment of the water management district.

Subd. 3. NOTIFICATION. The managers shall, ten days prior to a hearing or decision on projects implemented under this section, provide notice to the city, town, or county within the affected area. The city, town, or county receiving notice shall submit to the managers' concerns relating to the implementation of the project. The managers shall consider the concerns of the city, town, or county in the decision on the project.

Subd. 4. RESOLUTION OF DISPUTES. Unresolved differences between local governments and the managers may be brought before the committee on dispute resolu-

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tion under section 103B.101, subdivision 10. Within 45 days of receiving the request for dispute resolution, the committee must consider the concerns of the local government. The committee has 30 days after meeting to issue a recommendation to the board for final decision.

Sec. 2. [103D.730] STORM WATER FACILITIES.

(a) Any watershed district may build, construct, reconstruct, repair, enlarge, improve, or in any other manner obtain storm water systems, including mains, holding areas and ponds, and other appurtenances and related facilities for the collection and disposal of storm water, maintain and operate the facilities, and acquire by gift, purchase, lease, condemnation, or otherwise any and all land and easements required for that purpose.

(b) The authority granted is in addition to all other powers with reference to the facilities otherwise granted by the laws of this state or by this chapter.

Sec. 3. Minnesota Statutes 1994, section 428A.01, subdivision 2, is amended to read:

Subd. 2. **CITY.** "City" means the city in which the special service district is authorized to be established under a special law a home rule charter or statutory city.

Sec. 4. Minnesota Statutes 1994, section 428A.01, subdivision 3, is amended to read:

Subd. 3. **SPECIAL SERVICES.** "Special services" has the meaning given in the city's ~~enabling legislation-~~ ordinance but special services ~~do~~ may not include a service that is ordinarily provided throughout the city from general fund revenues of the city unless an increased level of the service is provided in the special service district.

Sec. 5. Minnesota Statutes 1994, section 428A.02, subdivision 1, is amended to read:

Subdivision 1. **ORDINANCE.** The governing body of the a city may adopt an ordinance establishing a special service district. Only property that is classified under section 273.13 and used for commercial, industrial, or public utility purposes, or is vacant land zoned or designated on a land use plan for commercial or industrial use and located in the special service district, may be subject to the charges imposed by the city on the special service district. Other types of property may be included within the boundaries of the special service district but are not subject to the levies or charges imposed by the city on the special service district. If 50 percent or more of the market value of a parcel of property is classified under section 273.13 as commercial, industrial, or vacant land zoned or designated on a land use plan for commercial or industrial use, or public utility for the current assessment year, then the entire market value of the property is subject to a service charge based on net tax capacity for purposes of sections 428A.01 to 428A.10. The ordinance shall describe with particularity the area within the city to be included in the district and the special services to be furnished in the district. The ordinance may not be adopted until after a public hearing has been held on the question. Notice of the hearing shall include the time and place of hearing, a map showing the boundaries of the proposed district, and a statement that all persons owning property in the proposed district that would be subject to a service charge will be given opportunity to be heard at the hearing. Within 30 days after adoption of the ordinance under this subdivision, the governing body shall send a copy of the ordinance to the commissioner of revenue.

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Sec. 6. [428A.101] SPECIAL SERVICE DISTRICT; SUNSET OF SELF-EXECUTING PROVISIONS.

The establishment of a new special service district after June 30, 2001, must be made pursuant to enabling legislation under Minnesota Statutes 1994, sections 428A.01 to 428A.10.

Sec. 7. [428A.11] HOUSING IMPROVEMENT AREAS; DEFINITIONS.

Subdivision 1. APPLICABILITY. As used in sections 428A.11 to 428A.20, the terms defined in this section have the meanings given them.

Subd. 2. CITY. "City" means a home rule charter or statutory city.

Subd. 3. ENABLING ORDINANCE. "Enabling ordinance" means the ordinance adopted by the city council establishing the housing improvement area.

Subd. 4. HOUSING IMPROVEMENTS. "Housing improvements" has the meaning given in the city's enabling ordinance. Housing improvements may include improvements to common elements of a condominium.

Subd. 5. HOUSING IMPROVEMENT AREA. "Housing improvement area" means a defined area within the city where housing improvements are made or constructed and the costs of the improvements are paid in whole or in part from fees imposed within the area.

Subd. 6. HOUSING UNIT. "Housing unit" means real property and improvements thereon consisting of a one-dwelling unit, or an apartment as described in chapter 515 or 515A, that is occupied by a person or family for use as a residence.

Sec. 8. [428A.12] PETITION REQUIRED.

No action may be taken under sections 428A.13 and 428A.14 unless owners of 25 percent or more of the housing units that would be subject to fees in the proposed housing improvement area file a petition requesting a public hearing on the proposed action with the city clerk. No action may be taken under section 428A.14 to impose a fee unless owners of 25 percent or more of the housing units subject to the proposed fee file a petition requesting a public hearing on the proposed fee with the city clerk or other appropriate official.

Sec. 9. [428A.13] ESTABLISHMENT OF HOUSING IMPROVEMENT AREA.

Subdivision 1. ORDINANCE. The governing body of the city may adopt an ordinance establishing a housing improvement area. The ordinance must specifically describe the portion of the city to be included in the area, the basis for the imposition of the fees, and the number of years the fee will be in effect. In addition, the ordinance must include findings that without the housing improvement area, the proposed improvements could not be made by the condominium associations or housing unit owners, and the designation is needed to maintain and preserve the housing units within the housing improvement area. The ordinance may not be adopted until a public hearing has been held regarding the ordinance. The ordinance may be amended by the governing body of the city, provided the governing body complies with the public hearing notice provisions of subdivision 2. Within 30 days after adoption of the ordinance under this subdivision, the governing body shall send a copy of the ordinance to the commissioner of revenue.

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Subd. 2. PUBLIC HEARING. The notice of public hearing must include the time and place of hearing, a map showing the boundaries of the proposed area, and a statement that all persons owning housing units in the proposed area that would be subject to a fee for housing improvements will be given an opportunity to be heard at the hearing. Notice of the hearing must be given by publication in the official newspaper of the city. The public hearing must be held at least seven days after the publication. Not less than ten days before the hearing, notice must also be mailed to the owner of each housing unit within the proposed area. For the purpose of giving mailed notice, owners are those shown on the records of the county auditor. Other records may be used to supply the necessary information. At the public hearing a person owning property in the proposed housing improvement area may testify on any issues relevant to the proposed area. The hearing may be adjourned from time to time. The ordinance establishing the area may be adopted at any time within six months after the date of the conclusion of the hearing by a vote of the majority of the governing body of the city.

Subd. 3. PROPOSED HOUSING IMPROVEMENTS. At the public hearing held under subdivision 2, the city shall provide a preliminary listing of the housing improvements to be made in the area. The listing shall identify those improvements, if any, that are proposed to be made to all or a portion of the common elements of a condominium. The listing shall also identify those housing units that have completed the proposed housing improvements and are proposed to be exempted from a portion of the fee. In preparing the list the city shall consult with the residents of the area and the condominium associations.

Subd. 4. BENEFIT; OBJECTION. Before the ordinance is adopted or at the hearing at which it is to be adopted, the owner of a housing unit in the proposed housing improvement area may file a written objection with the city clerk asserting that the owner's property should not be included in the area or should not be subjected to a fee and objecting to the inclusion of the housing unit in the area, for the reason that the property would not benefit from the improvements.

The governing body shall make a determination of the objection within 60 days of its filing. Pending its determination, the governing body may delay adoption of the ordinance or it may adopt the ordinance with a reservation that the landowner's property may be excluded from the housing improvement area or fee when the determination is made.

Subd. 5. APPEAL TO DISTRICT COURT. Within 30 days after the determination of the objection, any person aggrieved, who is not precluded by failure to object before or at the hearing, or whose failure to object is due to a reasonable cause, may appeal to the district court by serving a notice upon the mayor or city clerk. The notice shall be filed with the court administrator of the district court within ten days after its service. The city clerk shall furnish the appellant a certified copy of the findings and determination of the governing body. The court may affirm the action objected to or, if the appellant's objections have merit, modify or cancel it. If the appellant does not prevail upon the appeal, the costs incurred are taxed to the appellant by the court and judgment entered for them. All objections are deemed waived unless presented on appeal.

Sec. 10. [428A.14] IMPROVEMENT FEES AUTHORITY; NOTICE AND HEARING.

Subdivision 1. AUTHORITY. Fees may be imposed by the city on the housing units within the housing improvement area at a rate, term, or amount sufficient to produce

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revenue required to provide housing improvements in the area. The fee can be imposed on the basis of the tax capacity of the housing unit, or the total amount of square footage of the housing unit, or a method determined by the council and specified in the resolution. Before the imposition of the fees, a hearing must be held and notice must be published in the official newspaper at least seven days before the hearing and shall be mailed at least seven days before the hearing to any housing unit owner subject to a fee. For purposes of this section, the notice must also include:

(1) a statement that all interested persons will be given an opportunity to be heard at the hearing regarding a proposed housing improvement fee;

(2) the estimated cost of improvements including administrative costs to be paid for in whole or in part by the fee imposed under the ordinance;

(3) the amount to be charged against the particular property;

(4) the right of the property owner to prepay the entire fee;

(5) the number of years the fee will be in effect; and

(6) a statement that the petition requirements of section 428A.12 have either been met or do not apply to the proposed fee.

Within six months of the public hearing, the city may adopt a resolution imposing a fee within the area not exceeding the amount expressed in the notice issued under this section.

Prior to adoption of the resolution approving the fee, the condominium associations located in the housing improvement area shall submit to the city a financial plan prepared by an independent third party, acceptable to the city and associations, that provides for the associations to finance maintenance and operation of the common elements in the condominium and a long-range plan to conduct and finance capital improvements.

Subd. 2. LEVY LIMIT. Fees imposed under this section are not included in the calculation of levies or limits on levies imposed under any law or charter.

Sec. 11. [428A.15] COLLECTION OF FEES.

The city may provide for the collection of the housing improvement fees according to the terms of section 428A.05.

Sec. 12. [428A.16] BONDS.

At any time after a contract for the construction of all or part of an improvement authorized under sections 428A.11 to 428A.20 has been entered into or the work has been ordered, the governing body of the city may issue obligations in the amount it deems necessary to defray in whole or in part the expense incurred and estimated to be incurred in making the improvement, including every item of cost from inception to completion and all fees and expenses incurred in connection with the improvement or the financing.

The obligations are payable primarily out of the proceeds of the fees imposed under section 428A.14, or from any other special assessments or revenues available to be pledged for their payment under charter or statutory authority, or from two or more of those sources. The governing body may, by resolution adopted prior to the sale of obligations, pledge the full faith, credit, and taxing power of the city to assure payment of the

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principal and interest if the proceeds of the fees in the area are insufficient to pay the principal and interest. The obligations must be issued in accordance with chapter 475, except that an election is not required, and the amount of the obligations are not included in determination of the net debt of the city under the provisions of any law or charter limiting debt.

Sec. 13. [428A.17] ADVISORY BOARD.

The governing body of the city may create and appoint an advisory board for the housing improvement area in the city to advise the governing body in connection with the planning and construction of housing improvements. In appointing the board, the council shall consider for membership, members of condominium associations located in the housing improvement area. The advisory board shall make recommendations to the governing body to provide improvements or impose fees within the housing improvement area. Before the adoption of a proposal by the governing body to provide improvements within the housing improvement area, the advisory board of the housing improvement area shall have an opportunity to review and comment upon the proposal.

Sec. 14. [428A.18] VETO POWERS.

Subdivision 1. NOTICE OF RIGHT TO FILE OBJECTIONS. The effective date of any ordinance or resolution adopted under sections 428A.13 and 428A.14 must be at least 45 days after it is adopted. Within five days after adoption of the ordinance or resolution, a summary of the ordinance or resolution shall be mailed to the owner of each housing unit included in the multiunit housing improvement area. The mailing shall include a notice that owners subject to a fee have a right to veto the ordinance or resolution by filing the required number of objections with the city clerk before the effective date of the ordinance or resolution and that a copy of the ordinance or resolution is on file with the city clerk for public inspection.

Subd. 2. REQUIREMENTS FOR VETO. If residents of 35 percent or more of the housing units in the area subject to the fee file an objection to the ordinance adopted by the city under section 428A.13 with the city clerk before the effective date of the ordinance, the ordinance does not become effective. If owners of 35 percent or more of the housing units' tax capacity subject to the fee under section 428A.14 file an objection with the city clerk before the effective date of the resolution, the resolution does not become effective.

Sec. 15. [428A.19] ANNUAL REPORTS.

Each condominium association located within the housing improvement area must, by August 15 annually, submit a copy of its audited financial statements to the city. The city may also, as part of the enabling ordinance, require the submission of other relevant information from the associations.

Sec. 16. [428A.20] SPECIAL ASSESSMENTS.

Within a housing improvement area, the governing body of the city may, in addition to the fee authorized in section 428A.14, special assess housing improvements to benefited property. The governing body of the city may by ordinance adopt regulations consistent with this section.

Sec. 17. [428A.21] SUNSET.

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No new housing improvement areas may be established under sections 428A.11 to 428A.20 after June 30, 2001. After June 30, 2001, a city may establish a housing improvement area, provided that it receives enabling legislation authorizing the establishment of the area.

Sec. 18. Minnesota Statutes 1994, section 444.075, is amended by adding a subdivision to read:

Subd. 2a. **COLLECTION OF CHARGES BY WATERSHED DISTRICTS.** (a) With respect to watershed districts, charges established under section 103D.729 for the purpose of projects under section 103D.730 may be billed and collected in a manner the district shall determine, including certification to the counties with territory within the district for collection by the counties. A county may bill and collect the charges in a manner the county board shall determine or as described in paragraph (b).

(b) On or before October 15 in each year, the district or county board may certify to the county auditor all unpaid outstanding charges, and a description of the lands against which the charges arose. The county auditor shall extend the charges with interest not to exceed the interest rate provided for in section 279.03, subdivision 1, upon the tax rolls of the county for the taxes of the year in which the charge is filed. For each year ending October 15 the charge with interest shall be carried into the tax becoming due and payable in January of the following year, and shall be enforced and collected in the manner provided for the enforcement and collection of real property taxes. The charges, if not paid, shall become delinquent and subject to the same penalties and the same rate of interest as real property taxes.

(c) Any individual may appeal the charges under section 103D.535.

Sec. 19. Laws 1963, chapter 118, section 1, subdivision 3, is amended to read:

Subd. 3. For the purpose of this act, the term "municipality" shall include cities, villages, and towns of the hospital district, which are as follows: the cities of Faribault, Nerstrand, and Morristown; and the townships of Wheeling, Cannon City, Wells, Shieldsville, Morristown, Warsaw, Walcott, and Richland.

Sec. 20. Laws 1963, chapter 118, section 2, is amended to read:

Sec. 2. **HOSPITAL BOARD; APPOINTMENT; TERMS.**

Subdivision 1. The hospital district shall be governed by a board of directors of nine voting members, hereinafter called "hospital board", who shall be residents of the district, appointed by the ~~county board~~ committee described under subdivision 4. The members of the hospital board shall be selected from the several municipalities forming a part of the district, on the basis of population, so that, as nearly as practicable, the most populous municipality shall have numerical representation in proportion to its share of the total district population.

Subd. 2. One third of the members of the first hospital board shall be appointed for a term to expire one year from May 1 next following such appointment, one third for a term to expire two years from such date, and one third for a term to expire three years from such date. Successors to the original board members shall each be appointed for terms of three years. All members shall hold office until their successors are appointed and qualify. Terms of all members shall expire on May 1. Members of the hospital board shall be ap-

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pointed to a three-year term, expiring on May 1. Terms of office must be staggered so that one-third of the positions are up for appointment each year. In case of a vacancy on the hospital board, whether due to death, removal from the district nonresidency, inability to serve, resignation, or other removal for cause the county board, at its next regular or special meeting, shall make an appointment to fill such vacancy shall be made at a special meeting of the appointment committee for the then unexpired term. Tenure of each board member is limited to three successive three-year terms, or a total of nine successive years, but a member may be reappointed after one year without board membership. The hospital administrative staff shall facilitate the appointment process, including an open advertisement for hospital board vacancies.

Subd. 3. In addition to voting members, the hospital board may add ex officio members to the board, but without voting privilege. The hospital board shall adopt bylaws to provide grounds and a procedure for removal of board members for cause and may remove board members in accordance with the bylaws.

Subd. 4. All members of the hospital board at the time the hospital district is reorganized shall continue in office until the members of the first board of the reorganized district are appointed and qualify. A five-member appointment committee of elected officials representing the municipalities of the hospital district shall be established each year. Two members of the appointing committee shall be selected by the Faribault city council. Two members of the appointing committee shall be selected by the representatives of the other municipalities at the hospital annual meeting. One county commissioner member, whose constituency is made up of at least one-third of the city of Faribault, shall be selected by the Rice county board.

Sec. 21. Laws 1963, chapter 118, section 4, is amended to read:

Sec. 4. MEETINGS OF THE BOARD.

Subdivision 1. Regular meetings of the hospital board shall be held at least once a month, at such time and place as the board shall by resolution determine. Special meetings may be held at any time upon the call of the chairman or of any two other members, upon written notice mailed to each member three days prior to the meeting, or upon such other notice as the board, by resolution, may provide, or without notice, if each member is present or files with the secretary a written consent to the holding of the meeting, which consent may be filed before or after the meeting. Any action within the authority of the board may be taken by the vote of a majority of the members present at a regular or adjourned meeting or at a duly called special meeting if a quorum is present. A majority of all the members of the board shall constitute a quorum, but a lesser number may meet and adjourn from time to time.

Subd. 2. During the second half of each year, the hospital board will convene an annual meeting to report to the citizens of the hospital district on the state of the hospital. The agenda will include a report by the chief executive officer on the status of the hospital, future plans for the hospital, and the hospital's financial condition, including the need for revenues derived from the property tax levy. Each of the municipalities shall send one official representative.

Sec. 22. Laws 1963, chapter 118, section 6, is amended to read:

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Sec. 6. PAYMENT OF EXPENSES; TAXATION.

Subdivision 1. Expenses of acquisition, betterment, administration, operation, and maintenance of any hospital, including nursing home facilities, operated by the hospital district, shall be paid from the revenue derived therefrom and, to the extent necessary, from ad valorem taxes levied by the hospital board upon all taxable property situated within the district. ~~and, to the extent determined from time to time by the county board of Rice county, from appropriations made by said board in accordance with the provisions of Minnesota Statutes 1961, Section 376.08, or any future laws authorizing such appropriations. Any moneys so appropriated by such county board for the acquisition or betterment of facilities of the hospital district may be transferred, in the discretion of the hospital board, to a sinking fund for bonds issued for that purpose. The hospital board may agree to repay to the county any sums so appropriated, out of the net revenues to be derived from operation of its facilities, subject to such terms as may be agreed upon. No taxes levied by the hospital district in any year, other than taxes levied for payment of bonded indebtedness, shall exceed a total of five mills, provided that such limitation may be exceeded if the amount proposed to be levied in excess of such millage against property in any municipality within the district added to the levy of such municipality would not cause such municipal levy to exceed the limitations of Minnesota Statutes 1961, Section 275.10 or 275.11.~~

Subd. 2. On or before ~~October 10~~ September 15 of each year the hospital board shall ~~determine~~ certify to the county auditor the total amount required to be raised from ad valorem tax levy in order to meet estimated expenses during the ensuing year and shall cause such amount to be certified to the county auditor to be extended upon the tax rolls.

Subd. 3. ~~The county auditor shall determine the millage levy required and certify the same to the county treasurer for collection with other taxes. The county treasurer shall make settlement of such taxes with the treasurer of the hospital district in the same manner as other taxes are distributed to political subdivisions. The levies authorized by this section shall be in addition to any other taxes authorized by law.~~

Subd. 4. The hospital board may levy up to 1.70 percent of the hospital district's net tax capacity without the approval of the Faribault city council and the governing bodies of the other municipalities in the hospital district. Any amount of tax levied by the hospital board in excess of 1.70 percent of the hospital district's net tax capacity shall require ratification by a majority vote of the Faribault city council and a majority of the governing bodies of the other municipalities in the hospital district. At the option of the hospital board, the vote may occur at a specially scheduled joint meeting of all the municipalities of the hospital district, or at the hospital's annual meeting.

Sec. 23. Laws 1971, chapter 869, section 2, subdivision 2, as amended by Laws 1973, chapter 632, section 1, is amended to read:

Subd. 2. **ALEXANDRIA, CITY OF; SANITARY SEWER BOARD.** "Alexandria Lake Area Sanitary District" and "district" mean the area over which the sanitary sewer board has jurisdiction which shall include all that part of Douglas county, Minnesota, described as follows, to-wit:

(a) all of the city of Alexandria, Minnesota;

(b) the NW 1/4 of section 3, the SW 1/4 of section 3 except the SE 1/4 thereof, all of sections 4, 5, 6, 7, 8, 9, 10, 15, 16, 17, 18, 19, 20 and 21, section 22 except the E 1/2 of the

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SE 1/4 thereof, the NW 1/4 and the W 1/2 of the NE 1/4 of section 27, section 28 except the E 1/2 of the SE 1/4 thereof, all of sections 29, 30, 31 and 32, and section 33 except for the E 1/2 of the E 1/2 thereof all in township 128 north, range 37 west, excepting that part of the foregoing territory already included within the district by reason of its being within the corporate limits of the city of Alexandria;

(c) all that part of the W 1/2 of section 4 and all of section 5 lying north of the north right of way line of Interstate Highway I-94, the and N 1/2 of section 6 all in township 127 north, range 37 west, excepting that part of the foregoing territory already included within the district by reason of its being within the corporate limits of the city of Alexandria;

(d) the SW 1/4 of section 10, the SW 1/4 of section 14, the NW 1/4 and the S 1/2 of section 15, the S 1/2 and the NW 1/4 of section 16, the S 1/2 of the NE 1/4 and the S 1/2 of section 17, the E 1/2 of the E 1/2 of section 19, all of section 20, the W 1/2 of section 21, the N 1/2 of the NW 1/4 of section 23, the W 1/2 of section 28, all of section 29, the S 1/2 of the SE 1/4 and the E 1/2 of the E 1/2 of section 30, the E 1/2 of the NE 1/4 and all of the SE 1/4 of section 31, all of sections 32 and 33 and the SW 1/4 of section 34 all in township 129 north, range 37 west;

(e) all of sections 1 and 2, section 10 except the N 1/2 of the NW 1/4 and the NW 1/4 of the NE 1/4 thereof, all of sections 11, 12, 13 and 14, section 15 except the SW 1/4 and the W 1/2 of the SE 1/4 thereof, the E 1/2 of the NE 1/4 and all of the SE 1/4 of section 22, the SE 1/4 of the SW 1/4 of section 22, all of sections 23, 24, 25 and 26, section 27 except the W 1/2 of the NW 1/4 thereof, the SE 1/4 of section 28, the NE 1/4 of the SE 1/4 of section 32, the SW 1/4, the NW 1/4, the NE 1/4 of section 33 except the SW 1/4 thereof, and the NW 1/4 and the NW 1/4 of the NE 1/4 of section 34 all in township 128 north range 38 west, excepting that part of the foregoing territory already included within the district by reason of its being within the corporate limits of the city of Alexandria;

(f) such other territory within or without Douglas county, Minnesota as may be included within the district pursuant to section 21.

Sec. 24. Laws 1971, chapter 869, section 2, subdivision 14, is amended to read:

Subd. 14. "Municipality" means any city, village or town located in whole or in part in the district.

Sec. 25. Laws 1971, chapter 869, section 2, subdivision 17, as added by Laws 1975, chapter 287, section 1, is amended to read:

Subd. 17. **ALEXANDRIA, CITY OF; LAKE AREA; SANITARY SEWERS.** "Agricultural property" means land as is classified agricultural land within the meaning of Minnesota Statutes, Section 273.13, Subdivision 6.23, paragraph (c).

Sec. 26. Laws 1971, chapter 869, section 3, subdivision 5, is amended to read:

Subd. 5. **TERMS OF OFFICE.** The term of each of the first board members shall expire on January 1 in a calendar year to be determined in accordance with subdivision 2 by the governing body selecting such member, provided that such term shall not expire any later than January 1, 1975. Succeeding terms of all board members shall be for one, two, three or four calendar years to be determined in accordance with subdivision 2 by the governing body selecting such member. Terms shall expire on January 1 of a calendar year, except that each member shall serve until his successor has been duly selected and qualified.

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Sec. 27. Laws 1971, chapter 869, section 3, subdivision 6, is amended to read:

Subd. 6. **REMOVAL.** A board member may be removed by the unanimous vote of the appointing governing body appointing him, with or without cause, or by the governor for malfeasance or nonfeasance in the performance of his official duties as provided by Minnesota Statutes, Sections 351.03 and 351.04.

Sec. 28. Laws 1971, chapter 869, section 3, subdivision 9, is amended to read:

Subd. 9. **BOARD MEMBERS' COMPENSATION.** Each board member, except the chairman, shall be paid a per diem compensation of \$25 for meetings and for such other services in such amount as are specifically authorized by the board, from time to time. Per diem compensation shall not to exceed \$1,000 \$4,000 in any one year. The chairman shall be paid a per diem compensation of \$35 for meetings and for such other services as are specifically authorized by the board, not to exceed \$1,500 in any one year. All members of the board shall be reimbursed for all reasonable expenses incurred in the performance of their duties as determined by the board.

Sec. 29. Laws 1971, chapter 869, section 4, subdivision 1, is amended to read:

Subdivision 1. **ORGANIZATION; OFFICERS; MEETINGS; SEAL.** After the selection and qualification of all board members, they shall meet to organize the board at the call of any two board members, upon seven days a notice by registered mail to the remaining board members, at a time and place within the district specified in the notice. A majority of the members shall constitute a quorum at that meeting and all other meetings of the board, but a lesser number may meet and adjourn from time to time and compel the attendance of absent members. At the first meeting the board shall select its officers as hereinafter provided and conduct such other organizational business as may be necessary. Thereafter The board shall meet regularly at such time and place as the board shall by resolution designate. Special meetings may be held at any time upon call of the chairman or any two members, upon written notice sent by mail to each member at least three days prior to the meeting, or upon such other notice as the board by resolution may provide, or without notice if each member is present or files with the secretary a written consent to the meeting either before or after the meeting. Except as otherwise provided in this act, any action within the authority of the board may be taken by the affirmative vote of a majority of the board may be taken by at a regular or adjourned regular meeting or at a duly held special meeting, but in any case only if a quorum is present. All meetings of the board shall be open to the public. The board may adopt a seal, which shall be officially and judicially noticed, to authenticate instruments executed by its authority, but omission of the seal shall not affect the validity of any instruction.

Sec. 30. Laws 1971, chapter 869, section 4, subdivision 2, is amended to read:

Subd. 2. **CHAIRMAN CHAIR.** The board shall elect a chairman chair from its membership. The term of the first chairman of the board shall expire on January 1, 1973, and the terms of successor chairmen chair shall expire on January 1 of each succeeding year. The chairman chair shall preside at all meetings of the board, if present, and shall perform all other duties and functions usually incumbent upon such an officer, and all administrative functions assigned to him by the board. The board shall elect a vice chairman chair from its membership to act for the chairman chair during his temporary absence or disability.

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Sec. 31. Laws 1971, chapter 869, section 4, subdivision 5, as amended by Laws 1973, chapter 632, section 2, is amended to read:

Subd. 5. **PUBLIC EMPLOYEES.** The executive director and all persons employed by the executive director shall be public employees, and shall have all the rights and duties conferred on public employees under Minnesota Statutes, Sections 179.50 to 179.571. The board may elect to have such employees become members of either the public employees retirement association or the Minnesota state retirement system 179A.01 to 179A.25. The compensation and conditions of employment of such employees shall not be governed by any rule applicable to state employees in the classified service nor to any of the provisions of Minnesota Statutes, Chapter 15A, unless the board so provides.

Sec. 32. Laws 1971, chapter 869, section 5, subdivision 1, is amended to read:

Subdivision 1. **BOARD PLAN AND PROGRAM.** The board shall adopt as its first a comprehensive plan for the collection, treatment, and disposal of sewage in the district for such designated period as the board deems proper and reasonable ~~the comprehensive plan adopted by the joint powers board heretofore established for the Alexandria Lake Area Sanitary District by agreement among local government units pursuant to Minnesota Statutes, Section 471.59.~~ The board shall prepare and adopt subsequent comprehensive plans for the collection, treatment and disposal of sewage in the district for each such succeeding designated period as the board deems proper and reasonable. The first plan, as modified by the board, and any subsequent plan shall take into account the preservation and best and most economic use of water and other natural resources in the area; the preservation, use and potential for use of lands adjoining waters of the state to be used for the disposal of sewage; and the impact such a disposal system will have on present and future land use in the area affected thereby. Such plans shall include the general location of needed interceptors and treatment works, a description of the area that is to be served by the various interceptors and treatment works, a long range capital improvements program and such other details as the board shall deem appropriate. In developing the plans, the board shall consult with persons designated for such purpose by governing bodies of any municipal or public corporation or governmental or political subdivision or agency within the district to represent such entities and shall consider the data, resources and input offered to the board by such entities and any planning agency acting on behalf of one or more such entities. Each such plan, when adopted, shall be followed in the district and may be revised as often as the board deems necessary.

Sec. 33. Laws 1971, chapter 869, section 5, subdivision 3, is amended to read:

Subd. 3. **MUNICIPAL PLANS AND PROGRAMS; COORDINATION WITH BOARD'S RESPONSIBILITIES.** As soon as practicable after the adoption by the board of the first comprehensive plan, and before undertaking the construction of new sewers or other disposal facilities or the substantial alteration or improvement of any existing sewers or other disposal facilities, each local government unit may, and shall if the construction or alteration of any sewage disposal facilities is contemplated by such government unit, adopt a similar comprehensive plan and program for the collection, treatment and disposal of sewage for which the local government unit is responsible, coordinated with the board's comprehensive plan, and may revise the same as often as it deems necessary. Each such local plan or revision thereof shall be submitted forthwith to the board for review and shall be subject to the approval of the board as to those features of

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the plan affecting the board's responsibilities as determined by the board. Any such features disapproved by the board shall be modified in accordance with the board's recommendations. ~~Once the board's plan is adopted, No such construction project involving such features shall be undertaken by the local government unit unless its governing body shall first find the project to be in accordance with the government unit's comprehensive plan and program as approved by the board. Prior to approval by the board of the comprehensive plan and program of any local government unit in the district, no such construction project shall be undertaken by such government unit unless approval of the project is first secured from the board as to those features of the project affecting the board's responsibilities as determined by the board.~~

Sec. 34. Laws 1971, chapter 869, section 8, is amended to read:

Sec. 8. **BUDGET.**

The board shall prepare and adopt, on or before October 1, 1971 ~~and on or before October 1, 1972, and of each year thereafter,~~ a budget showing for the following calendar year or other fiscal year determined by the board, sometimes referred to in this act as the budget year, estimated receipts of money from all sources, including but not limited to payments by each local government unit, federal or state grants, taxes on property, and funds on hand at the beginning of the year, and estimated expenditures for:

(1) ~~deferred payments under section 9, subdivisions 3 and 4;~~

(2) costs of operation, administration and maintenance of the district disposal system;

(3) (2) cost of acquisition and betterment of the district disposal system; and

(4) (3) debt service, including principal and interest, on general obligation bonds and certificates issued pursuant to section 13, obligations and debts assumed under section 6, subdivisions 2 and 3, and any money judgments entered by a court of competent jurisdiction. Expenditures within these general categories, and such others as the board may from time to time determine, shall be itemized in such detail as the board shall prescribe. The board and its officers, agents and employees shall not spend money for any purpose other than debt service without having set forth such expense in the budget nor in excess of the amount set forth in the budget therefor, and no obligation to make such an expenditure shall be enforceable except as the obligation of the person or persons incurring it; provided that the board may amend the budget at any time by transferring from one purpose to another any sums except money for debt service and bond proceeds or by increasing expenditures in any amount by which cash receipts during the budget year actually exceed the total amounts designated in the original budget. The creation of any obligation pursuant to section 13 or the receipt of any federal or state grant is a sufficient budget designation of the proceeds for the purpose for which it is authorized, and of the tax or other revenue pledged to pay the obligation and interest on it, whether or not specifically included in any annual budget.

Sec. 35. Laws 1971, chapter 869, section 10, subdivision 3b, as added by Laws 1975, chapter 287, section 6, is amended to read:

Subd. 3b. Any ad valorem taxes levied under Laws 1971, Chapter 869, Section 10, Subdivision 3 or Section 5 of this act by the governing body of a government unit to pay any sums charged to it by the board under Laws 1971, Chapter 869 ~~or this act shall be~~

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considered special levies within the meaning of Minnesota Statutes, Section 275.50, Subdivision 5, as amended are not subject to, or counted towards, any limit imposed by law on the levy of the taxes upon taxable property within any governmental unit.

Sec. 36. Laws 1971, chapter 869, section 12, subdivision 1, as amended by Law 1973, chapter 632, section 3, is amended to read:

Subdivision 1. **CONTRIBUTIONS OR ADVANCES FROM LOCAL GOVERNMENT UNITS.** The board may, at such time as it deems necessary and proper, request from all or some of the local government units necessary moneys to defray the costs of any obligations assumed under section 6 and the costs of administration, operation and maintenance, including but not limited to expenses and services described in subdivision 3. Before making such request the board shall, by formal resolution, determine the necessity for such moneys, setting forth in such resolution the purposes for which such moneys are needed and the estimated amount for each such purpose. Upon receiving such request, the governing body of each such government unit may provide for payment of the amount requested or such part thereof as it deems fair and reasonable. Such moneys may be paid out of general revenue funds or any other available funds of any local government unit and the governing bodies thereof may levy taxes to provide funds therefor, free from any existing limitations imposed by law or charter. Such moneys may be provided by such government units with or without interest but if interest is charged it shall not exceed five percent per annum. The board shall credit the local government units for such payments in allocating current costs pursuant to section 9, on such terms and at such times as it may agree with the unit furnishing the same.

Sec. 37. Laws 1971, chapter 869, section 12, subdivision 2, as amended by Laws 1973, chapter 632, section 4, is amended to read:

Subd. 2. **LIMITED TAX LEVY.** The board may levy ad valorem taxes on all taxable property in the district to defray any of the costs described in subdivisions subdivision 1 and 3, provided that: (a) such costs have not been defrayed by contribution under subdivision 1 and (b) such tax levy in any year shall not exceed 5 mills a tax capacity rate of four percent annually. Before certification of such levy to the county auditor, the board shall determine the need for the money to be derived from such levy by formal resolution setting forth in said resolution the purposes for which the tax moneys will be used and the amount proposed to be used for each such purpose. In allocating current costs pursuant to section 9 the board shall credit the government units for taxes collected pursuant to levy made under this subdivision on such terms and at such times as it deems just and reasonable.

Sec. 38. Laws 1971, chapter 869, section 17, subdivision 11, is amended to read:

Subd. 11. The board may sell, lease or otherwise dispose of any real or personal property acquired by it which is no longer required for accomplishment of its purposes. Such property may be sold in the manner provided by Minnesota Statutes, Section ~~458.196~~ 469.065, insofar as practical. The board may give such notice of sale as it shall deem appropriate. When the board determines that any property or any part of the district disposal system which has been acquired from a local government unit without compensation is no longer required but is required as a local facility by the government unit from which it was acquired, the board may by resolution transfer it to such government unit.

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Sec. 39. Laws 1971, chapter 869, section 19, is amended to read:

Sec. 19. SERVICE CONTRACTS WITH GOVERNMENTAL ENTITIES OUTSIDE THE JURISDICTION OF THE BOARD.

The board may contract with the United States or any agency thereof, any state or any agency thereof, or any municipal or public corporation, governmental subdivision or agency or political subdivision in any state, outside the jurisdiction of the board, for furnishing to such entities any services which the board may furnish to local government units in the district under this act, including but not limited to planning for and the acquisition, betterment, operation, administration and maintenance of any or all interceptors, treatment works and local sanitary sewer facilities, provided that the board may further include as one of the terms of the contract that such entity also pay to the board such amount as may be agreed upon as a reasonable estimate of the proportionate share properly allocable to the entity of costs of acquisition, betterment and debt service previously allocated to local government units in the district. When such payments are made by such entities to the board, they shall be applied in reduction of the total amount of costs thereafter allocated to each local government unit in the district, on such equitable basis as the board deems to be in the best interests of the district, applying so far as practicable and appropriate the criteria set forth in section 9, subdivision 2 2a. Any municipality in the state of Minnesota may enter into such contract and perform all acts and things required as a condition or consideration therefor consistent with the purposes of this act, whether or not included among the powers otherwise granted to such municipality by law or charter, such powers to include those powers set out in section 10, subdivisions 3, 3a, 3b, and 4.

Sec. 40. Laws 1971, chapter 869, section 20, subdivision 2, is amended to read:

Subd. 2. CONTRACTS IN EXCESS OF \$5,000 UNIFORM MUNICIPAL CONTRACTING LAW. No contract for any construction work, or for the purchase of materials, supplies, or equipment, estimated to cost more than \$5,000 shall be made by the board without publishing once in a newspaper having general circulation in the district and once in a trade paper or legal newspaper published in any city of the first class, not less than 14 days before the last day for submission of bids, notice that bids or proposals will be received. Such notice shall state the nature of the work or purchase and the terms and conditions upon which the contract is to be awarded, and the time and place where such bids will be received, opened, and read publicly. After such bids have been duly received, opened, read publicly, and recorded, the board shall within a reasonable time award such contract to the lowest responsible bidder or it may reject all bids and readvertise. Each contract shall be duly executed in writing and the party to whom the contract is awarded shall give sufficient bond or security to the board for the faithful performance of the contract as required by law. If the board by an affirmative vote of not less than two thirds of its members declares that an emergency exists requiring the immediate purchase of materials or supplies or in making emergency repairs, at a cost estimated to be in excess of \$5,000, it shall not be necessary to advertise for bids. All contracts for work to be done or for purchases of materials, supplies, or equipment shall be done in accordance with Minnesota Statutes, section 471.345.

Sec. 41. Laws 1971, chapter 869, section 21, is amended to read:

Sec. 21. ANNEXATION OF TERRITORY.

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Subdivision 1. **METHOD AND CONDITIONS FOR ANNEXATION.** Any municipality in Douglas county, Minnesota upon resolution adopted by a four-fifths vote of its governing body may petition the board for annexation to the district of the area then comprising the municipality, or any part thereof and, if accepted by the board, such area shall be deemed annexed to the district and subject to the jurisdiction of the board under the terms and provisions of this act. The territory so annexed shall be subject to taxation and assessment pursuant to the provisions of this act and shall be subject to taxation by the board like other property in the district for the payment of principal and interest thereafter becoming due on general obligations of the board, whether authorized or issued before or after such annexation. The board may in its discretion condition approval of the annexation upon: (a) the contribution, by or on behalf of the municipality petitioning for annexation, to the board of such amount as may be agreed upon as being a reasonable estimate of the proportionate share, properly allocable to the municipality, of costs of acquisition, betterment and debt service previously allocated to local government units in the district, on such terms as may be agreed upon; and in lieu of (a) or in addition thereto (b) such other and further conditions as the board deems in the best interests of the district. Notwithstanding any other provisions of this act to the contrary, the conditions established for annexation may include the requirement that the annexed municipality pay for, contract for and oversee the construction of local sanitary sewer facilities and interceptor sewers as those terms are defined in section 2. For the purpose of paying this such contribution or of satisfying any other condition established by the board, the municipality petitioning annexation may exercise the powers conferred in section 10. When such contributions are made by the municipality to the board, they shall be applied in reduction of the total amount of costs thereafter allocated to each local government unit in the district, on such equitable basis as the board deems to be in the best interests of the district, applying so far as practicable and appropriate the criteria set forth in section 9, subdivision 2. Upon annexation of such territory, the secretary of the board shall certify to the auditor and treasurer of the county in which the municipality is located the fact of such annexation and a legal description of the territory annexed.

Subd. 2. **LAKE MARY AND IDA TOWNSHIPS.** If Lake Mary or Ida townships, or both of them, petition to annex all or any part or parts of their townships to the district, upon acceptance by the board, the townships shall have all powers set out in section 18, subdivision 6.

Sec. 42. Laws 1971, chapter 869, section 24, is amended to read:

Sec. 24. AFFECTED LOCAL GOVERNMENT UNITS.

The city of Alexandria and the townships of Alexandria, Carlos, Hudson and, La-Grand, Lake Mary, and Ida, in the county of Douglas, are affected by this act. Local consent shall not be required.

Sec. 43. Laws 1985, chapter 302, section 2, subdivision 1, as amended by Laws 1993, chapter 375, article 5, section 36, subdivision 1, and Laws 1995, chapter 264, article 3, section 28, subdivision 1, is amended to read:

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

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(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;

(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; and

(f) establishing a special service district that includes that portion of Minneapolis lying within the following described line: commencing at the intersection of France Avenue South and Glendale Terrace; south on France Avenue South to 52nd Street West; east on 52nd Street West to Ewing Avenue South, north on Ewing Avenue South to 51st Street West; east on 51st Street West to Upton Avenue South; north on Upton Avenue South to 44th Street West; east on 44th Street West to Thomas Avenue South; north on a line which would be a continuation of Thomas Avenue South to 42nd Street West; west on 42nd Street West to Vincent Avenue South; south on Vincent Avenue South to 43rd Avenue West; west on 43rd Street West to Chowen Avenue South; south on Chowen Avenue South to Drew Avenue South; southwesterly on Drew Avenue South to Glendale Terrace; and west on Glendale Terrace 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

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

Sec. 44. CITY OF MINNEAPOLIS; SPECIAL SERVICE DISTRICT OPTION.

For special service districts established in the city of Minneapolis after enactment of this act and before July 1, 2001, the city of Minneapolis may at its option (1) establish the district under the provisions of Minnesota Statutes, sections 428A.01 to 428A.10, or (2) establish by ordinance the district under the provisions of Laws 1985, chapter 302, sections 1 to 7, as amended. The enactment of enabling legislation under Laws 1985, chapter 302, as amended, is not required for a district established under this section.

Sec. 45. VALLEY BRANCH WATERSHED DISTRICT.

Subdivision 1. LEVY AUTHORIZED. Notwithstanding Minnesota Statutes, section 103D.905, subdivision 3, the Valley Branch watershed district may levy up to \$200,000 annually for its administrative fund.

Subd. 2. EFFECTIVE DATE. This section is effective, without local approval, beginning with taxes levied in 1996, payable in 1997.

Sec. 46. VIRGINIA AREA AMBULANCE DISTRICT.

Subdivision 1. AGREEMENT; POWERS; GENERAL DESCRIPTION. (a) The cities of Virginia, Mountain Iron, and Gilbert, and all or part of the towns of Pike, Clinton, McDavitt, Colvin, Sandy, Cherry, Ellsburg, Wouri, Lavell, and Embarrass, may by resolution of their city councils and town boards establish the Virginia area ambulance district.

(b) The St. Louis county board may by resolution provide that property located in unorganized townships described in clauses (1) to (5), or any part of them, may be included within the district:

- (1) Township 61 North, Range 17 West;
- (2) Township 59 North, Ranges 16 and 18 West;
- (3) Township 56 North, Range 16 West;
- (4) Township 60 North, Range 18 West; and
- (5) Township 55 North, Range 15.

(c) The district shall make payments of the proceeds of the tax authorized in this section to the city of Virginia, which shall provide ambulance services throughout the district and may exercise all the powers of the cities and towns that relate to ambulance service anywhere within its territory.

(d) Any other contiguous town or home rule charter or statutory city may join the district with the agreement of the cities and towns that comprise the district at the time of its application to join. Action to join the district may be taken by the city council or town board of the city or town.

Subd. 2. BOARD. The district shall be governed by a board composed of one member appointed by the city council or town board of each city and town in the district. A

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district board member may, but is not required to, be a member of a city council or town board. Except as provided in this section, members shall serve two-year terms ending the first Monday in January and until their successors are appointed and qualified. Of the members first appointed, as far as possible, the terms of one-half shall expire on the first Monday in January in the first year following appointment and one-half the first Monday in January in the second year. The terms of those initially appointed must be determined by lot. If an additional member is added because an additional city or town joins the district, the member's term must be fixed so that, as far as possible, the terms of one-half of all the members expire on the same date.

Subd. 3. TAX. The district may impose a property tax on real and personal property in the district in an amount sufficient to discharge its operating expenses and debt payable in each year, but not to exceed .0528 percent of the district's taxable market value. The St. Louis county auditor shall collect the tax and distribute it to the Virginia area ambulance district.

Subd. 4. PUBLIC INDEBTEDNESS. The district may incur debt in the manner provided for a municipality by Minnesota Statutes, chapter 475, when necessary to accomplish a duty charged to it.

Subd. 5. WITHDRAWAL. Upon two years' notice, a city or town may withdraw from the district. Its territory shall remain subject to taxation for debt incurred prior to its withdrawal pursuant to Minnesota Statutes, chapter 475.

Subd. 6. EFFECTIVE DATE. This section is effective in the cities of Virginia, Mountain Iron, and Gilbert, and the towns of Pike, Clinton, McDavitt, Colvin, Sandy, Cherry, Ellsburg, Wouri, Lavell, and Embarrass the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of each. This section is effective for unorganized townships described in subdivision 1, paragraph (b), clauses (1) to (6), the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the St. Louis county board.

Sec. 47. REPEALER.

Laws 1971, chapter 869, section 6, subdivision 3, is repealed.

Sec. 48. EFFECTIVE DATE.

Pursuant to Minnesota Statutes, section 645.023, subdivision 1, sections 19 to 22 are effective without local approval on the day following final enactment and section 19 applies to taxes levied in 1996, payable in 1997, and thereafter.

Sections 23 to 42 and 47 are effective without local approval on the day after their final enactment.

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ARTICLE 9

OBSOLETE PROVISIONS

Section 1. Minnesota Statutes 1994, section 290.0922, subdivision 3, is amended to read:

Subd. 3. **DEFINITION DEFINITIONS.** (a) “Minnesota sales or receipts,” means the total sales apportioned to Minnesota pursuant to section 290.191, subdivision 5, the total receipts attributed to Minnesota pursuant to section 290.191, subdivisions 6 to 8, and/or the total sales or receipts apportioned or attributed to Minnesota pursuant to any other apportionment formula applicable to the taxpayer.

(b) “Minnesota property,” and means total Minnesota tangible property as provided in section 290.191, subdivisions 9 to 11, and any other tangible property located in Minnesota. Intangible property shall not be included in Minnesota property for purposes of this section. Taxpayers who do not utilize tangible property to apportion income shall nevertheless include Minnesota property for purposes of this section. On a return for a short taxable year, the amount of Minnesota property owned, as determined under section 290.191, shall be included in Minnesota property based on a fraction in which the numerator is the number of days in the short taxable year and the denominator is 365.

(c) “Minnesota payrolls” have the meanings given in section 290.092, subdivision 4 means total Minnesota payrolls as provided in section 290.191, subdivision 12. Taxpayers who do not utilize payrolls to apportion income shall nevertheless include Minnesota payrolls for purposes of this section.

Sec. 2. Minnesota Statutes 1994, section 290.095, subdivision 3, is amended to read:

Subd. 3. **CARRYOVER.** (a) A net operating loss incurred in a taxable year: (i) beginning after December 31, 1986, shall be a net operating loss carryover to each of the 15 taxable years following the taxable year of such loss; (ii) beginning before January 1, 1987, shall be a net operating loss carryover to each of the five taxable years following the taxable year of such loss subject to the provisions of Minnesota Statutes 1986, section 290.095; and (iii) beginning before January 1, 1987, shall be a net operating loss carry-back to each of the three taxable years preceding the loss year subject to the provisions of Minnesota Statutes 1986, section 290.095.

(b) The entire amount of the net operating loss for any taxable year shall be carried to the earliest of the taxable years to which such loss may be carried. The portion of such loss which shall be carried to each of the other taxable years shall be the excess, if any, of the amount of such loss over the sum of the taxable net income, adjusted by the modifications specified in subdivision 4, for each of the taxable years to which such loss may be carried.

(c) Where a corporation does business both within and without Minnesota, and apports its income under the provisions of section 290.191, the net operating loss deduction incurred in any taxable year shall be allowed to the extent of the apportionment ratio of the loss year.

(d) ~~No additional net operating loss deduction is allowed in a subsequent taxable year for the portion of a net operating loss deduction incurred in any taxable year used to offset Minnesota income in a year in which the taxpayer is subject to the alternative minimum tax in section 290.092.~~

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(e) The provisions of sections 381, 382, and 384 of the Internal Revenue Code apply to carryovers in certain corporate acquisitions and special limitations on net operating loss carryovers.

Sec. 3. Minnesota Statutes 1994, section 297A.15, subdivision 5, is amended to read:

Subd. 5. **REFUND; APPROPRIATION.** Notwithstanding the provisions of sections 297A.02, subdivision 5, and 297A.25, ~~subdivisions~~ subdivision 42 and 50, the tax on sales of capital equipment, and replacement capital equipment, and construction materials and supplies under section 297A.25, subdivision 50, shall be imposed and collected as if the ~~rates~~ rate under sections section 297A.02, subdivision 1, and 297A.021, applied. Upon application by the purchaser, on forms prescribed by the commissioner, a refund equal to the reduction in the tax due as a result of the application of the exemption under section 297A.25, subdivision 42 or 50, and the ~~rates~~ rate under sections section 297A.02, subdivision 5, and 297A.021 shall be paid to the purchaser. ~~In the case of building materials qualifying under section 297A.25, subdivision 50, where the tax was paid by a contractor, application must be made by the owner for the sales tax paid by all the contractors, subcontractors, and builders for the project. The application must include sufficient information to permit the commissioner to verify the sales tax paid for the project. The application shall include information necessary for the commissioner initially to verify that the purchases qualified as capital equipment under section 297A.25, subdivision 42, or replacement capital equipment under section 297A.01, subdivision 20, or capital equipment or construction materials and supplies under section 297A.25, subdivision 50. No more than two applications for refunds may be filed under this subdivision in a calendar year. No owner may apply for a refund based on the exemption under section 297A.25, subdivision 50, before July 1, 1993. Unless otherwise specifically provided by this subdivision, the provisions of section 289A.40 apply to the refunds payable under this subdivision. There is annually appropriated to the commissioner of revenue the amount required to make the refunds.~~

The amount to be refunded shall bear interest at the rate in section 270.76 from the date the refund claim is filed with the commissioner.

Sec. 4. Minnesota Statutes 1994, section 297A.15, subdivision 6, is amended to read:

Subd. 6. **REFUND; APPROPRIATION.** The tax on the gross receipts from the sale of items exempt under section 297A.25, subdivision 43, must be imposed and collected as if the sale were taxable and the ~~rates~~ rate under sections section 297A.02, subdivision 1, and 297A.021 applied.

Upon application by the owner of the homestead property on forms prescribed by the commissioner, a refund equal to the tax paid on the gross receipts of the building materials and equipment must be paid to the homeowner. In the case of building materials in which the tax was paid by a contractor, application must be made by the homeowner for the sales tax paid by the contractor. The application must include sufficient information to permit the commissioner to verify the sales tax paid for the project. The contractor must furnish to the homeowner a statement of the cost of building materials and the sales taxes paid on the materials. The amount required to make the refunds is annually appro-

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priated 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.

Sec. 5. Minnesota Statutes 1994, section 297A.21, subdivision 4, is amended to read:

Subd. 4. REQUIRED REGISTRATION BY OUT-OF-STATE RETAILER NOT MAINTAINING PLACE OF BUSINESS IN MINNESOTA. (a) A retailer making retail sales from outside this state to a destination within this state and not maintaining a place of business in this state shall file an application for a permit pursuant to section 297A.04 and shall collect and remit the use tax as provided in section 297A.16 if the retailer engages in the regular or systematic soliciting of sales from potential customers in this state by:

(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 in 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 telegraphy, telephone, computer database, cable, optic, microwave, or other communication system.

(b) The location within or without this state of vendors independent of the retailer which provide products or services to the retailer in connection with its solicitation of customers within this state, including such products and services as creation of copy, printing, distribution, and recording, is not to be taken into account in the determination of whether the retailer is required to collect use tax. Paragraph (a) shall be construed without regard to the state from which distribution of the materials originated or in which they were prepared.

(c) A retailer not maintaining a place of business in this state shall be presumed, subject to rebuttal, to be engaged in regular solicitation within this state if it engages in any of the activities in paragraph (a) and (1) makes 100 or more retail sales from outside this state to destinations within this state during a period of 12 consecutive months, or (2) makes ten or more retail sales totaling more than \$100,000 from outside this state to destinations within this state during a period of 12 consecutive months.

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(d) A retailer not maintaining a place of business in this state shall not be required to collect use tax imposed by any local governmental unit or subdivision of this state and this section does not subject such a retailer to any regulation of any local unit of government or subdivision of this state. ~~This paragraph does not apply to the tax imposed under section 297A.021.~~

Sec. 6. Minnesota Statutes 1994, section 297A.211, subdivision 3, is amended to read:

Subd. 3. A person who pays the tax to the seller under section 297A.03 or pays the tax to the motor vehicle registrar as required by section 297B.02 and who meets the requirements of this section at the time of the sale, except that the person has not registered as a retailer under this section at the time of the sale, may register as a retailer, make a return, and file for a refund of the difference between the tax calculated under section 297A.02, ~~297A.021~~, 297A.14, or 297B.02 and the tax calculated under subdivision 2.

Sec. 7. Minnesota Statutes 1994, section 297A.24, subdivision 1, is amended to read:

Subdivision 1. **STATE TAX.** If any article of tangible personal property or any item enumerated in section 297A.14 has already been subjected to a tax by any other state in respect of its sale, storage, use or other consumption in an amount less than the tax imposed by sections 297A.01 to 297A.44, then as to the person who paid the tax in such other state, the provisions of section 297A.14 shall apply only at a rate measured by the difference between the ~~sum of the rates~~ rate imposed under ~~sections~~ section 297A.02 and ~~297A.021~~ and the rate by which the previous tax was computed. If such tax imposed in such other state was equal to or greater than the tax imposed in this state, then no tax shall be due from such person under section 297A.14.

Sec. 8. Minnesota Statutes 1994, section 297A.2572, is amended to read:

297A.2572 AGRICULTURE PROCESSING FACILITY MATERIALS; EXEMPTION.

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, subcontractor, or builder, if the materials and supplies are used or consumed in constructing an agriculture processing facility as defined in section 469.1811 in which the total capital investment in the processing facility is expected to exceed \$100,000,000. The tax shall be imposed and collected as if the ~~rates~~ rate under ~~sections~~ section 297A.02, subdivision 1, and ~~297A.021~~, applied, and then refunded in the manner provided in section 297A.15, subdivision 5.

Sec. 9. Minnesota Statutes 1994, section 297A.2573, is amended to read:

297A.2573 MINERAL PRODUCTION FACILITIES; EXEMPTION.

Materials, equipment, and supplies used or consumed in constructing, or incorporated into the construction of exempted facilities as defined in this section are exempt from the taxes imposed under this chapter and from any sales and use tax imposed by a local unit of government, notwithstanding any ordinance or city charter provision.

As used in this section, "exempted facilities" means:

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(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;

(2) a facility used for the manufacture of fluxed taconite pellets as defined in section 298.24;

(3) a new capital project that has a total cost of over \$40,000,000 that is directly related to production, cost, or quality at an existing taconite facility that does not qualify under clause (1) or (2); and

(4) a new mine or minerals processing plant for any mineral subject to the net proceeds tax imposed under section 298.015.

The tax shall be imposed and collected as if the rates rate under sections section 297A.02, subdivision 1, and ~~297A.021~~, applied, and then refunded in the manner provided in section 297A.15, subdivision 5.

Sec. 10. Minnesota Statutes 1994, section 297A.44, subdivision 1, is amended to read:

Subdivision 1. (a) Except as provided in paragraphs (b), (c), and (d), all revenues, including interest and penalties, derived from the excise and use taxes imposed by sections 297A.01 to 297A.44 shall be deposited by the commissioner in the state treasury and credited to the general fund.

(b) All excise and use taxes derived from sales and use of property and services purchased for the construction and operation of an agricultural resource project, from and after the date on which a conditional commitment for a loan guaranty for the project is made pursuant to section 41A.04, subdivision 3, shall be deposited in the Minnesota agricultural and economic account in the special revenue fund. The commissioner of finance shall certify to the commissioner the date on which the project received the conditional commitment. The amount deposited in the loan guaranty account shall be reduced by any refunds and by the costs incurred by the department of revenue to administer and enforce the assessment and collection of the taxes.

(c) All revenues, including interest and penalties, derived from the excise and use taxes imposed on sales and purchases included in section 297A.01, subdivision 3, paragraphs (d) and (l), clauses (1) and (2), must be deposited by the commissioner in the state treasury, and credited as follows:

(1) first to the general obligation special tax bond debt service account in each fiscal year the amount required by section 16A.661, subdivision 3, paragraph (b); and

(2) after the requirements of clause (1) have been met, the balance must be credited to the general fund.

(d) The revenues, including interest and penalties, derived from the taxes imposed on solid waste collection services as described in section 297A.45, ~~except for the tax imposed under section 297A.021~~, shall be deposited by the commissioner in the state treasury and credited to the general fund to be used for funding solid waste reduction and recycling programs.

Sec. 11. Minnesota Statutes 1995 Supplement, section 297A.45, subdivision 2, is amended to read:

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

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

If a political subdivision provides 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 waste facility based on the disposal charge or tipping fee.

Sec. 12. Minnesota Statutes 1995 Supplement, section 297A.45, subdivision 3, is amended to read:

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 tax~~ imposed in ~~sections section~~ section 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 tax~~ imposed in ~~sections section~~ section 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 tax~~ imposed in ~~sections section~~ section 297A.02 and 297A.021. To qualify for the exemption under this paragraph, the waste exempted must be managed separately from other solid waste.

(d) The following costs are exempt from the ~~taxes tax~~ imposed in ~~sections section~~ section 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 tax~~ imposed in ~~sections section~~ section 297A.02 and 297A.021 to the extent that the cost was previously subject to the tax.

Sec. 13. Minnesota Statutes 1995 Supplement, section 297A.45, subdivision 4, is amended to read:

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 management services that are subject to the tax under this section. ~~This subdivision does not apply to a tax imposed under section 297A.021.~~

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Sec. 14. Minnesota Statutes 1994, section 297A.46, is amended to read:

297A.46 LOCAL GOVERNMENTS EXEMPT FROM LOCAL SALES TAXES.

Notwithstanding any other law, ordinance, or charter provision, no political subdivision of the state shall be required to pay any general sales tax imposed by a political subdivision of the state. ~~This provision does not apply to the local option tax under section 297A.021.~~

Sec. 15. Minnesota Statutes 1994, section 298.01, subdivision 4e, is amended to read:

Subd. 4e. **ALTERNATIVE MINIMUM TAX CREDIT.** ~~(a) A credit is allowed against the tax imposed by subdivision 4 for the increases in occupation taxes paid in 1988, 1989, and 1990 attributable to the alternative minimum tax imposed under section 290.092 and Minnesota Statutes 1986, section 298.40. The amount of the credit allowed under this paragraph is determined under section 290.06, subdivision 21.~~

(b) A credit is allowed against qualified regular tax for qualified alternative minimum tax previously paid. The amount of the credit allowed under this paragraph is determined under section 290.0921, subdivision 8. For purposes of calculating this credit, the following terms have the meanings given:

(1) "Qualified alternative minimum tax" means the amount determined under subdivision 4d and section 290.0921, subdivision 1.

(2) "Qualified regular tax" means the tax imposed under subdivision 4 and section 290.06, subdivision 1.

Sec. 16. REPEALER.

Subdivision 1. GROSS EARNINGS TAXES ON TRUST COMPANIES. Minnesota Statutes 1994, sections 295.37; 295.39; 295.40; 295.41; 295.42; and 295.43, are repealed.

Subd. 2. LOCAL OPTION SALES TAX REFERENCES. Minnesota Statutes 1994, sections 297A.14, subdivision 3; and 297A.24, subdivision 2, are repealed.

Subd. 3. CORPORATE ALTERNATIVE MINIMUM TAX; BEFORE 1990. Minnesota Statutes 1994, sections 290.06, subdivision 21; and 290.092, are repealed.

Sec. 17. EFFECTIVE DATE.

The amendments in section 3 striking references to Minnesota Statutes, section 297A.021, and sections 4 to 14 and 16, subdivision 2, are effective July 1, 1996.

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ARTICLE 10

BUDGET RESERVE

Section 1. Minnesota Statutes 1995 Supplement, section 16A.152, subdivision 2, is amended to read:

Subd. 2. **ADDITIONAL REVENUES; PRIORITY.** If on the basis of a forecast of general fund revenues and expenditures the commissioner of finance determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium, the commissioner of finance must allocate money to the budget reserve until the total amount in the account is ~~\$220,000,000~~ \$270,000,000. An amount equal to any additional biennial unrestricted budgetary general fund balances balance made available after November 1 of every as the result of a forecast in an odd-numbered calendar year are after November 1 is appropriated in January of the following year to reduce the property tax levy recognition percent under section 121.904, subdivision 4a, to zero before additional money beyond ~~\$220,000,000~~ \$270,000,000 is allocated to the budget reserve account. The amount appropriated is the full amount forecast to be available at the end of the biennium and is not limited to the amount forecast to be available at the end of the current fiscal year.

The amounts necessary to meet the requirements of this section are appropriated from the general fund.

Sec. 2. Minnesota Statutes 1995 Supplement, section 121.904, subdivision 4a, is amended to read:

Subd. 4a. **LEVY RECOGNITION.** (a) "School district tax settlement revenue" means the current, delinquent, and manufactured home property tax receipts collected by the county and distributed to the school district, including distributions made pursuant to section 279.37, subdivision 7, and excluding the amount levied pursuant to section 124.914, subdivision 1.

(b) In June of each year, the school district shall recognize as revenue, in the fund for which the levy was made, the lesser of:

(1) the May, June, and July school district tax settlement revenue received in that calendar year; or

(2) the sum of the state aids and credits enumerated in section 124.155, subdivision 2, which are for the fiscal year payable in that fiscal year plus an amount equal to the levy recognized as revenue in June of the prior year plus ~~48~~ 31 percent for fiscal year 1996 and thereafter of the amount of the levy certified in the prior calendar year according to section 124A.03, subdivision 2, plus or minus auditor's adjustments, not including levy portions that are assumed by the state; or

(3) ~~48~~ 18.1 percent for fiscal year 1996, the percent determined under section 3 for fiscal year 1997 and that same percent thereafter of the amount of the levy certified in the prior calendar year, plus or minus auditor's adjustments, not including levy portions that are assumed by the state, which remains after subtracting, by fund, the amounts levied for the following purposes:

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(i) reducing or eliminating projected deficits in the reserved fund balance accounts for unemployment insurance and bus purchases;

(ii) statutory operating debt pursuant to section 124.914, subdivision 1;

(iii) retirement and severance pay pursuant to sections 122.531, subdivision 9, 124.2725, subdivision 15, 124.4945, 124.912, subdivision 1, and 124.916, subdivision 3, and Laws 1975, chapter 261, section 4;

(iv) amounts levied for bonds issued and interest thereon, amounts levied for debt service loans and capital loans, amounts levied for down payments under section 124.82, subdivision 3, and amounts levied pursuant to section ~~136C.411~~; and

(v) amounts levied under section 124.755.

Notwithstanding the foregoing, the levy recognition percentage for the referendum levy certified according to section 124A.03, subdivision 2, is 31 percent.

(c) In July of each year, the school district shall recognize as revenue that portion of the school district tax settlement revenue received in that calendar year and not recognized as revenue for the previous fiscal year pursuant to clause (b).

(d) All other school district tax settlement revenue shall be recognized as revenue in the fiscal year of the settlement. Portions of the school district levy assumed by the state, including prior year adjustments and the amount to fund the school portion of the reimbursement made pursuant to section 273.425, shall be recognized as revenue in the fiscal year beginning in the calendar year for which the levy is payable.

Sec. 3. 1997 PROPERTY TAX RECOGNITION SHIFT ADJUSTMENT.

Subdivision 1. ADJUSTMENT. The commissioner of finance shall adjust the property tax recognition shift percentage for fiscal year 1997 under Minnesota Statutes, section 121.904, subdivision 4a, paragraph (b), clause (3), according to this section.

Subd. 2. APPROPRIATION. \$180,000,000 is appropriated from the general fund to the commissioner of children, families, and learning for fiscal year 1997 to reduce the property tax levy recognition percentage under Minnesota Statutes, section 121.904, subdivision 4a, paragraph (b), clause (3). This appropriation replaces the appropriation for fiscal year 1997 made under Minnesota Statutes, section 16A.152, subdivision 2, as a result of the November 1995 forecast.

Subd. 3. NOVEMBER 1996 DEFICIT CONTINGENCY. Notwithstanding Minnesota Statutes, section 16A.152, subdivision 4, if the commissioner of finance determines on the basis of a forecast of general fund revenues and expenditures issued before January 1, 1997, that the unrestricted budgetary general fund balance at the close of the 1996-1997 biennium will show a deficit, the commissioner of finance shall first act to reduce the deficit by increasing the property tax recognition percentage under Minnesota Statutes, section 121.904, subdivision 4a, paragraph (b), clause (3), but not above 18.1 percent. The appropriation in subdivision 2 is reduced accordingly. The commissioner of finance shall make up any additional deficit by reducing the amount in the budget reserve in accordance with Minnesota Statutes, section 16A.152, subdivision 4.

Subd. 4. NOVEMBER 1996 SURPLUS CONTINGENCY. Notwithstanding Minnesota Statutes, section 16A.152, subdivision 4, if the commissioner of finance de-

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termines on the basis of a forecast of general fund revenues and expenditures issued before January 1, 1997, that the unrestricted budgetary general fund balance at the close of the 1996-1997 biennium will show a surplus, the amount of the surplus is appropriated from the general fund to an education aid reserve account, except that the amount appropriated must not exceed the forecast value of the cost of reducing the property tax levy recognition percentage under Minnesota Statutes, section 121.904, subdivision 4a, paragraph (b), clause (3), to zero in fiscal year 1997. The balance in the account does not cancel but may not be expended until appropriated by law for education aid for fiscal years 1998 and 1999.

Subd. 5. PERCENTAGE CERTIFICATION. The commissioner of finance shall determine the amount available to reduce the property tax levy recognition percentage after giving effect to subdivisions 2 and 3, and shall certify it to the commissioner of children, families, and learning by January 5, 1997. The commissioner of children, families, and learning shall calculate the percentage using the method specified in section 121.904, subdivision 4c, and shall notify school districts of the resulting change in the levy recognition percentage by January 15, 1997.

Sec. 4. BUDGET RESERVE 1996.

The amount necessary to bring the budget reserve to \$270,000,000 on July 1, 1996, is appropriated from the general fund to the commissioner of finance for transfer to the budget reserve on that date.

Sec. 5. REPEALER.

1996 H.F. No. 2156, article 14, section 4, if enacted, is repealed.

Sec. 6. EFFECTIVE DATE.

This article is effective the day following final enactment.

ARTICLE 11

TACONITE TAX RELIEF AREA FISCAL DISPARITIES

Section 1. Minnesota Statutes 1995 Supplement, 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 1996 the class rate applicable to all class 4a shall be 3.4 percent; and (ii) estimated market values for the assessment two years prior to that in which aid is payable. "Total net tax capacity" means the net tax

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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, or 276A.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 6, or 276A.06, subdivision 7, for the municipality, as defined in section 473F.02, subdivision 8, or 276A.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, or 276A.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 6, or 276A.06, subdivision 7, for the municipality, as defined in section 473F.02, subdivision 8, or 276A.06, subdivision 7, 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.

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(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.

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(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), or 276A.06, 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. 2. Minnesota Statutes 1995 Supplement, 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.

(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

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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 under chapter 276A or 473F 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 non-homestead 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.

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.

(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:

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(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.

Sec. 3. [276A.01] DEFINITIONS.

Subdivision 1. APPLICABILITY. In sections 3 to 11, the terms defined in this section have the meanings given them unless the context indicates otherwise.

Subd. 2. AREA. "Area" means the territory included within all tax relief areas defined in section 273.134.

Subd. 3. COMMERCIAL-INDUSTRIAL PROPERTY. "Commercial-industrial property" means the following categories of property, as defined in section 273.13, excluding that portion of the property (1) that may, by law, constitute the tax base for a tax increment pledged pursuant to section 469.042 or 469.162, certification of which was requested prior to May 1, 1996, to the extent and while the tax increment is so pledged; or (2) that is exempt from taxation under section 272.02:

(1) that portion of class 5 property consisting of unmined iron ore and low-grade iron-bearing formations as defined in section 273.14, tools, implements, and machinery, except the portion of high voltage transmission lines, the value of which is deducted from net tax capacity under section 273.425; and

(2) that portion of class 3 and class 5 property which is either used or zoned for use for any commercial or industrial purpose, except for such property which is, or, in the case of property under construction, will when completed be used exclusively for residential occupancy and the provision of services to residential occupants thereof. Property must be considered as used exclusively for residential occupancy only if each of not less than 80 percent of its occupied residential units is, or, in the case of property under construction, will when completed be occupied under an oral or written agreement for occupancy over a continuous period of not less than 30 days.

If the classification of property prescribed by section 273.13 is modified by legislative amendment, the references in this subdivision are to the successor class or classes of property, or portions thereof, that include the kinds of property designated in this subdivision.

Subd. 4. RESIDENTIAL PROPERTY. "Residential property" means the following categories of property, as defined in section 273.13, excluding that portion of the property that is exempt from taxation pursuant to section 272.02:

(1) class 1a, 1b, and 2a property, limited to the homestead dwelling, a garage, and the one acre of land on which the dwelling is located;

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(2) that portion of class 3 property used exclusively for residential occupancy; and
(3) property valued and assessed under section 273.13, subdivision 25, except for hospitals and property valued and assessed under paragraph (c), clauses (5) and (6).

Subd. 5. GOVERNMENTAL UNIT. "Governmental unit" means a county, city, town, school district, or other taxing unit or body which levies ad valorem taxes in whole or in part within the area.

Subd. 6. ADMINISTRATIVE AUDITOR. "Administrative auditor" means the person selected under section 4.

Subd. 7. POPULATION. "Population" means the most recent estimate of the population of a municipality made by the state demographer and filed with the commissioner of revenue. The state demographer shall annually estimate the population of each municipality and, in the case of a municipality which is located partly within and partly without the area, the proportion of the total which resides within the area, and shall file the estimates with the commissioner of revenue.

Subd. 8. MUNICIPALITY. "Municipality" means a city, town, or township located in whole or part within the area. If a municipality is located partly within and partly without the area, the references in sections 3 to 11 to property or any portion thereof subject to taxation or taxing jurisdiction within the municipality are to the property or portion thereof that is located in that portion of the municipality within the area, except that the fiscal capacity of the municipality must be computed upon the basis of the valuation and population of the entire municipality. A municipality shall be excluded from the area if its municipal comprehensive zoning and planning policies conscientiously exclude most commercial-industrial development, for reasons other than preserving an agricultural use. The iron range resources and rehabilitation board and the commissioner of revenue shall jointly make this determination annually and shall notify those municipalities that are ineligible to participate in the tax base sharing program provided in this chapter for the following year.

Subd. 9. COUNTY. "County" means each county in which a governmental unit is located in whole or in part.

Subd. 10. MARKET VALUE. "Market value" of real and personal property within a municipality means the assessor's estimated market value of all real and personal property, including the value of manufactured housing, within the municipality. For purposes of sections 3 to 11, the commissioner of revenue shall annually make determinations and reports with respect to each municipality which are comparable to those it makes for school districts under section 124.2131, subdivision 1, in the same manner and at the same times prescribed by the subdivision. The commissioner of revenue shall annually determine, for each municipality, information comparable to that required by section 475.53, subdivision 4, for school districts, as soon as practicable after it becomes available. The commissioner of revenue shall then compute the equalized market value of property within each municipality.

Subd. 11. VALUATION. "Valuation" means the market value of real and personal property within a municipality as defined in subdivision 10.

Subd. 12. FISCAL CAPACITY. "Fiscal capacity" of a municipality means its valuation, determined as of January 2 of any year, divided by its population, determined as of a date in the same year.

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Subd. 13. **AVERAGE FISCAL CAPACITY.** “Average fiscal capacity” of municipalities means the sum of the valuations of all municipalities, determined as of January 2 of any year, divided by the sum of their populations, determined as of a date in the same year.

Subd. 14. **LEVY.** “Levy” means the amount certified to the county auditor pursuant to chapter 275, less all reductions made by the auditor pursuant to any provision of law in determining the amount to be spread against taxable property.

Subd. 15. **NET TAX CAPACITY.** “Net tax capacity” means the market value of real and personal property multiplied by its net tax capacity rates in section 273.13.

Subd. 16. **LOCAL TAX RATE.** “Local tax rate” means a governmental unit’s levy, including any portion levied against market value under section 124A.03, subdivision 2a, divided by its net tax capacity.

Sec. 4. [276A.02] ADMINISTRATIVE AUDITOR.

Subdivision 1. **ELECTION.** On or before July 1, 1997, and each subsequent odd-numbered year, the auditors of the counties within the area shall meet at the call of the auditor of St. Louis county and elect from among themselves one auditor to serve as administrative auditor for a period of two years and until a successor is elected. If a majority is unable to agree upon a person to serve as administrative auditor, the commissioner of revenue shall appoint one from among the auditors of the counties in the area. If the administrative auditor ceases to serve as a county auditor within the area during the term for which he was elected or appointed, a successor must be chosen in the manner provided for the original selection to serve for the unexpired term.

Subd. 2. **STAFF; EXPENSES.** The administrative auditor shall utilize the staff and facilities of the auditor’s office of the county the administrative auditor serves to perform the functions imposed upon the administrative auditor by sections 3 to 11. That county shall be reimbursed for the marginal expenses incurred by its county auditor and staff under this section by contributions from each other county in the area in an amount which bears the same proportion to the total expenses that the population of the other county bears to the total population of the area. By February 1 each year, the administrative auditor shall certify the amounts of total expense for the preceding calendar year, and the share of each county, to the treasurer of each other county. Payment must be made by the treasurer of each other county to the treasurer of the county incurring expense by the succeeding March 1.

Sec. 5. [276A.03] NET TAX CAPACITY OF COMMERCIAL-INDUSTRIAL PROPERTY.

By August 5 of 1996 and each subsequent year, the assessors within each county in the area shall determine and certify to the county auditor the net tax capacity in that year of commercial-industrial property subject to taxation within each municipality in the county, determined without regard to section 469.177, subdivision 3. By August 5 of 1996 only, the assessor within each county in the area shall also determine and certify to the county auditor the net tax capacity for the 1995 assessment of commercial-industrial property subject to taxation within each municipality within the county determined without regard to section 469.177, subdivision 3.

Sec. 6. [276A.04] INCREASE IN NET TAX CAPACITY.

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By July 15 of 1997 and each subsequent year, the auditor of each county in the area shall determine the amount, if any, by which the net tax capacity determined in the preceding year pursuant to section 5, of commercial-industrial property subject to taxation within each municipality in the county exceeds the net tax capacity in 1995 of commercial-industrial property subject to taxation within that municipality. If a municipality is located in two or more counties within the area, the auditors of those counties shall certify the data required by section 5 to the county auditor responsible for allocating the levies of that municipality between or among the affected counties. That county auditor shall determine the amount of the net excess, if any, for the municipality under this section, and certify that amount under section 7. The increase in total net tax capacity determined by this section must be reduced by the amount of any decreases in the net tax capacity of commercial-industrial property resulting from any court decisions, court-related stipulation agreements, or abatements for a prior year, and only in the amount of such decreases made during the 12-month period ending on May 1 of the current assessment year, where the decreases, if originally reflected in the determination of a prior year's net tax capacity under section 5, would have resulted in a smaller contribution from the municipality in that year. An adjustment for the decreases shall be made only if the municipality made a contribution in a prior year based on the higher net tax capacity of the commercial-industrial property.

Sec. 7. [276A.05] COMPUTATION OF AREAWIDE TAX BASE.

Subdivision 1. AREAWIDE NET TAX CAPACITY. Each county auditor shall certify the determinations under sections 5 and 6 to the administrative auditor on or before August 1 of each year. The administrative auditor shall determine an amount equal to 40 percent of the sum of the amounts certified pursuant to section 6. The resulting amount shall be known as the "areawide net tax capacity for(year)."

Subd. 2. POPULATION AND FISCAL CAPACITY CERTIFICATIONS. The commissioner of revenue shall certify to the administrative auditor, on or before August 10 of each year, the population of each municipality for the preceding year, the proportion of that population which resides within the area, the average fiscal capacity of municipalities for the preceding year, and the fiscal capacity of each municipality for the preceding year.

Subd. 3. AREAWIDE TAX BASE DISTRIBUTION INDEX. The administrative auditor shall determine, for each municipality, the product of (1) its population, (2) the proportion which the average fiscal capacity of municipalities for the preceding year bears to the fiscal capacity of that municipality for the preceding year. The product shall be the areawide tax base distribution index for that municipality. If a municipality is located partly within and partly without the area, its index is that which is otherwise determined hereunder, multiplied by the proportion which its population residing within the area bears to its total population as of the preceding year.

Subd. 4. DISTRIBUTION NET TAX CAPACITY. The administrative auditor shall determine the proportion which the index of each municipality bears to the sum of the indices of all municipalities and shall then multiply this proportion in the case of each municipality, by the areawide net tax capacity.

Subd. 5. CERTIFICATION. The product of the procedure prescribed by subdivision 4 shall be known as the "areawide net tax capacity for(year) attributable to

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.....(municipality).” The administrative auditor shall certify the product to the auditor of the county in which the municipality is located on or before August 15.

Sec. 8. [276A.06] NET TAX CAPACITY OF GOVERNMENTAL UNIT.

Subdivision 1. GENERALLY. The county auditor shall determine the net tax capacity of each governmental unit within the county in the manner prescribed by this section.

Subd. 2. DEFINITION. The net tax capacity of a governmental unit is its net tax capacity as determined in accordance with other provisions of law including section 469.177, subdivision 3, subject to the following adjustments:

(a) There must be subtracted from its net tax capacity, in each municipality in which the governmental unit exercises ad valorem taxing jurisdiction, an amount that bears the same proportion to 40 percent of the amount certified in that year pursuant to sections 6 and 7 for the municipality as the total preceding year's net tax capacity of commercial-industrial property which is subject to the taxing jurisdiction of the governmental unit within the municipality, determined without regard to section 469.177, subdivision 3, bears to the total preceding year's net tax capacity of commercial-industrial property within the municipality, determined without regard to section 469.177, subdivision 3.

(b) There must be added to its net tax capacity, in each municipality in which the governmental unit exercises ad valorem taxing jurisdiction, an amount which bears the same proportion to the areawide net tax capacity for the year attributable to that municipality as the total preceding year's net tax capacity of residential property which is subject to the taxing jurisdiction of the governmental unit within the municipality bears to the total preceding year's net tax capacity of residential property of the municipality.

Subd. 3. APPORTIONMENT OF LEVY. The county auditor shall apportion the levy of each governmental unit in the county in the manner prescribed by this subdivision. The auditor shall:

(a) by August 20 of 1997 and each subsequent year, determine the areawide portion of the levy for each governmental unit by multiplying the local tax rate of the governmental unit for the preceding levy year times the distribution value set forth in subdivision 2, clause (b); and

(b) by September 5 of 1997 and each subsequent year, determine the local portion of the current year's levy by subtracting the resulting amount from clause (a) from the governmental unit's current year's levy.

Subd. 4. TAX RATE NONCOMMERCIAL PROPERTY. In 1997 and subsequent years, the county auditor shall divide that portion of the levy determined pursuant to subdivision 3, clause (b), by the net tax capacity of the governmental unit, taking section 469.177, subdivision 3, into account, less that portion subtracted from net tax capacity pursuant to subdivision 2, clause (a). The resulting rate applies to all taxable property except commercial-industrial property, which must be taxed in accordance with subdivision 7.

Subd. 5. AREAWIDE TAX RATE. On or before August 25 of 1997 and each subsequent year, the county auditor shall certify to the administrative auditor that portion of the levy of each governmental unit determined pursuant to subdivision 3, clause (a). The

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administrative auditor shall then determine the areawide tax rate sufficient to yield an amount equal to the sum of the levies from the areawide net tax capacity. On or before September 1, the administrative auditor shall certify the areawide tax rate to each of the county auditors.

Subd. 6. GOVERNMENTAL UNIT IN TWO OR MORE COUNTIES. If a governmental unit is located in two or more counties, the computations and certifications required by subdivisions 3 to 5 with respect to it must be made by the county auditor who is responsible for allocating its levies between or among the affected counties.

Subd. 7. APPLICATION TO COMMERCIAL-INDUSTRIAL PROPERTY. The areawide tax rate determined in accordance with subdivision 5 applies to each commercial-industrial property subject to taxation within a municipality, including property located within any tax increment financing district, as defined in section 469.174, subdivision 9, to that portion of the net tax capacity of the item which bears the same proportion to its total net tax capacity as 40 percent of the amount determined pursuant to sections 6 and 7 is to the amount determined pursuant to section 5. The rate of taxation determined in accordance with subdivision 4 applies in the taxation of the remainder of the net tax capacity of the item.

Subd. 8. CERTIFICATION OF VALUES; PAYMENT. The administrative auditor shall determine for each county the difference between the total levy on distribution value pursuant to subdivision 3, clause (a), within the county and the total tax on contribution value pursuant to subdivision 7, within the county. On or before May 16 of each year, the administrative auditor shall certify the differences so determined to each county auditor. In addition, the administrative auditor shall certify to those county auditors for whose county the total tax on contribution value exceeds the total levy on distribution value the settlement the county is to make to the other counties of the excess of the total tax on contribution value over the total levy on distribution value in the county. On or before June 15 and November 15 of each year, each county treasurer in a county having a total tax on contribution value in excess of the total levy on distribution value shall pay one-half of the excess to the other counties in accordance with the administrative auditor's certification.

Subd. 9. FISCAL DISPARITIES ADJUSTMENT. In any year in which the highest class rate for class 3a property changes from the rate in the previous year, the following adjustments shall be made to the procedures described in sections 6 to 8:

(1) An initial contribution tax capacity shall be determined for each municipality based on the previous year's class rates.

(2) Each jurisdiction's distribution tax capacity shall be determined based upon the areawide tax base determined by summing the tax capacities computed under clause (1) for all municipalities and apportioning the resulting sum pursuant to section 7, subdivision 5.

(3) Each jurisdiction's distribution levy shall be determined by applying the procedures described in subdivision 3, clause (a), to the distribution tax capacity determined pursuant to clause (2).

(4) Each municipality's final contribution tax capacity shall be determined equal to its initial contribution tax capacity multiplied by the ratio of the new highest class rate for class 3a property to the previous year's highest class rate for class 3a property.

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(5) For the purposes of computing education aids and any other state aids requiring the addition of the fiscal disparities distribution tax capacity to the local tax capacity, each municipality's final distribution tax capacity shall be determined equal to its initial distribution tax capacity multiplied by the ratio of the new highest class rate for class 3a property to the previous year's highest class rate for class 3a property.

(6) The areawide tax rate shall be determined by dividing the sum of the amounts determined in clause (3) by the sum of the values determined in clause (4).

(7) The final contribution tax capacity determined in clause (4) shall also be used to determine the portion of each commercial-industrial property's tax capacity subject to the areawide tax rate pursuant to subdivision 7.

Subd. 10. ADJUSTMENT OF VALUES FOR OTHER COMPUTATIONS. For the purpose of computing the amount or rate of any salary, aid, tax, or debt authorized, required, or limited by any provision of any law or charter, where the authorization, requirement, or limitation is related to any value or valuation of taxable property within any governmental unit, the value or net tax capacity must be adjusted to reflect the adjustments to net tax capacity effected by subdivision 2, provided that: (1) in determining the market value of commercial-industrial property or any class thereof within a governmental unit for any purpose other than section 7, (a) the reduction required by this subdivision is that amount which bears the same proportion to the amount subtracted from the governmental unit's net tax capacity pursuant to subdivision 2, clause (a), as the market value of commercial-industrial property, or such class thereof, located within the governmental unit bears to the net tax capacity of commercial-industrial property, or such class thereof, located within the governmental unit, and (b) the increase required by this subdivision is that amount which bears the same proportion to the amount added to the governmental unit's net tax capacity pursuant to subdivision 2, clause (b), as the market value of commercial-industrial property, or such class thereof, located within the governmental unit bears to the net tax capacity of commercial-industrial property, or such class thereof, located within the governmental unit; and (2) in determining the market value of real property within a municipality for purposes of section 7, the adjustment prescribed by clause (1)(a) must be made and that prescribed by clause (1)(b) must not be made.

Sec. 9. [276A.07] ADJUSTMENTS IN DATES.

If, because of the enactment of any other law, the date by which the commissioner of revenue is required to certify to the county auditors the records of proceedings affecting the net tax capacity of property is advanced to a date earlier than June 30, the dates specified in sections 5 to 8 and 10 may be modified in the years to which the other law applies in the manner and to the extent prescribed by the administrative auditor.

Sec. 10. [276A.08] REASSESSMENTS AND OMITTED PROPERTY.

Subdivision 1. REASSESSMENT ORDERS. If the commissioner of revenue orders a reassessment of all or any portion of the property in a municipality other than in the form of a mathematically prescribed adjustment of valuation, or if omitted property is placed upon the tax rolls, and the reassessment has not been completed or the property placed upon the rolls by November 15, the net tax capacity of the affected property must, for purposes of sections 4 to 8, be determined from the abstracts filed by the county auditor with the commissioner of revenue.

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Subd. 2. **ADJUSTMENT OF VALUE.** If the reassessment, when completed and incorporated in the commissioner's certification of the net tax capacity of the municipality, or the listing of omitted property, when placed on the rolls, results in an increase in the net tax capacity of commercial-industrial property in the municipality which differs from that used, pursuant to subdivision 1, for purposes of sections 4 to 8, the increase in the net tax capacity of commercial-industrial property in that municipality in the succeeding year, as otherwise computed under section 6, must be adjusted in a like amount, by an increase if the reassessment or listing discloses a larger increase than was used for purposes of sections 4 to 8, or by a decrease if the reassessment or listing discloses a smaller increase than was used for those purposes, provided that no adjustment shall reduce the amount determined under section 6 to an amount less than zero.

Subd. 3. **EXCEPTIONS.** Subdivisions 1 and 2 do not apply to the determination of the tax rate under section 8, subdivision 4, or to the determination of the net tax capacity of commercial-industrial property and each item thereof for purposes of section 8, subdivision 7.

Sec. 11. [276A.09] CHANGE IN STATUS OF MUNICIPALITY.

If a municipality is dissolved, is consolidated with all or part of another municipality, annexes territory, has a portion of its territory detached from it, or is newly incorporated, the secretary of state shall immediately certify that fact to the commissioner of revenue. The secretary of state shall also certify to the commissioner of revenue the current population of the new, enlarged, or successor municipality, if determined by the Minnesota municipal board incident to consolidation, annexation, or incorporation proceedings. The population so certified shall govern for purposes of sections 3 to 11 until the state demographer files the first population estimate as of a later date with the commissioner of revenue. If an annexation of unincorporated land occurs without proceedings before the Minnesota municipal board, the population of the annexing municipality as previously determined shall continue to govern for purposes of sections 3 to 11 until the state demographer files the first population estimate as of a later date with the commissioner of revenue.

Sec. 12. Minnesota Statutes 1995 Supplement, 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. Service 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

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charges based on net tax capacity collected under sections 428A.01 to 428A.10 are not included in computations under section 469.177, chapter 276A or 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. 13. Minnesota Statutes 1995 Supplement, section 465.82, subdivision 2, is amended to read:

Subd. 2. **CONTENTS OF PLAN.** The plan 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, with completion no later than four years after the process begins;

(3) the steps by which a single governing body will be created;

(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) 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 under chapter 276A or 473F resulting from the merger;

(8) procedures for a referendum to be held 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. 14. Minnesota Statutes 1995 Supplement, section 469.175, subdivision 5, is amended to read:

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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, 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 under chapter 276A or 473F 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. 15. Minnesota Statutes 1994, section 469.177, subdivision 3, is amended to read:

Subd. 3. **TAX INCREMENT, RELATIONSHIP TO CHAPTER CHAPTERS 276A AND 473F.** (a) Unless the governing body elects pursuant to clause (b) the following method of computation shall apply:

(1) The original net tax capacity and the current net tax capacity shall be determined before the application of the fiscal disparity provisions of chapter 276A or 473F. Where the original net tax capacity is equal to or greater than the current net tax capacity, there is no captured net tax capacity and no tax increment determination. Where the original net tax capacity is less than the current net tax capacity, the difference between the original net tax capacity and the current net tax capacity is the captured net tax capacity. This amount less any portion thereof which the authority has designated, in its tax increment financing plan, to share with the local taxing districts is the retained captured net tax capacity of the authority.

(2) The county auditor shall exclude the retained captured net tax capacity of the authority from the net tax capacity of the local taxing districts in determining local taxing district tax rates. The local tax rates so determined are to be extended against the retained captured net tax capacity of the authority as well as the net tax capacity of the local taxing districts. The tax generated by the extension of the lesser of (A) the local taxing district tax rates or (B) the original local tax rate to the retained captured net tax capacity of the authority is the tax increment of the authority.

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(b) The governing body may, by resolution approving the tax increment financing plan pursuant to section 469.175, subdivision 3, elect the following method of computation:

(1) The original net tax capacity shall be determined before the application of the fiscal disparity provisions of chapter 276A or 473F. The current net tax capacity shall exclude any fiscal disparity commercial-industrial net tax capacity increase between the original year and the current year multiplied by the fiscal disparity ratio determined pursuant to section 276A.06, subdivision 7, or 473F.08, subdivision 6. Where the original net tax capacity is equal to or greater than the current net tax capacity, there is no captured net tax capacity and no tax increment determination. Where the original net tax capacity is less than the current net tax capacity, the difference between the original net tax capacity and the current net tax capacity is the captured net tax capacity. This amount less any portion thereof which the authority has designated, in its tax increment financing plan, to share with the local taxing districts is the retained captured net tax capacity of the authority.

(2) The county auditor shall exclude the retained captured net tax capacity of the authority from the net tax capacity of the local taxing districts in determining local taxing district tax rates. The local tax rates so determined are to be extended against the retained captured net tax capacity of the authority as well as the net tax capacity of the local taxing districts. The tax generated by the extension of the lesser of (A) the local taxing district tax rates or (B) the original local tax rate to the retained captured net tax capacity of the authority is the tax increment of the authority.

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

(c) The method of computation of tax increment applied to a district pursuant to paragraph (a) or (b) shall remain the same for the duration of the district, except that the governing body may elect to change its election from the method of computation in paragraph (a) to the method in paragraph (b).

Sec. 16. Minnesota Statutes 1994, section 477A.011, subdivision 20, is amended to read:

Subd. 20. **CITY NET TAX CAPACITY.** "City net tax capacity" means (1) the net tax capacity computed using the net tax capacity rates in section 273.13, and the market values for taxes payable in the year prior to the aid distribution plus (2) a city's fiscal disparities distribution tax capacity under section 276A.06, subdivision 2, paragraph (b), or 473F.08, subdivision 2, paragraph (b), for taxes payable in the year prior to that for which aids are being calculated. The market value utilized in computing city net tax capacity shall be reduced by the sum of (1) a city's market value of commercial industrial property as defined in section 276A.01, subdivision 3, or 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 276A.06, subdivision 2, paragraph (a), or 473F.08, subdivision 2, paragraph (a), (2) the market value of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the market value of transmission lines deducted from a city's total net tax capacity under section 273.425. The city net tax capacity will be computed using equalized market values.

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Sec. 17. Minnesota Statutes 1994, section 477A.011, subdivision 27, is amended to read:

Subd. 27. **REVENUE BASE.** "Revenue base" means the amount levied for taxes payable in the previous year, including the levy on the fiscal disparity distribution under section 276A.06, subdivision 3, paragraph (a), or 473F.08, subdivision 3, paragraph (a), and before reduction for the homestead and agricultural credit aid under section 273.1398, subdivision 2, equalization aid under section 477A.013, subdivision 5, and disparity reduction aid under section 273.1398, subdivision 3; plus the originally certified local government aid in the previous year under sections 477A.011, 477A.012, and 477A.013, except for 477A.013, subdivision 5; and the taconite aids received in the previous year under sections 298.28 and 298.282.

Sec. 18. Minnesota Statutes 1994, section 477A.011, subdivision 32, is amended to read:

Subd. 32. **COMMERCIAL INDUSTRIAL PERCENTAGE.** "Commercial industrial percentage" for a city is 100 times the sum of the estimated market values of all real property in the city classified as class 3 under section 273.13, subdivision 24, excluding public utility property, to the total market value of all taxable real and personal property in the city. The market values are the amounts computed before any adjustments for fiscal disparities under section 276A.06 or 473F.08. The market values used for this subdivision are not equalized.

Sec. 19. Minnesota Statutes 1994, section 477A.011, subdivision 35, is amended to read:

Subd. 35. **TAX EFFORT RATE.** "Tax effort rate" means the sum of the net levy for all cities divided by the sum of the city net tax capacity for all cities. For purposes of this section, "net levy" means the city levy, after all adjustments, used for calculating the local tax rate under section 275.08 for taxes payable in the year prior to the aid distribution. The fiscal disparity distribution levy under chapter 276A or 473F is included in net levy.

Sec. 20. **EFFECTIVE DATE.**

Sections 1 to 19 are effective July 1, 1997, for taxes levied in 1997, payable in 1998 and subsequent years, except as provided in section 5.

ARTICLE 12

TACONITE TAXES

Section 1. Minnesota Statutes 1995 Supplement, 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

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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~~ 11 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. 2. Minnesota Statutes 1995 Supplement, section 298.24, subdivision 1, is amended to read:

Subdivision 1. (a) For concentrate produced in 1992, 1993, 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 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, provided that, for concentrates produced in 1996 only, the increase in the rate of tax imposed under this section over the rate imposed for the previous year may not exceed four cents per ton. "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 indirect-

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ly 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 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. 3. Minnesota Statutes 1994, section 298.28, subdivision 2, is amended to read:

Subd. 2. **CITY OR TOWN WHERE QUARRIED OR PRODUCED.** ~~2.5~~ 4.5 cents per gross ton of merchantable iron ore concentrate, hereinafter referred to as "taxable ton," must be allocated to the city or town in the county in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. If the mining, quarrying, and concentration, or different steps in either thereof are carried on in more than one taxing district, the commissioner shall apportion equitably the proceeds of the part of the tax going to cities and towns among such subdivisions upon the basis of attributing 40 percent of the proceeds of the tax to the operation of mining or quarrying the taconite, and the remainder to the concentrating plant and to the processes of concentration, and with respect to each thereof giving due consideration to the relative extent of such operations performed in each such taxing district. The commissioner's order making such apportionment shall be subject to review by the tax court at the instance of any of the interested taxing districts, in the same manner as other orders of the commissioner.

Sec. 4. Minnesota Statutes 1994, section 298.28, subdivision 6, is amended to read:

Subd. 6. **PROPERTY TAX RELIEF.** (a) Fifteen cents per taxable ton, less any amount required to be distributed under paragraphs (b) and (c), and less any amount required to be deducted under paragraph (d), must be allocated to St. Louis county acting as the counties' fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

(b) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the

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county in which the mining and the concentrating processes are conducted, .1875 cent per taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county.

(c) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a school district other than a school district in which the mining and concentrating processes are conducted, .5625 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to the school district.

(d) Two cents per taxable ton must be deducted from the amount allocated to the St. Louis county auditor under paragraph (a).

Sec. 5. Minnesota Statutes 1995 Supplement, section 298.28, subdivision 9a, is amended to read:

Subd. 9a. **TACONITE ECONOMIC DEVELOPMENT FUND.** (a) 15.4 cents per ton for distributions in ~~1994, 1995, 1996,~~ and 20.4 cents per ton for distributions in 1997, 1998, and 1999 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 2, is amended to read:

Subd. 2. **EXPENDITURE OF FUNDS.** Before January 1, 2002, funds may be expended on projects and for administration of the trust fund only from the net interest, earnings, and dividends arising from the investment of the trust at any time, including net interest, earnings, and dividends that have arisen prior to July 13, 1982, plus \$10,000,000 made available for use in fiscal year 1983, except that any amount required to be paid out of the trust fund to provide the property tax relief specified in Laws 1977, chapter 423, article X, section 4, and to make school bond payments and payments to recipients of taconite production tax proceeds pursuant to section 298.225, may be taken from the corpus of the trust. Additionally, upon recommendation by the board, up to \$10,000,000 \$13,000,000 from the corpus of the trust may be made available for use as provided in subdivision 4, and up to \$10,000,000 from the corpus of the trust may be made available for use as provided in section 298.2961. On and after January 1, 2002, funds may be expended on projects and for administration from any assets of the trust. Annual administrative costs, not including detailed engineering expenses for the projects, shall not exceed five percent of the net interest, dividends, and earnings arising from the trust in the preceding fiscal year.

Principal and interest received in repayment of loans made pursuant to this section, and earnings on other investments made under section 298.292, subdivision 2, clause (4), shall be deposited in the state treasury and credited to the trust. These receipts are appropriated to the board for the purposes of sections 298.291 to 298.298.

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

Sec. 7. Minnesota Statutes 1995 Supplement, section 298.296, subdivision 4, is amended to read:

Subd. 4. **TEMPORARY LOAN AUTHORITY.** (a) 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 paragraph may not exceed \$5,000,000 for any facility.

(b) Additionally, the board must reserve the first \$2,000,000 of the net interest, dividends, and earnings arising from the investment of the trust after June 30, 1996, to be used for additional grants for the purposes set forth in paragraph (a). This amount must be reserved until it is used for the grants or until June 30, 1998, whichever is earlier.

(c) Additionally, the board may recommend that up to \$3,000,000 from the corpus of the trust may be used for additional grants for the purposes set forth in paragraph (a).

(d) The board may require that it receive an equity percentage in any project to which it contributes under this section.

(e) The authority to make loans and grants under this subdivision terminates December 31, 1997 June 30, 1998.

Sec. 8. [298.2961] **PRODUCER GRANTS.**

Subdivision 1. **APPROPRIATION.** \$10,000,000 is appropriated from the north-east Minnesota economic protection trust fund to a special account in the taconite area environmental protection fund for grants or loans to producers on a project-by-project basis as provided in this section.

Subd. 2. **PROJECTS; APPROVAL.** (a) Projects funded must be for:

(1) environmentally unique reclamation projects; or

(2) pit or plant expansions or modernizations other than for a value added iron products plant that extend the life of the plant.

(b) To be proposed by the board, a project must be approved by at least eight iron range resources and rehabilitation board members. The money for a project may be spent only upon approval of the project by the governor. The board may submit supplemental projects for approval at any time.

(c) The board may require that it receive an equity percentage in any project to which it contributes under this section.

Sec. 9. **EFFECTIVE DATES.**

Section 1 is effective for taxes payable in 1995 and thereafter. Sections 3 to 6 are effective for production year 1996, distributions in 1997 and thereafter.

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ARTICLE 13

MISCELLANEOUS

Section 1. Minnesota Statutes 1995 Supplement, section 16A.67, subdivision 5, is amended to read:

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 limited 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 and agreements of the commissioner constitute an enforceable contract of the state and the state pledges and agrees with the holders of any bonds that the state will not limit or alter the rights vested in the commissioner to fulfill the terms of any such covenants or agreements made with the holders of the bonds, or in any way impair the rights and remedies of the holders until the bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged. The commissioner is authorized to include this pledge and agreement of the state in any covenant or agreement with the holders of such bonds. 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. 2. Minnesota Statutes 1994, section 115.26, is amended by adding a subdivision to read:

Subd. 5. (a) In order to maintain the integrity of and facilitate access to district systems, works, or facilities, the district may maintain and repair a road by agreement with the entity that was responsible for the performance of maintenance and repair immediately prior to the agreement. Maintenance and repair includes, but is not limited to, providing lighting, snow removal, and grass mowing.

(b) A district shall establish a taxing subdistrict of benefited property and shall levy special taxes, pursuant to section 115.33, subdivision 2, for the purposes of paying the cost of improvement or maintenance of a road under paragraph (a).

(c) For purposes of this subdivision, a district shall not be construed as a road authority under chapter 160.

(d) The district and its officers and employees are exempt from liability for any tort claim for injury to person or property arising from travel on a road maintained by the district and related to its maintenance or condition.

Sec. 3. Minnesota Statutes 1994, section 115A.919, is amended by adding a subdivision to read:

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Subd. 2a. **JOINT POWERS AGREEMENT.** If a facility is owned by a joint powers board, total fees in excess of \$1 per cubic yard or equivalent may not be imposed or revenue expended under subdivision 1 or 2 without the approval of the board.

Sec. 4. Minnesota Statutes 1994, section 115A.923, subdivision 1a, is amended to read:

Subd. 1a. **PAYMENT OF THE GREATER MINNESOTA LANDFILL CLEANUP FEE.** The operator of a disposal facility in greater Minnesota shall remit the fees collected under subdivision 1 to the county or sanitary district where the facility is located, except that the operator of a facility that is owned by a statutory or home rule city shall remit the fees to the city that owns the facility and the operator of a facility that is owned by a joint powers board shall remit the fees to the board. The county, city, joint powers board, or sanitary district may use the revenue from the fees only for the purposes specified in section 115A.919.

Sec. 5. Minnesota Statutes 1994, section 270.067, subdivision 2, is amended to read:

Subd. 2. **PREPARATION; SUBMISSION.** The commissioner of revenue shall prepare a tax expenditure budget for the state. The tax expenditure budget report shall be submitted to the legislature as a supplement to the governor's budget and at the same time as provided for submission of the budget pursuant to section 16A.11, subdivision 1 by February 1 of each even-numbered year.

Sec. 6. Minnesota Statutes 1994, section 270.102, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** (a) The following terms used in this section have the following meanings.

(b) "Successor" means a person who directly or indirectly purchases, acquires, is gifted, or succeeds to the business or stock of goods of any person quitting, selling, or otherwise disposing of a business or stock of goods. Successor does not include a personal representative or beneficiary of an estate, a trustee in bankruptcy, a debtor in possession, a receiver, a secured party, a mortgagee, an assignee of rents, or any other lienholder.

(c) "Person" means an individual, partnership, corporation, sole proprietorship, joint venture, limited liability company, or any other type of business entity or association.

(d) "Withhold" means setting aside money or dealing with the payment of consideration in a manner that denies a transferring business the benefit of the transfer in an amount equal to the sales and withholding tax liability of the transferring business.

(e) "Purchase price" means the consideration paid or to be paid for the transfer by the successor to the transferring business, and includes amounts paid for tangible property or intangibles such as leases, licenses, or goodwill. Purchase price also includes debts assumed or forgiven by the successor, or real or personal property conveyed or to be conveyed by the successor to the transferring business.

(f) "Arm's length transaction" means a transfer for adequate consideration between independent parties both acting in their own best interests. If the parties are related to each other, a rebuttable presumption arises that the transaction is not at arm's length.

(g) "Transfer" means every mode, direct or indirect, absolute or conditional, voluntary or involuntary, of disposing of or parting with a business or an interest in a business,

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or a stock of goods, whether by gift or for consideration. Transfer includes a change in the type of business entity or the name of the business, where one business is discontinued and a new one started. Transfer also includes the acquisition by a new corporation of the assets of a prior business in exchange for the stock of the new corporation. Transfer does not include an assignment for the benefit of creditors, foreclosure or enforcement of a mortgage, assignment of rents, security interest or lien, sale or disposition in a bankruptcy proceeding, or sale or disposition by a receiver.

(h) "Transfer in bulk" means a transfer, other than in the ordinary course of the transferor's trade or business, of more than one-half of all the property of a business at all locations combined, as measured by the value of the property at the time of the transfer.

Sec. 7. Minnesota Statutes 1994, section 270.102, subdivision 2, is amended to read:

Subd. 2. BULK TRANSFERS; LIABILITY OF SUCCESSOR; LIEN. (a) Whenever a business transfers in bulk to a successor ~~all or any part of the business assets, other than in the ordinary course of business, and a~~ an enforceable lien for unpaid sales and withholding taxes has been filed against the business by the commissioner under section 270.69 in the office of the secretary of state or in the office of the county recorder for the county in which the business is located, at least 20 days before taking possession of the assets or paying the purchase price, the successor shall notify the commissioner of the transfer and the terms and conditions related to it. The notice must include the tax identification number of the transferring business. If an agreement to transfer has been entered into, this notice requirement only applies: (1) if a lien described under this paragraph has been filed prior to the date of the agreement; or (2) if the date of the transfer is more than 30 days after the date of the agreement, and a lien described under this paragraph is filed at least 30 days prior to the date of transfer.

(b) If the successor fails to give the notice required in paragraph (a), the successor is liable for any unpaid sales and withholding taxes, interest, and penalties due from the transferring business to the extent of the purchase price. If the successor provides the notice required in paragraph (a) and, within 20 days after receipt of the notice, the commissioner notifies the successor that tax liabilities exist in addition to those included on the lien or there are sales and withholding tax returns due but not filed, the successor is, in addition to being liable for the amounts included on the lien, liable for all other uncontested sales and withholding taxes, interest, and penalties as stated in the commissioner's notice from the transferring business to the extent of the purchase price if the successor pays the purchase price or takes possession of the assets without withholding and remitting the liability to the commissioner. The successor is liable whether the purchase price is paid or the assets are transferred prior to or after notification from the commissioner. The commissioner may also notify the successor that there are no sales or withholding tax liabilities or returns due from the transferring business other than the liabilities included on the lien, and of the current balance due to satisfy the lien.

(c) ~~The commissioner shall have a first priority lien for all consideration paid or to be paid toward the purchase price when the requirements of this section have not been met.~~

(d) If, based upon the information available, the commissioner determines that a transfer was not at arm's length or was a gift, the successor's liability under this section equals the value of the assets transferred. For purposes of imposing the liability, the value

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of the property transferred is presumed, subject to rebuttal, to equal the unpaid sales and withholding taxes, interest, and penalties of the transferring business.

(e) (d) In the case of a gift resulting in successor liability under this section, return of the gifted property by the donee to the donor releases the donee's successor liability.

(f) ~~The liability imposed by this section does not include assignments for the benefit of creditors under chapter 577, foreclosures of mortgages under chapters 580 to 582 or of security interests arising under article 9 of the Uniform Commercial Code, or sales by trustees in bankruptcy.~~

(g) (e) A successor who complies with the requirements of paragraphs (a) and (b) is not liable for any assessments of sales and withholding taxes of the transferring business made after the commissioner provides notice to the successor under paragraph (b), except for taxes assessed on returns filed to comply with the notice. If the commissioner fails to provide the notice and the 20-day period expires, the successor is not liable for any sales and withholding taxes of the transferring business other than those included on the lien.

Sec. 8. Minnesota Statutes 1994, section 270.102, subdivision 3, is amended to read:

Subd. 3. **ASSESSMENT PROCEDURE; NO STAY ON COLLECTION REMEDIES.** The commissioner may assess liability under this section within the time prescribed for collecting the underlying sales and withholding taxes, interest, and penalties. The assessment is presumed to be valid, and the burden is upon the successor to show it is incorrect or invalid. An order assessing successor liability is reviewable administratively under section 289A.65 and is appealable to tax court under chapter 271. The commissioner may abate an assessment if the successor's failure to give the notice required under this section is due to reasonable cause. The procedural and appeal provisions under section 270.07, subdivision 6, apply to abatement requests under this subdivision. Collection remedies available against the transferring business are available against the successor from the date of assessment of successor liability.

Sec. 9. Minnesota Statutes 1994, section 270.70, subdivision 2, is amended to read:

Subd. 2. **NOTICE AND DEMAND; COLLECTION BY LEVY; JEOPARDY COLLECTION.** (a) Before a levy is made, notice and demand for payment of the amount due must be given to the person liable for the payment or collection of the tax at least 30 days prior to the levy. The notice required under this paragraph must be sent to the taxpayer's last known address and must include a brief statement that sets forth in simple and nontechnical terms:

(1) the administrative appeals available to the taxpayer with respect to the levy and sale; and

(2) the alternatives available to the taxpayer that can prevent a levy, including installment payment agreements under section 270.67, subdivision 2.

(b) Notwithstanding the stay of collection provisions in sections 270.10, subdivision 5, and 289A.37, subdivision 1, paragraph (b), and the notice provisions in paragraph (a), if the commissioner has reason to believe that collection of the tax is in jeopardy, notice and demand for immediate payment of the tax may be made. If the tax is not paid, the commissioner may proceed to collect by levy or by filing a lien under section 270.69.

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Sec. 10. Minnesota Statutes 1994, section 270A.03, subdivision 2, is amended to read:

Subd. 2. **CLAIMANT AGENCY.** "Claimant agency" means any state agency, as defined by section 14.02, subdivision 2, the regents of the University of Minnesota, any district court of the state, any county, any statutory or home rule charter city presenting a claim for a municipal hospital or a public library, a hospital district, any public agency responsible for child support enforcement, any public agency responsible for the collection of court-ordered restitution, and any public agency established by general or special law that is responsible for the administration of a low-income housing program.

Sec. 11. Minnesota Statutes 1995 Supplement, 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.

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. In the case of a joint income tax refund under chapter 289A, 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 taxable income determined under section 290.01, subdivision 29. 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. 12. Minnesota Statutes 1994, section 297E.02, subdivision 4, is amended to read:

Subd. 4. **PULL-TAB AND TIPBOARD TAX.** (a) A tax is imposed on the sale of each deal of pull-tabs and tipboards sold by a distributor. The rate of the tax is two percent of the ideal gross of the pull-tab or tipboard deal. The sales tax imposed by chapter 297A on the sale of the pull-tabs and tipboards by the distributor is imposed on the retail sales price less the tax imposed by this subdivision. The retail sale of pull-tabs or tipboards by the organization is exempt from taxes imposed by chapter 297A and is exempt from all local taxes and license fees except a fee authorized under section 349.16, subdivision 8.

(b) The liability for the tax imposed by this section is incurred when the pull-tabs and tipboards are delivered by the distributor to the customer or to a common or contract carrier for delivery to the customer, or when received by the customer's authorized representative at the distributor's place of business, regardless of the distributor's method of accounting or the terms of the sale.

The tax imposed by this subdivision is imposed on all sales of pull-tabs and tipboards, except the following:

(1) sales to the governing body of an Indian tribal organization for use on an Indian reservation;

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(2) sales to distributors licensed under the laws of another state or of a province of Canada, as long as all statutory and regulatory requirements are met in the other state or province;

(3) sales of promotional tickets as defined in section 349.12; and

(4) pull-tabs and tipboards sold to an organization that sells pull-tabs and tipboards under the exemption from licensing in section 349.166, subdivision 2. A distributor shall require an organization conducting exempt gambling to show proof of its exempt status before making a tax-exempt sale of pull-tabs or tipboards to the organization. A distributor shall identify, on all reports submitted to the commissioner, all sales of pull-tabs and tipboards that are exempt from tax under this subdivision.

(c) A distributor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities in the subsequent calendar year by 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.

(d) Any customer who purchases deals of pull-tabs or tipboards from a distributor may file an annual claim for a refund or credit of taxes paid pursuant to this subdivision for unsold pull-tab and tipboard tickets. The claim must be filed with the commissioner on a form prescribed by the commissioner by March 20 of the year following the calendar year for which the refund is claimed. The refund must be filed as part of the customer's February monthly return. The refund or credit is equal to two percent of the face value of the unsold pull-tab or tipboard tickets. The refund claimed will be applied as a credit against tax owing under this chapter on the February monthly return. If the refund claimed exceeds the tax owing on the February monthly return, that amount will be refunded. The amount refunded will bear interest pursuant to section 270.76 from 90 days after the claim is filed.

Sec. 13. Minnesota Statutes 1994, section 297E.02, subdivision 10, is amended to read:

Subd. 10. **REFUNDS; APPROPRIATION.** A person who has, under this chapter, paid to the commissioner an amount of tax for a period in excess of the amount legally due for that period, may file with the commissioner a claim for a refund of the excess. The amount necessary to pay the refunds under this subdivision and subdivision 4, paragraph (d), is appropriated from the general fund to the commissioner.

Sec. 14. Minnesota Statutes 1994, section 298.17, is amended to read:

298.17 OCCUPATION TAXES TO BE APPORTIONED.

All occupation taxes paid by persons, copartnerships, companies, joint stock companies, corporations, and associations, however or for whatever purpose organized, engaged in the business of mining or producing iron ore or other ores, when collected shall be apportioned and distributed in accordance with the Constitution of the state of Minnesota, article X, section 3, in the manner following: 90 percent shall be deposited in the state treasury and credited to the general fund of which four-ninths shall be used for the support of elementary and secondary schools; and ten percent of the proceeds of the tax

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imposed by this section shall be deposited in the state treasury and credited to the general fund for the general support of the university. Of the moneys apportioned to the general fund by this section there is annually appropriated and credited to the iron range resources and rehabilitation board account in the special revenue fund an amount equal to that which would have been generated by a ~~one~~ 1.5 cent tax imposed by section 298.24 on each taxable ton produced in the preceding calendar year, to be expended for the purposes of section 298.22. The money appropriated pursuant to this section shall be used (1) to provide environmental development grants to local governments located within any county in region 3 as defined in governor's executive order number 60, issued on June 12, 1970, which does not contain a municipality qualifying pursuant to section 273.134 or (2) to provide economic development loans or grants to businesses located within any such county, provided that the county board or an advisory group appointed by the county board to provide recommendations on economic development shall make recommendations to the iron range resources and rehabilitation board regarding the loans. Payment to the iron range resources and rehabilitation board account shall be made by May 15 annually.

Of the money allocated to Koochiching county, one-third must be paid to the small business development center/economic development office currently located at the Rainy River community college for its operations.

Sec. 15. Minnesota Statutes 1994, section 298.75, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** Except as may otherwise be provided, the following words, when used in this section, shall have the meanings herein ascribed to them.

(1) "Aggregate material" shall mean nonmetallic natural mineral aggregate including, but not limited to sand, silica sand, gravel, building stone, crushed rock, limestone, and granite. Aggregate material shall not include dimension stone and dimension granite.

(2) "Person" shall mean any individual, firm, partnership, corporation, organization, trustee, association, or other entity.

(3) "Operator" shall mean any person engaged in the business of removing aggregate material from the surface or subsurface of the soil, for the purpose of sale, either directly or indirectly, through the use of the aggregate material in a marketable product or service.

(4) "Extraction site" shall mean a pit, quarry, or deposit containing aggregate material and any contiguous property to the pit, quarry, or deposit which is used by the operator for stockpiling the aggregate material.

(5) "Importer" shall mean any person who buys aggregate material produced from a county not listed in paragraph (6) or another state and causes the aggregate material to be imported into a county in this state which imposes a tax on aggregate material.

(6) "County" shall mean the counties of Stearns, Benton, Sherburne, Carver, Scott, Dakota, Le Sueur, Kittson, Marshall, Pennington, Red Lake, Polk, Norman, Mahnomen, Clay, Becker, Rock, Murray, Wilkin, Big Stone, Sibley, Hennepin, Washington, Chisago, and Ramsey.

Sec. 16. Minnesota Statutes 1994, section 349.15, is amended by adding a subdivision to read:

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Subd. 3. REFUNDS AND CREDITS. For purposes of this section "gross profit" does not include any refund or credit received under section 297E.02, subdivision 4, paragraph (d).

Sec. 17. Minnesota Statutes 1994, section 349.154, subdivision 2, is amended to read:

Subd. 2. **NET PROFIT REPORTS.** (a) Each licensed organization must report monthly to the board on a form prescribed by the board each expenditure and contribution of net profits from lawful gambling. The reports must provide for each expenditure or contribution:

(1) the name, address, and telephone number of the recipient of the expenditure or contribution;

(2) the date the contribution was approved by the organization;

(3) the date, amount, and check number of the expenditure or contribution;

(4) a brief description of how the expenditure or contribution meets one or more of the purposes in section 349.12, subdivision 25; and

(5) in the case of expenditures authorized under section 349.12, subdivision 25, paragraph (a), clause (7), whether the expenditure is for a facility or activity that primarily benefits male or female participants.

(b) The board shall make available to the commissioners of revenue and public safety copies of reports received under this subdivision and requested by them.

(c) The report required under this subdivision must provide for a separate account for all expenditures from the reporting organization's tax refund and credit account.

Sec. 18. Minnesota Statutes 1994, section 349.19, subdivision 2, is amended to read:

Subd. 2. **ACCOUNTS.** Gross receipts from lawful gambling by each organization must be segregated from all other revenues of the conducting organization and placed in a separate account. All expenditures for expenses, taxes, and lawful purposes must be made from the separate account except (1) in the case of expenditures previously approved by the organization's membership for emergencies as defined by board rule, or (2) as provided in subdivision 2a. The name and address of the bank, the account number for the separate account, and the names of organization members authorized as signatories on the separate account must be provided to the board when the application is submitted. Changes in the information must be submitted to the board at least ten days before the change is made. Gambling receipts must be deposited into the gambling bank account within four business days of completion of the bingo occasion, deal, or game from which they are received. A deal of pull-tabs is considered complete when either the last pull-tab of the deal is sold or the organization does not continue the play of the deal during the next scheduled period of time in which the organization will conduct pull-tabs. A tipboard game is considered complete when the seal on the game flare is uncovered. Deposit records must be sufficient to allow determination of deposits made from each bingo occasion, deal, or game at each permitted premises. The person who accounts for gambling gross receipts and profits may not be the same person who accounts for other revenues of the organization.

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Sec. 19. Minnesota Statutes 1994, section 349.19, is amended by adding a subdivision to read:

Subd. 2a. TAX REFUND AND CREDIT ACCOUNT. (a) Each organization that receives a refund or credit under section 297E.02, subdivision 4, paragraph (d), must establish a separate account designated as the tax and credit refund account. The organization must (1) within four business days of receiving a refund under that paragraph deposit the refund in the account, and (2) within four business days of filing a tax return that claims a credit under that paragraph, transfer from the separate account established under subdivision 2 to the tax refund and credit account an amount equal to the tax credit.

(b) The name and address of the bank, the account number for the tax refund and credit account, and the names of organization members authorized as signatories on the account must be provided to the board within 30 days of the date when the organization establishes the account. Changes in the information must be submitted to the board at least ten days before the change is made.

(c) The organization may expend money in the account only for lawful purposes, other than lawful purposes described in section 349.012, subdivision 25, paragraph (a), clauses (8), (9), and (12). Amounts in the account must be spent for qualifying lawful purposes no later than one year after the refund is deposited.

Sec. 20. Minnesota Statutes 1995 Supplement, section 473.39, subdivision 1b, is amended to read:

Subd. 1b. **OBLIGATIONS.** The council may also issue certificates of indebtedness, bonds, or other obligations under this section in an amount not exceeding \$62,000,000, of which \$44,000,000 may be used for council transit ~~for~~ and paratransit fleet replacement, transit and paratransit facilities, and transit and paratransit capital equipment, and \$18,000,000 may be used for transit hubs, park-and-ride lots, community-based transit vehicles and replacement service program vehicles, intelligent vehicle highway systems projects, and other capital expenditures as prescribed in the council's transit capital improvement program, and related costs including the cost of issuance and sale of the obligations. For the purposes of this subdivision, uniforms are not capital expenditures.

Sec. 21. Minnesota Statutes 1994, section 473.39, is amended by adding a subdivision to read:

Subd. 1c. OBLIGATIONS; 1996-1998. In addition to the authority in subdivisions 1a and 1b, the council may issue certificates of indebtedness, bonds, or other obligations under this section in an amount not exceeding \$20,500,000 which may be used for capital expenditures as prescribed in the council's transit capital improvement program and for related costs, including the costs of issuance and sale of the obligations.

Sec. 22. Minnesota Statutes 1995 Supplement, section 501B.38, subdivision 1a, is amended to read:

Subd. 1a. **EXTENSIONS.** The information required by this section must be filed annually on or before the 15th day of the fifth month following the close of the charitable trust's taxable year as established for federal tax purposes. The time for filing may be extended by application to the attorney general, ~~but no extension may be for more than three~~ for up to six months, provided the applicant has requested an extension to file its federal

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tax return under section 6081 of the Internal Revenue Code of 1986. A charitable trust that files the information required under this subdivision with the attorney general is not required to file the same information with the commissioner of revenue.

Sec. 23. REPEAL OF TEMPORARY TAX ON FACILITY ADMISSIONS.

Subdivision 1. REPEAL. Laws 1987, chapter 285, is repealed.

Subd. 2. EFFECTIVE DATE. Subdivision 1 is effective, without local approval, the day after its final enactment.

Sec. 24. APPLICABILITY.

Sections 20 and 21 apply in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 25. EFFECTIVE DATE.

Sections 1, 9, 20, and 21 are effective the day following final enactment.

Sections 6 to 8 are effective for business transfers, acquisitions, successions, or dissolutions on or after January 1, 1995.

Section 10 is effective for refunds payable after July 31, 1996.

Section 11 is effective for refunds remitted to claimant agencies on or after the day following final enactment.

Section 12 is effective for pull-tab and tipboard deals reported as being played on or after July 1, 1996.

Section 15 is effective for Rock county the day after compliance by Rock county with the requirements of Minnesota Statutes, section 645.021, subdivision 3. Section 15 is effective for Chisago county the day after compliance by Chisago county with the requirements of Minnesota Statutes, section 645.021, subdivision 3. Section 15 is effective for Murray county the day after compliance by Murray county with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

Presented to the governor April 4, 1996

Signed by the governor April 12, 1996, 9:58 a.m.

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