

Subdivision 1. APPROPRIATION. An amount as needed, not to exceed \$6,500,000, is appropriated from the budget reserve in the general fund to the commissioner of public safety to reimburse the department of natural resources, the office of tourism, the department of public safety, the department of military affairs, the department of transportation, local units of government, and other state agencies for costs incurred relating to the 1837 treaty. The appropriation is available until June 30, 1997.

Subd. 2. EQUIPMENT AUTHORIZATION. The commissioner of public safety shall reimburse a state agency or local unit of government for costs incurred in acquiring equipment to implement the 1837 treaty only if the acquisition has been preapproved by the commissioners of public safety and natural resources.

Subd. 3. COMMISSIONER'S AUTHORITY. The commissioner of public safety may request that local units of government assign peace officers to assist the department of public safety with its duties relating to the 1837 treaty and may make appropriate arrangements to pay their compensation. The commissioner may also employ off-duty peace officers to implement the 1837 treaty.

Sec. 2. EFFECTIVE DATE.

Section 1 is effective the day following final enactment.

Presented to the governor April 10, 1997

Signed by the governor April 11, 1997, 10:05 a.m.

CHAPTER 31—H.F.No. 293

An act relating to taxation; making technical and administrative changes and corrections; amending Minnesota Statutes 1996, sections 60A.15, subdivision 2a; 60E.04, subdivision 4; 69.021, subdivision 2; 270.07, subdivision 3; 272.02, subdivision 4; 272.04, subdivision 1; 273.032; 273.124, subdivisions 1 and 13; 273.1392; 273.1398, subdivision 1; 275.011, subdivision 1; 275.065, subdivision 3; 275.295, subdivision 3; 276A.01, subdivision 7; 277.21, subdivision 3; 287.22; 289A.01; 289A.08, subdivision 11; 289A.09, subdivision 2; 289A.10, subdivision 1; 289A.11, subdivision 1; 289A.18, subdivision 2; 289A.19, subdivisions 1, 2, 3, and 4; 289A.35; 289A.38, subdivision 7; 289A.65, subdivision 1; 290.01, subdivisions 2 and 4a; 290.06, subdivision 22; 290.17, subdivision 2; 290.92, subdivision 24; 290A.04, subdivision 6; 295.50, subdivisions 3, 4, 7, 13, and by adding a subdivision; 295.51, subdivision 1; 295.52, subdivision 1b; 295.53, subdivisions 1, 3, and 5; 295.54, subdivision 1; 295.582; 297A.01, subdivision 1; 297A.09; 297A.12; 297A.14, subdivision 4; 297A.22; 297A.23; 297A.25, subdivisions 1, 2, 3, 6, 8, 9, 11, 16, 17, 18, 19, 20, 21, 23, 26, 27, 28, 29, 30, 34, 35, 38, 39, 40, 41, 42, 43, 46, 49, 51, 52, 53, 57, and 61; 297A.256, subdivision 1; 297A.44, subdivision 1; 297B.03; 297B.035, subdivision 3; 297B.11; 299F.21, subdivision 2; 414.033, subdivisions 7 and 12; 469.177, subdivision 9; 473.388, subdivision 7; and 473F.02, subdivision 7.

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

ARTICLE 1

INCOME AND WITHHOLDING

Section 1. Minnesota Statutes 1996, section 270.07, subdivision 3, is amended to read:

Subd. 3. **ADDITIONAL POWERS OF COMMISSIONER.** Notwithstanding any other provision of law the commissioner of revenue may,

(a) based upon the administrative costs of processing, determine minimum standards for the determination of additional tax for which an order shall be issued, and

(b) based upon collection costs as compared to the amount of tax involved, determine minimum standards of collection, and

(c) based upon the administrative costs of processing, determine the minimum amount of refunds for which an order shall be issued and refund made where no claim therefor has been filed, and

(d) cancel any amounts below these minimum standards determined under (a) and (b) hereof, and

(e) based upon the inability of a taxpayer to pay a delinquent tax liability, abate the liability if the taxpayer agrees to perform uncompensated public service work for a state agency, a political subdivision or public corporation of this state, or a nonprofit educational, medical, or social service agency. The department of corrections shall administer the work program. No benefits under chapter 176 or 268 shall be available, but a claim authorized under section 3.739 may be made by the taxpayer. The state may not enter into any agreement that has the purpose of or results in the displacement of public employees by a delinquent taxpayer under this section. The state must certify to the appropriate bargaining agent or employees, as applicable, that the work performed by a delinquent taxpayer will not result in the displacement of currently employed workers or layoff from a substantially equivalent position, including partial displacement such as reduction in hours of nonovertime work, wages, or other employment benefits. ~~The program authorized under this paragraph terminates June 30, 1998.~~

Sec. 2. Minnesota Statutes 1996, section 289A.01, is amended to read:

289A.01 APPLICATION OF CHAPTER.

This chapter applies to taxes laws administered by or ~~paid to~~ the commissioner under chapters 290, 290A, 291, and 297A, and sections 298.01 and 298.015.

Sec. 3. Minnesota Statutes 1996, section 289A.08, subdivision 11, is amended to read:

Subd. 11. **INFORMATION INCLUDED IN INCOME TAX RETURN.** The return must state the name of the taxpayer, or taxpayers, if the return is a joint return, and the

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address of the taxpayer in the same name or names and same address as the taxpayer has used in making the taxpayer's income tax return to the United States, and must state the social security number of the taxpayer, or taxpayers, if a social security number has been issued by the United States with respect to the taxpayers, and must state the amount of the taxable income of the taxpayer as it appears on the federal return for the taxable year to which the Minnesota state return applies. The taxpayer must attach to the taxpayer's Minnesota state income tax return a copy of the federal income tax return that the taxpayer has filed or is about to file for the period, unless the taxpayer is eligible to telefile the federal return and does file the Minnesota return by telefiling.

Sec. 4. Minnesota Statutes 1996, section 289A.09, subdivision 2, is amended to read:

Subd. 2. WITHHOLDING STATEMENT TO EMPLOYEE OR PAYEE AND TO COMMISSIONER. (a) A person required to deduct and withhold from an employee a tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, or who would have been required to deduct and withhold a tax under section 290.92, subdivision 2a or 3, or persons required to withhold tax under section 290.923, subdivision 2, determined without regard to section 290.92, subdivision 19, if the employee or payee had claimed no more than one withholding exemption, or who paid wages or made payments not subject to withholding under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, to an employee or person receiving royalty payments in excess of \$600, or who has entered into a voluntary withholding agreement with a payee under section 290.92, subdivision 20, must give every employee or person receiving royalty payments in respect to the remuneration paid by the person to the employee or person receiving royalty payments during the calendar year, on or before January 31 of the succeeding year, or, if employment is terminated before the close of the calendar year, within 30 days after the date of receipt of a written request from the employee if the 30-day period ends before January 31, a written statement showing the following:

- (1) name of the person;
 - (2) the name of the employee or payee and the employee's or payee's social security account number;
 - (3) the total amount of wages as that term is defined in section 290.92, subdivision 1, paragraph (1); the total amount of remuneration subject to withholding under section 290.92, subdivision 20; the amount of sick pay as required under section 6051(f) of the Internal Revenue Code; and the amount of royalties subject to withholding under section 290.923, subdivision 2; and
 - (4) the total amount deducted and withheld as tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2.
- (b) The statement required to be furnished by this paragraph with respect to any remuneration must be furnished at those times, must contain the information required, and must be in the form the commissioner prescribes.
- (c) The commissioner may prescribe rules providing for reasonable extensions of time, not in excess of 30 days, to employers or payers required to give the statements to their employees or payees under this subdivision.
- (d) A duplicate of any statement made under this subdivision and in accordance with rules prescribed by the commissioner, along with a reconciliation in the form the com-

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missioner prescribes of the statements for the calendar year, including a reconciliation of the quarterly returns required to be filed under subdivision 1, must be filed with the commissioner on or before February 28 of the year after the payments were made.

(e) If an employer cancels the employer's Minnesota withholding account number required by section 290.92, subdivision 24, the information required by paragraph (d), must be filed with the commissioner within 30 days of the end of the quarter in which the employer cancels its account number.

(f) The employer must submit the statements required to be sent to the commissioner on magnetic media, if the magnetic media was required to satisfy the federal reporting requirements of section 6011(e) of the Internal Revenue Code and the regulations issued under it.

Sec. 5. Minnesota Statutes 1996, section 289A.10, subdivision 1, is amended to read:

Subdivision 1. **RETURN REQUIRED.** In the case of a decedent who has an interest in property with a situs in Minnesota, the personal representative must submit a Minnesota estate tax return to the commissioner, on a form prescribed by the commissioner, in instances in which a federal estate tax return is required to be filed.

The return must be accompanied by a federal estate tax return, a schedule of the assets in the estate at their date of death values, and must contain a computation of the Minnesota estate tax due. The return must be signed by the personal representative.

Sec. 6. Minnesota Statutes 1996, section 289A.18, subdivision 2, is amended to read:

Subd. 2. **WITHHOLDING RETURNS, ENTERTAINER WITHHOLDING RETURNS, RETURNS FOR WITHHOLDING FROM PAYMENTS TO OUT-OF-STATE CONTRACTORS, AND WITHHOLDING RETURNS FROM PARTNERSHIPS AND S CORPORATIONS.** Withholding returns for the first, second, and third quarters are due on or before the last day of the month following the close of the quarterly period. However, if the return shows timely deposits in full payment of the taxes due for that period, the returns for the first, second, and third quarters may be filed on or before the tenth day of the second calendar month following the period and. The return for the fourth quarter may ~~must~~ be filed on or before the 28th day of the second calendar month following the period. An employer, in preparing a quarterly return, may take credit for ~~monthly~~ deposits previously made for that quarter. Entertainer withholding tax returns are due within 30 days after each performance. Returns for withholding from payments to out-of-state contractors are due within 30 days after the payment to the contractor. Returns for withholding by partnerships are due on or before the due date specified for filing partnership returns. Returns for withholding by S corporations are due on or before the due date specified for filing corporate franchise tax returns.

Sec. 7. Minnesota Statutes 1996, section 289A.19, subdivision 1, is amended to read:

Subdivision 1. **FIDUCIARY INCOME, ENTERTAINMENT TAX, AND INFORMATION RETURNS.** When, in the commissioner's judgment, good cause exists, the commissioner may extend the time for filing ~~fiduciary income tax returns, entertainment tax returns, and information returns~~ for not more than six months. If an extension to

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file the federal fiduciary income tax return or information return has been granted under section 6081 of the Internal Revenue Code, the time for filing the state return is extended for that period. The commissioner may require the taxpayer to file a tentative return when the regularly required return is due, and to pay a tax on the basis of the tentative return at the times required for the payment of taxes on the basis of the regularly required return from the taxpayer.

Sec. 8. Minnesota Statutes 1996, section 289A.19, subdivision 2, is amended to read:

Subd. 2. **CORPORATE FRANCHISE AND MINING COMPANY TAXES.** ~~The commissioner may grant Corporations or mining companies shall receive an extension of up to seven months for filing the return of a corporation subject to tax under chapter 290 or a mining company for filing the return of a mining company subject to tax under sections 298.01 and 298.015 if:~~

(1) ~~the corporation or mining company files a tentative return when the regularly required return is due;~~

(2) ~~the corporation or mining company pays the tax on the basis of the tentative return and at least 90 percent of the amount of tax, determined without regard to any prepayment of tax, shown on the tentative return, or the amount of tax paid on or before the regular due date of the return, is at least 90 percent of the amount shown on the corporation's or mining company's regularly required return;~~

(3) ~~(2) the balance due shown on the regularly required return is paid on or before the extended due date of the return; and~~

(4) ~~(3) interest on any balance due is paid at the rate specified in section 270.75 from the regular due date of the return until the tax is paid.~~

Sec. 9. Minnesota Statutes 1996, section 289A.19, subdivision 3, is amended to read:

Subd. 3. **WITHHOLDING RETURNS.** ~~The commissioner shall grant an automatic extension of 60 days to file a withholding tax return with the commissioner provided all the withholding taxes have been paid by the date prescribed by section 289A.20, subdivision 2. In any case where good cause exists, the commissioner may grant an extension of time of not more than 60 days for filing a withholding return.~~

Sec. 10. Minnesota Statutes 1996, section 289A.19, subdivision 4, is amended to read:

Subd. 4. **ESTATE TAX RETURNS.** ~~Where good cause exists, the commissioner may extend the time for filing an estate tax return for not more than six months. When an extension to file the federal estate tax return has been granted under section 6081 of the Internal Revenue Code, the time for filing the estate tax return is extended for that period.~~

Sec. 11. Minnesota Statutes 1996, section 289A.38, subdivision 7, is amended to read:

Subd. 7. **FEDERAL TAX CHANGES.** If the amount of income, items of tax preference, deductions, or credits for any year of a taxpayer as reported to the Internal Revenue Service is changed or corrected by the commissioner of Internal Revenue or other

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officer of the United States or other competent authority, or where a renegotiation of a contract or subcontract with the United States results in a change in income, items of tax preference, deductions, or credits, or withholding tax, or, in the case of estate tax, where there are adjustments to the taxable estate resulting in a change to the credit for state death taxes, the taxpayer shall report the change or correction or renegotiation results in writing to the commissioner. The report must be submitted within 180 days after the final determination and must be in the form of either an amended Minnesota return conceding the accuracy of the federal determination or a letter detailing how the federal determination is incorrect or does not change the Minnesota tax. A taxpayer filing an amended federal tax return must also file a copy of the amended return with the commissioner of revenue within 180 days after filing the amended return.

Sec. 12. Minnesota Statutes 1996, section 289A.65, subdivision 1, is amended to read:

Subdivision 1. **TAXPAYER RIGHT TO RECONSIDERATION.** A taxpayer may obtain reconsideration by the commissioner of an order assessing tax, a denial of a request for abatement of penalty or interest, or a denial of a claim for refund by filing an administrative appeal under subdivision 4. A taxpayer cannot obtain reconsideration under this section if the action taken by the commissioner is the outcome of an administrative appeal.

Sec. 13. Minnesota Statutes 1996, section 290.01, subdivision 2, is amended to read:

Subd. 2. **PERSON.** The term "person" includes individuals, fiduciaries, estates, and trusts, and partnerships ~~not included in the definition of corporations~~ and may, where the context requires, include corporations as herein defined.

Sec. 14. Minnesota Statutes 1996, 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, or a federal savings bank holding company.

(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.

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

(1) 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 is authorized to do by those laws; or

(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 clause (1). For purposes of this clause, the computation of the gross income of a corporation does not include income from nonrecurring, extraordinary items.

Sec. 15. Minnesota Statutes 1996, 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

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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 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 another state. 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 partner of a limited liability company an entity taxed as a partnership under the Internal Revenue Code must be considered to have paid a tax imposed on the member partner in an amount equal to the member's partner's pro rata share of any net income tax paid by the limited liability company partnership to another 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 partnership's net income.

(i) For the purposes of this subdivision, "another state" includes the District of Columbia, but does not include Puerto Rico or the several territories organized by Congress.

(j) The limitations on the credit in paragraphs (b), (c), and (d), are imposed on a state by state basis.

Sec. 16. Minnesota Statutes 1996, 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.

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(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 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.~~

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

Sec. 17. Minnesota Statutes 1996, section 290.92, subdivision 24, is amended to read:

Subd. 24. **APPLICATION FOR ACCOUNT NUMBER.** An employer, or person withholding tax under section 290.923, desiring to engage in business in Minnesota shall file with the commissioner an application for a withholding account number on or before the due date of the first payment required to be made under subdivision 6 date the employer is required to withhold Minnesota taxes under this section. An application for an account number must be made upon a form prescribed by the commissioner. It must give the name of the employer or payor, the location of the place or places of business, the names, addresses and social security numbers of the owners or partners, or if the employer or payor is a corporation of the officers, or if the employer or payor is a trust of the trustees, and other information the commissioner may require. The application must be filed by the owner if the employer or payor is a natural person; by a member or partner if the employer or payor is an association or partnership; by a trustee if the employer or payor be a trust, or by a person authorized to sign the application if the employer or payor is a corporation.

No fee shall be charged for the application.

The account number is not assignable.

Sec. 18. Minnesota Statutes 1996, section 290A.04, subdivision 6, is amended to read:

Subd. 6. **INFLATION ADJUSTMENT.** Beginning for property tax refunds payable in calendar year 1996, the commissioner shall annually adjust the dollar amounts of the income thresholds and the maximum refunds under subdivisions 2 and 2a for inflation. The commissioner shall make the inflation adjustments in accordance with section 290.06, subdivision 2d, except that for purposes of this subdivision the percentage increase shall be determined from the year ending on ~~August 31~~ June 30, 1994, to the year ending on ~~August 31~~ June 30 of the year preceding that in which the refund is payable. The commissioner shall use the appropriate percentage increase to annually adjust the income thresholds and maximum refunds under subdivisions 2 and 2a for inflation without regard to whether or not the income tax brackets are adjusted for inflation in that year. The commissioner shall round the thresholds and the maximum amounts, as adjusted to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall round it up to the next \$10 amount.

The commissioner shall annually announce the adjusted refund schedule at the same time provided under section 290.06. The determination of the commissioner under this subdivision is not a rule under the administrative procedure act.

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Sec. 19. EFFECTIVE DATE.

Section 2 is effective the day following final enactment. Section 3 is effective for taxable years beginning after December 31, 1995. Sections 5 and 10 are effective for estates of decedents dying after the date of final enactment. Sections 6 and 7 are effective for returns due after December 31, 1996. Section 9 is effective for returns due after July 30, 1997. Section 11 is effective for federal changes beginning after the date of final enactment. Section 12 is effective for actions of the commissioner after the date of final enactment. Sections 13 to 16 are effective for taxable years beginning after December 31, 1996. Section 17 is effective for wages paid after December 31, 1997. Section 18 is effective for property tax refunds based on rents paid in 1997 and property taxes payable in 1998 and thereafter.

ARTICLE 2**SALES AND SPECIAL TAXES**

Section 1. Minnesota Statutes 1996, section 60A.15, subdivision 2a, is amended to read:

Subd. 2a. **PROCEDURE FOR FILING AND ADJUSTMENT OF STATEMENTS AND TAXES.** (a) Every insurer required to pay a premium tax in this state shall make and file a statement of estimated premium taxes for the period covered by the installment tax payment. Such statement shall be in the form prescribed by the commissioner of revenue.

(b) On or before March 1, annually every insurer subject to taxation under this section shall make an annual return for the preceding calendar year setting forth such information as the commissioner of revenue may reasonably require on forms prescribed by the commissioner.

(c) On March 1, the insurer shall pay any additional amount due for the preceding calendar year; if there has been an overpayment, such overpayment may be credited without interest on the estimated tax due April 15 1.

(d) If unpaid by this date, penalties as provided in section 289A.60, subdivision 1, as it relates to withholding and sales or use taxes, shall be imposed.

Sec. 2. Minnesota Statutes 1996, section 60E.04, subdivision 4, is amended to read:

Subd. 4. **TAXATION.** (a) Each risk retention group is liable for the payment of premium taxes and taxes on premiums of direct business for risks resident or located within this state, and shall report to the commissioner of revenue the net premiums written for risks resident or located within this state. The risk retention group shall be subject to taxation, and any applicable taxation-related fines and penalties, on the same basis as a foreign admitted insurer.

(b) To the extent licensed agents or brokers are utilized pursuant to section 60E.12, they shall report to the commissioner of revenue the premiums for direct business for

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risks resident or located within this state which the licensees have placed with or on behalf of a risk retention group not chartered in this state.

(c) To the extent that insurance agents or brokers are utilized pursuant to section 60E.12, each agent or broker shall keep a complete and separate record of all policies procured from each risk retention group, which shall be open to examination by the commissioner, as provided in section 60A.031 and by the commissioner of revenue. These records shall, for each policy and each kind of insurance provided, include the following:

- (1) the limit of liability;
- (2) the time period covered;
- (3) the effective date;
- (4) the name of the risk retention group which issued the policy;
- (5) the gross premium charged; and
- (6) the amount of return premiums, if any.

Sec. 3. Minnesota Statutes 1996, section 69.021, subdivision 2, is amended to read:

Subd. 2. **REPORT OF PREMIUMS.** Each insurer, including township and farmers mutual insurers where applicable, shall return to the commissioner with its annual financial statement the reports described in subdivision 1 certified by its secretary and president or chief financial officer. The Minnesota Firetown Premium Report shall contain a true and accurate statement of the total premium for all gross direct fire, lightning, sprinkler leakage, and extended coverage insurance of all domestic mutual insurers and the total premiums for all gross direct fire, lightning, sprinkler leakage and extended coverage insurance of all other insurers, less return premiums and dividends received by them on that business written or done during the preceding calendar year upon property located within the state or brought into the state for temporary use. The fire and extended coverage portion of multiperil and multiple peril package premiums and all other combination premiums shall be determined by applying percentages determined by the commissioner or by rating bureaus recognized by the commissioner. The Minnesota Aid to Police Premium Report shall contain a true and accurate statement of the total premiums, less return premiums and dividends, on all direct business received by such insurer in this state, or by its agents for it, in cash or otherwise, during the preceding calendar year, with reference to insurance written for perils described in section 69.011, subdivision 1, clause (f).

Sec. 4. Minnesota Statutes 1996, section 289A.11, subdivision 1, is amended to read:

Subdivision 1. **RETURN REQUIRED.** Except as provided in section 289A.18, subdivision 4, for the month in which taxes imposed by sections 297A.01 to 297A.44 chapter 297A are payable, or for which a return is due, a return for the preceding reporting period must be filed with the commissioner in the form and manner the commissioner prescribes. A person making sales at retail at two or more places of business may file a consolidated return subject to rules prescribed by the commissioner. In computing the dollar amount of items on the return, the amounts are rounded off to the nearest whole dollar, disregarding amounts less than 50 cents and increasing amounts of 50 cents to 99 cents to the next highest dollar.

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Notwithstanding this subdivision, a person who is not required to hold a sales tax permit under chapter 297A and who makes annual purchases of less than \$18,500 that are subject to the use tax imposed by section 297A.14, may file an annual use tax return on a form prescribed by the commissioner. If a person who qualifies for an annual use tax reporting period is required to obtain a sales tax permit or makes use tax purchases in excess of \$18,500 during the calendar year, the reporting period must be considered ended at the end of the month in which the permit is applied for or the purchase in excess of \$18,500 is made and a return must be filed for the preceding reporting period.

Sec. 5. Minnesota Statutes 1996, section 289A.35, is amended to read:

289A.35 ASSESSMENTS.

The commissioner shall make determinations, corrections, and assessments with respect to state taxes, including interest, additions to taxes, and assessable penalties. The commissioner may audit and adjust the taxpayer's computation of federal taxable income, items of federal tax preferences, or federal credit amounts to make them conform with the provisions of chapter 290 or section 298.01. If a taxpayer fails to file a required return, the commissioner, from information in the commissioner's possession or obtainable by the commissioner, may make a return for the taxpayer. The return will be prima facie correct and valid. If a return has been filed, the commissioner shall examine the return and make any audit or investigation that is considered necessary. The commissioner may use statistical or other sampling techniques consistent with generally accepted accounting principles auditing standards in examining returns or records and making assessments.

Sec. 6. Minnesota Statutes 1996, section 297A.01, subdivision 1, is amended to read:

Subdivision 1. The following words, terms, and phrases when used in ~~sections 297A.01 to 297A.44~~ this chapter shall have the meanings ascribed to them in this section except where the context clearly indicates a different meaning.

Sec. 7. Minnesota Statutes 1996, section 297A.09, is amended to read:

297A.09 PRESUMPTION OF TAX; BURDEN OF PROOF.

For the purpose of the proper administration of ~~sections 297A.01 to 297A.44~~ this chapter and to prevent evasion of the tax, it shall be presumed that all gross receipts are subject to the tax until the contrary is established. The burden of proving that a sale is not a sale at retail is upon the person who makes the sale, but that person may take from the purchaser an exemption certificate to the effect that the property purchased is for resale or that the sale is otherwise exempt from the application of the tax imposed by sections 297A.01 to 297A.44.

Sec. 8. Minnesota Statutes 1996, section 297A.12, is amended to read:

297A.12 IMPROPER USE OF SUBJECT OF PURCHASE OBTAINED WITH EXEMPTION CERTIFICATE.

If a purchaser who gives an exemption certificate makes any use of the subject of the purchase other than for a purpose exempted by ~~sections 297A.01 to 297A.44~~ under this chapter, such use shall be deemed a retail sale by the purchaser as of the time of first use

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by the purchaser, and the sales price to the purchaser shall be deemed the gross receipts from such retail sale. If the sole nonexempt use is rental while holding for sale, the purchaser shall include in the purchaser's gross receipts the amount of the rental charged. Upon subsequent sale of such property, the seller shall include the entire amount of gross receipts received therefrom without deduction of amounts previously received as rentals.

Sec. 9. Minnesota Statutes 1996, section 297A.14, subdivision 4, is amended 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. This exemption does not apply to purchases made from retailers who are required or registered to collect taxes under this chapter.

Sec. 10. Minnesota Statutes 1996, section 297A.22, is amended to read:

297A.22 PRESUMPTION OF PURPOSE OF SALE, BURDEN OF PROOF.

For the purpose of the proper administration of sections 297A.01 to 297A.44 and to prevent evasion of the use tax and the duty to collect the use tax, it shall be presumed that all retail sales for delivery in Minnesota are for storage, use or other consumption in Minnesota until the contrary is established. ~~The burden of proving the contrary shall be upon the person retailer who makes the sale but that person may take from the purchaser an exemption certificate in accordance with sections 297A.09 to 297A.13.~~

Sec. 11. Minnesota Statutes 1996, section 297A.23, is amended to read:

297A.23 PROPERTY BROUGHT TO STATE; PRESUMPTION; BURDEN OF PROOF.

Any purchaser of tangible personal property or any items enumerated in section 297A.14 which are shipped or brought to Minnesota by the purchaser ~~after July 31, 1967,~~ shall have the burden of proving that the same were not purchased from a retailer for storage, use or consumption in Minnesota.

Sec. 12. Minnesota Statutes 1996, section 297A.25, subdivision 1, is amended to read:

Subdivision 1. **SCOPE.** The items contained in this section are specifically exempted from the taxes imposed by ~~sections 297A.01 to 297A.44~~ this chapter.

Sec. 13. Minnesota Statutes 1996, section 297A.25, subdivision 2, is amended to read:

Subd. 2. **FOOD PRODUCTS.** The gross receipts from the sale of and storage, use, or consumption of food products including but not limited to cereal and cereal products, butter, cheese, milk and milk products, oleomargarine, meat and meat products, fish and fish products, eggs and egg products, vegetables and vegetable products, fruit and fruit products, spices and salt, sugar and sugar products, coffee and coffee substitutes, tea, cocoa and cocoa products, and food products which are not taxable pursuant to section

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297A.01, subdivision 3, clause (c) are exempt. This exemption does not include the following:

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

(2) carbonated beverages, beverages commonly referred to as soft drinks containing less than 15 percent fruit juice, or bottled water other than noncarbonated and noneffervescent bottled water sold in individual containers of one-half gallon or more in size.

Sec. 14. Minnesota Statutes 1996, section 297A.25, subdivision 3, is amended to read:

Subd. 3. **MEDICINES; MEDICAL DEVICES.** The gross receipts from the sale of and storage, use, or consumption of prescribed drugs, prescribed medicine and insulin, intended for use, internal or external, in the cure, mitigation, treatment or prevention of illness or disease in human beings are exempt, together with prescription glasses, fever thermometers, therapeutic, and prosthetic devices. "Prescribed drugs" or "prescribed medicine" includes over-the-counter drugs or medicine prescribed by a licensed physician. "Therapeutic devices" includes reusable finger pricking devices for the extraction of blood, blood glucose monitoring machines, and other diagnostic agents used in diagnosing, monitoring, or treating diabetes. Nonprescription analgesics consisting principally (determined by the weight of all ingredients) of acetaminophen, acetylsalicylic acid, ibuprofen, or a combination thereof are exempt.

Sec. 15. Minnesota Statutes 1996, section 297A.25, subdivision 6, is amended to read:

Subd. 6. **PACKING MATERIALS.** The gross receipts from the sale of and storage, use, or consumption of packing materials used to pack and ship household goods, the ultimate destination of which is outside the state of Minnesota and which are not thereafter returned to a point within Minnesota, except in the course of interstate commerce, are exempt.

Sec. 16. Minnesota Statutes 1996, section 297A.25, subdivision 8, is amended to read:

Subd. 8. **CLOTHING.** The gross receipts from the sale of and storage, use, or consumption of clothing and wearing apparel are exempt, except the following:

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

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

(3) perfume, essences, extracts, toilet waters, cosmetics, petroleum jellies, hair oils, pomades, hair dressings, hair restoratives, hair dyes, aromatic cachous and toilet pow-

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ders. The tax imposed by this chapter shall not apply to lotion, oil, powder, or other articles intended to be used or applied only in the case of babies;

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

Sec. 17. Minnesota Statutes 1996, section 297A.25, subdivision 9, is amended to read:

Subd. 9. **MATERIALS CONSUMED IN PRODUCTION.** The gross receipts from the sale of and the storage, use, or consumption of all materials, including chemicals, fuels, petroleum products, lubricants, packaging materials, including returnable containers used in packaging food and beverage products, feeds, seeds, fertilizers, electricity, gas and steam, used or consumed in agricultural or industrial production of personal property intended to be sold ultimately at retail, whether or not the item so used becomes an ingredient or constituent part of the property produced are exempt. Seeds, trees, fertilizers, and herbicides purchased for use by farmers in the Conservation Reserve Program under United States Code, title 16, section 590h, as amended through December 31, 1991, the Integrated Farm Management Program under section 1627 of Public Law Number 101-624, the Wheat and Feed Grain Programs under sections 301 to 305 and 401 to 405 of Public Law Number 101-624, and the conservation reserve program under sections 103F.505 to 103F.531, are included in this exemption. Sales to a veterinarian of materials used or consumed in the care, medication, and treatment of horses and agricultural production animals and horses used in agricultural production are exempt under this subdivision. Chemicals used for cleaning food processing machinery and equipment are included in this exemption. Materials, including chemicals, fuels, and electricity purchased by persons engaged in agricultural or industrial production to treat waste generated as a result of the production process are included in this exemption. Such production shall include, but is not limited to, research, development, design or production of any tangible personal property, manufacturing, processing (other than by restaurants and consumers) of agricultural products whether vegetable or animal, commercial fishing, refining, smelting, reducing, brewing, distilling, printing, mining, quarrying, lumbering, generating electricity and the production of road building materials. Such production shall not include painting, cleaning, repairing or similar processing of property except as part of the original manufacturing process. Machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture and fixtures, used in such production and fuel, electricity, gas or steam used for space heating or lighting, are not included within this exemption; however, accessory tools, equipment and other short lived items, which are separate detachable units used in producing a direct effect upon the product, where such items have an ordinary useful life of less than 12 months, are included within the exemption provided herein. Electricity used to make snow for outdoor use for ski hills, ski slopes, or ski trails is included in this exemption.

Sec. 18. Minnesota Statutes 1996, section 297A.25, subdivision 11, is amended to read:

Subd. 11. **SALES TO GOVERNMENT.** The gross receipts from all sales, including sales in which title is retained by a seller or a vendor or is assigned to a third party under an installment sale or lease purchase agreement under section 465.71, of tangible

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personal property to, and all storage, use or consumption of such property by, the United States and its agencies and instrumentalities, the University of Minnesota, state universities, community colleges, technical colleges, state academies, the Lola and Rudy Perpich Minnesota center for arts education, and school districts are exempt.

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 19. Minnesota Statutes 1996, section 297A.25, subdivision 16, is amended to read:

Subd. 16. **SALES TO NONPROFIT GROUPS.** The gross receipts from the sale of tangible personal property to, and the storage, use or other consumption of such property by, any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes if the property purchased is to be used in the performance of charitable, religious, or educational functions, or any senior citizen group or association of groups that in general limits membership to persons who are either (1) age 55 or older, or (2) physically disabled, and is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, no part of the net earnings of which inures to the benefit of any private shareholders, are exempt. For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery owned by a religious organization. Sales exempted by this subdivision include sales pursuant to section 297A.01, subdivision 3, paragraphs (d) and (f), but do not include sales under section 297A.01, subdivision 3, paragraph (j) (i), clause (vii). This exemption shall not apply to building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities. This exemption does not apply to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5.

Sec. 20. Minnesota Statutes 1996, section 297A.25, subdivision 17, is amended to read:

Subd. 17. **CASKETS; VAULTS.** The gross receipts from the sale of and storage, use, or consumption of caskets and burial vaults are exempt.

Sec. 21. Minnesota Statutes 1996, section 297A.25, subdivision 18, is amended to read:

Subd. 18. **AUTOMOBILES; DISABLED VETERANS.** The gross receipts from the sale of and storage, use, or consumption of an automobile or other conveyance are exempt if the purchaser is assisted by a grant from the United States in accordance with United States Code, title 38, section ~~1901~~ 3901, as amended through August 6, 1991.

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Sec. 22. Minnesota Statutes 1996, section 297A.25, subdivision 19, is amended to read:

Subd. 19. **AIRCRAFT.** The gross receipts from the sale to and the storage, use, or consumption by a licensed aircraft dealer of an aircraft for which a commercial use permit has been issued pursuant to section 360.654 is exempt, if the aircraft is resold while the permit is in effect.

Sec. 23. Minnesota Statutes 1996, section 297A.25, subdivision 20, is amended to read:

Subd. 20. **BUILDING MATERIALS; DISABLED VETERANS.** The gross receipts from the sale of and the storage, use, or consumption of building materials to be used in the construction or remodeling of a residence are exempt when the construction or remodeling is financed in whole or in part by the United States in accordance with United States Code, title 38, sections 804 ~~to 805~~ 2101 to 2105, as amended through August 6, 1991. This exemption shall not be effective at time of sale of the materials to contractors, subcontractors, builders or owners, but shall be applicable only upon a claim for refund to the commissioner of revenue filed by recipients of the benefits provided in United States Code, title 38, chapter 21, as amended through August 6, 1991. The commissioner shall provide by rule for the refund of taxes paid on sales exempt in accordance with this subdivision.

Sec. 24. Minnesota Statutes 1996, section 297A.25, subdivision 21, is amended to read:

Subd. 21. **TEXTBOOKS.** The gross receipts from the sale of and storage, use, or consumption of textbooks which are prescribed for use in conjunction with a course of study in a public or private school, college, university and business or trade school to students who are regularly enrolled at such institutions are exempt. For purposes of this subdivision a "public school" is defined as one that furnishes course of study, enrollment and staff that meets standards of the state board of education and a "private school" is one which under the standards of the state board of education, provides an education substantially equivalent to that furnished at a public school. "Business and trade schools" shall mean such schools licensed pursuant to section 141.25.

Sec. 25. Minnesota Statutes 1996, section 297A.25, subdivision 23, is amended to read:

Subd. 23. **RESIDENTIAL HEATING FUELS.** The gross receipts from the sale of and the storage, use, or consumption of residential heating fuels are exempt in the following manner:

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

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

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

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Sec. 26. Minnesota Statutes 1996, section 297A.25, subdivision 26, is amended to read:

Subd. 26. **FEMININE HYGIENE PRODUCTS.** The gross receipts from the sale of and storage, use, or consumption of sanitary napkins, tampons, or similar items used for feminine hygiene, are exempt.

Sec. 27. Minnesota Statutes 1996, section 297A.25, subdivision 27, is amended to read:

Subd. 27. **MANUFACTURED HOMES.** The gross receipts from the sale of and the storage, use, or consumption of a manufactured home, as defined in section 327.31, subdivision 6, to be used by the purchaser for residential purposes are exempt, unless the sale is the first retail sale of the manufactured home in this state.

Sec. 28. Minnesota Statutes 1996, section 297A.25, subdivision 28, is amended to read:

Subd. 28. **WASTE PROCESSING EQUIPMENT.** The gross receipts from the sale of and storage, use, or consumption 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. 29. Minnesota Statutes 1996, section 297A.25, subdivision 29, is amended to read:

Subd. 29. **FARM MACHINERY REPAIR PARTS.** The gross receipts from the sale of and the storage, use, or consumption of repair and replacement parts, except tires, used for maintenance or repair of farm machinery are exempt, if the part replaces a farm machinery part assigned a specific or generic part number by the manufacturer of the farm machinery.

Sec. 30. Minnesota Statutes 1996, section 297A.25, subdivision 30, is amended to read:

Subd. 30. **SCHOOL TICKETS OR ADMISSIONS.** The gross receipts from sales and use of tickets or admissions to regular season school games, events, and activities are exempt. For purposes of this subdivision, "school" has the meaning given it in section 120.101, subdivision 4.

Sec. 31. Minnesota Statutes 1996, section 297A.25, subdivision 34, is amended to read:

Subd. 34. **MOTOR VEHICLES.** The gross receipts from the sale or use of any motor vehicle taxable under the provisions of the sales tax on motor vehicles laws of Minnesota shall be exempt from taxation under this chapter. Notwithstanding subdivision 11, the exemption provided under this subdivision remains in effect for motor vehicles purchased or leased by political subdivisions of the state if the vehicles are not subject to taxation under chapter 297B exempt from registration under section 168.012, subdivision 1, paragraph (b).

Sec. 32. Minnesota Statutes 1996, section 297A.25, subdivision 35, is amended to read:

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Subd. 35. **FOOD STAMPS.** The gross receipts from the sale and the storage, use, or consumption of tangible personal property purchased with food stamps, coupons, or vouchers issued by the federal government under the Food Stamp Program are exempt. This exemption also applies to food purchased under the Special Supplemental Food Program for Women, Infants, and Children. The exemption provided by this subdivision is effective and applies only to the extent required by federal law.

Sec. 33. Minnesota Statutes 1996, section 297A.25, subdivision 38, is amended to read:

Subd. 38. **USED MOTOR OILS.** The gross receipts from the sale of and the storage, use, or consumption of used motor oils are exempt.

Sec. 34. Minnesota Statutes 1996, section 297A.25, subdivision 39, is amended to read:

Subd. 39. **CROSS-COUNTRY SKI PASSES.** The gross receipts from the sale and use of cross-country ski passes issued under sections 85.40 to 85.43 are exempt.

Sec. 35. Minnesota Statutes 1996, section 297A.25, subdivision 40, is amended to read:

Subd. 40. **STATE FAIR ADMISSIONS.** The gross receipts from the sale and use of tickets to the premises of or events sponsored by the state agricultural society and conducted on the state fairgrounds during the period of the annual state fair are exempt, provided that:

(1) the tax foregone under this subdivision is used exclusively for the purpose of making capital improvements to state-owned buildings and facilities on the state fairgrounds; and

(2) the tax foregone under this subdivision is matched in equal amount by proceeds from special assessments levied against commercial exhibits, concessions and rentals, and from other special user fees specifically designated for capital improvements.

Sec. 36. Minnesota Statutes 1996, section 297A.25, subdivision 41, is amended to read:

Subd. 41. **BULLET-PROOF VESTS.** The gross receipts from the sale of and storage, use, or consumption of bullet-resistant soft body armor that is flexible, concealable, and custom-fitted to provide the wearer with ballistic and trauma protection are exempt if purchased by a law enforcement agency of the state or a political subdivision of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1. The bullet-resistant soft body armor must meet or exceed the requirements of standard 0101.01 of the National Institute of Law Enforcement and Criminal Justice in effect on December 30, 1986, or meet or exceed the requirements of the standard except wet armor conditioning.

Sec. 37. Minnesota Statutes 1996, section 297A.25, subdivision 42, is amended to read:

Subd. 42. **CAPITAL EQUIPMENT.** The gross receipts from the sale of and storage, use, or consumption of capital equipment are exempt.

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Sec. 38. Minnesota Statutes 1996, section 297A.25, subdivision 43, is amended to read:

Subd. 43. **CHAIR LIFTS, RAMPS, ELEVATORS.** The gross receipts from the sale of and storage, use, or consumption of chair lifts, ramps, and elevators and building materials used to install or construct them are exempt, if they are authorized by a physician and installed in or attached to the owner's homestead.

Sec. 39. Minnesota Statutes 1996, section 297A.25, subdivision 46, is amended to read:

Subd. 46. **SACRAMENTAL WINE.** The gross receipts from the sale of and storage, use, or consumption of wine for sacramental purposes in religious ceremonies, as described in section 340A.316, if the wine is purchased from a nonprofit religious organization meeting the requirements of subdivision 16 or from the holder of a sacramental wine license as provided in section 340A.316 are exempt.

Sec. 40. Minnesota Statutes 1996, section 297A.25, subdivision 49, is amended to read:

Subd. 49. **AIR COOLING EQUIPMENT.** The gross receipts from the sale of and storage, use, or consumption of equipment used for air cooling are exempt, if the equipment is purchased for conversion or replacement of an existing groundwater based once-through cooling system as required under section 103G.271, subdivision 5.

Sec. 41. Minnesota Statutes 1996, section 297A.25, subdivision 51, is amended to read:

Subd. 51. **AUTOMATIC FIRE-SAFETY SPRINKLER SYSTEMS.** The gross receipts from the sale of and storage, use, or consumption of automatic fire-safety sprinkler systems described in section 273.11, subdivision 6a, are exempt.

Sec. 42. Minnesota Statutes 1996, section 297A.25, subdivision 52, is amended to read:

Subd. 52. **PARTS AND ACCESSORIES USED TO MAKE A MOTOR VEHICLE HANDICAPPED ACCESSIBLE.** The gross receipts from the sale of and storage, use, or consumption of parts and accessories that are used solely to modify a motor vehicle to make it handicapped accessible are exempt. Labor charges for modifying a motor vehicle to make it handicapped accessible are included in this exemption.

Sec. 43. Minnesota Statutes 1996, section 297A.25, subdivision 53, is amended to read:

Subd. 53. **SPECIAL TOOLING.** The gross receipts from the sale of and storage, use, or consumption of special tooling are exempt.

Sec. 44. Minnesota Statutes 1996, section 297A.25, subdivision 57, is amended to read:

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

(b) Sales of and storage, use, or consumption of all materials, including feed and bedding, used or consumed in the breeding, raising, owning, boarding, and keeping of

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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. 45. Minnesota Statutes 1996, section 297A.25, subdivision 61, is amended to read:

Subd. 61. **CONSTRUCTION MATERIALS FOR INDOOR ICE ARENAS.** The gross receipts from the sale of and storage, use, or consumption 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) 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.

Sec. 46. Minnesota Statutes 1996, 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 pur-

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poses. 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 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 inures 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 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.

The exemption for fundraising events under this paragraph is limited to no more than 24 days a year. Fundraising events conducted on premises leased 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, as amended through December 31, 1994, including a tournament conducted on premises leased or occupied for more than four days.

Sec. 47. Minnesota Statutes 1996, 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 (4) (k), clauses (1) and (2), must be deposited by the commissioner in the state treasury, and credited as follows:

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(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, 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. 48. Minnesota Statutes 1996, section 297B.03, is amended to read:

297B.03 EXEMPTIONS.

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

(1) Purchase or use, including use under a lease purchase agreement or installment sales contract made pursuant to section 465.71, of any motor vehicle by the United States and its agencies and instrumentalities and by any person described in and subject to the conditions provided in section 297A.25, subdivision 18.

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

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

(4) Purchase or use of any motor vehicle previously registered in the state of Minnesota by ~~any corporation or partnership~~ when such transfer constitutes a transfer within the meaning of section 351 or 721 of the Internal Revenue Code of 1986, as amended through December 31, 1988.

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

(6) Purchase or use of a motor vehicle by a private nonprofit or public educational institution for use as an instructional aid in automotive training programs operated by the institution. "Automotive training programs" includes motor vehicle body and mechanical repair courses but does not include driver education programs.

(7) Purchase of a motor vehicle for use as an ambulance by an ambulance service licensed under section 144.802.

(8) Purchase of a motor vehicle by or for a public library, as defined in section 134.001, subdivision 2, as a bookmobile or library delivery vehicle.

Sec. 49. Minnesota Statutes 1996, section 297B.035, subdivision 3, is amended to read:

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Subd. 3. **SALES IN VIOLATION OF LICENSING REQUIREMENTS.** Motor vehicles sold by a new motor vehicle dealer in contravention of section 168.27, subdivision 10, clause (1)(b) shall not be considered to have been acquired or purchased for resale in the ordinary or regular course of business for the purposes of this chapter, and the dealer shall be required to pay the excise tax due on the purchase of those vehicles. The sale by a lessor of a new motor vehicle under lease within 120 days of the commencement of the lease is deemed a sale in contravention of section 168.27, subdivision 10, clause (1)(b) unless the lessor holds a valid contract or franchise with the manufacturer or distributor of the vehicle. Notwithstanding section 297B.11, the rights of a dealer to appeal any amounts owed by the dealer under this subdivision are governed exclusively by the hearing procedure under section 168.27, subdivision 13.

Sec. 50. Minnesota Statutes 1996, section 297B.11, is amended to read:

297B.11 REGISTRAR AS AGENT OF COMMISSIONER OF REVENUE; POWERS.

The state commissioner of revenue is charged with the administration of the sales tax on motor vehicles. The commissioner may prescribe all rules not inconsistent with the provisions of this chapter, necessary and advisable for the proper and efficient administration of the law. The collection of this sales tax on motor vehicles shall be carried out by the motor vehicle registrar who shall act as the agent of the commissioner and who shall be subject to all rules not inconsistent with the provisions of this chapter, that may be prescribed by the commissioner.

The provisions of chapters 289A and 297A relating to the commissioner's authority to audit, assess, and collect the tax, and to issue refunds and to hear appeals, are applicable to the sales tax on motor vehicles. The commissioner may impose civil penalties as provided in chapters 289A and 297A, and the additional tax and penalties are subject to interest at the rate provided in section 270.75.

Sec. 51. Minnesota Statutes 1996, section 299F.21, subdivision 2, is amended to read:

Subd. 2. **ANNUAL RETURNS.** (a) Every insurer required to pay a tax under this section shall make and file a statement of estimated taxes for the period covered by the installment tax payment. The statement shall be in the form prescribed by the commissioner of revenue.

(b) On or before March 1, annually every insurer subject to taxation under this section shall make an annual return for the preceding calendar year setting forth information the commissioner of revenue may reasonably require on forms prescribed by the commissioner.

(c) On March 1, the insurer shall pay any additional amount due for the preceding calendar year; if there has been an overpayment, the overpayment may be credited without interest on the estimated tax due April 15 1.

(d) If unpaid by this date, penalties as provided in section 289A.60, subdivision 1, as related to withholding and sales or use taxes, shall be imposed.

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Sec. 52. EFFECTIVE DATE.

Sections 1 to 51 are effective July 1, 1997.

ARTICLE 3**PROPERTY TAXES**

Section 1. Minnesota Statutes 1996, section 272.02, subdivision 4, is amended to read:

Subd. 4. **CONVERSION TO EXEMPT OR TAXABLE USES.** (a) Any property exempt from taxation on January 2 of any year which, due to sale or other reason, loses its exemption prior to July 1 of any year, shall be placed on the current assessment rolls for that year.

The valuation shall be determined with respect to its value on January 2 of such year. The classification shall be based upon the use to which the property was put by the purchaser, or in the event the purchaser has not utilized the property by July 1, the intended use of the property, determined by the county assessor, based upon all relevant facts.

(b) Property subject to tax on January 2 that is acquired by a ~~governmental entity, institution of purely public charity, church, or educational institution~~ before July 1 of the year is exempt for that assessment year if the property is to be used for an exempt purpose under subdivision 1, clauses (1) to (7).

(c) Property which forfeits to the state for nonpayment of real estate taxes on or before December 31 in an assessment year, shall be removed from the assessment rolls for that assessment year. Forfeited property that is repurchased, or sold at a public or private sale, on or before December 31 of an assessment year shall be placed on the assessment rolls for that year's assessment.

Sec. 2. Minnesota Statutes 1996, section 272.04, subdivision 1, is amended to read:

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

Sec. 3. Minnesota Statutes 1996, section 273.032, is amended to read:

273.032 MARKET VALUE DEFINITION.

For the purpose of determining any property tax levy limitation based on market value, any net debt limit based on market value, any limit on the issuance of bonds, certifi-

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cates of indebtedness, or capital notes based on market value, any qualification to receive state aid based on market value, or any state aid amount based on market value, the terms "market value," "taxable market value," and "market valuation," whether equalized or unequalized, mean the total taxable market value of property within the local unit of government before any adjustments for tax increment, fiscal disparity, or powerline credit, or wind energy values, but after the limited market adjustments under section 273.11, subdivision 1a, and after the market value exclusions of certain improvements to homestead property under section 273.11, subdivision 16. Unless otherwise provided, "market value," "taxable market value," and "market valuation" refer to the taxable market value for the previous assessment year.

Sec. 4. Minnesota Statutes 1996, 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 must use the property for the purposes of the homestead, and must apply for it to the assessor, both by July 1 of the year when the treatment is initially sought the deadlines given in subdivision 9. After initial qualification for the homestead treatment, additional applications for subsequent years are not required.

(c) Residential real estate that is occupied and used for purposes of a homestead by a relative of the owner is a homestead but only to the extent of the homestead treatment that

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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 owner's spouse who previously occupied the residence with the owner if the absence of the owner is due to one of the exceptions provided in this paragraph.

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(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. 5. Minnesota Statutes 1996, section 273.124, subdivision 13, is amended to read:

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

(b) On or before January 2, 1993, each county assessor shall mail a homestead application to the owner of each parcel of property within the county which was classified as homestead for the 1992 assessment year. The format and contents of a uniform homestead application shall be prescribed by the commissioner of revenue. The commissioner shall consult with the chairs of the house and senate tax committees on the contents of the homestead application form. The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property or by the qualifying relative and returned to the county assessor in order for the property to continue receiving homestead treatment. The envelope containing the homestead application shall clearly identify its contents and alert the taxpayer of its necessary immediate response.

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

If a property owner occupies a homestead, the property owner's spouse may not claim another property as a homestead unless the property owner and the property owner's spouse file with the assessor an affidavit or other proof required by the assessor stating that the property 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,

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notwithstanding that section, the private data may be disclosed to the commissioner of revenue, or, for purposes of proceeding under the revenue recapture act to recover personal property taxes owing, to the county treasurer.

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

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

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

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

(h) If 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

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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 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 person notified 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 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 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 in section 279.03 for real property taxes becoming delinquent in the calendar year during which the amount remains unpaid.~~ Interest may be assessed 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 ad valorem taxes otherwise payable on the property in the following year by including the amounts on the property tax statements under section 276.04, subdivision 3. The amounts added under this paragraph to the ad valorem taxes shall include interest accrued through December 31 of the year preceding the taxes payable year for which the amounts are first added. These amounts, when added to the property tax statement, become subject to all the laws for the enforcement of real or personal property taxes for that year, and for any subsequent 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 as provided in this paragraph to the extent that the current owner agrees in writing. On all demands, billings, property tax statements, and related correspondence, the county must list and state separately the amounts of homestead benefits, penalty, interest and costs being demanded, billed or assessed.

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

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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. 6. Minnesota Statutes 1996, section 273.1392, is amended to read:

273.1392 PAYMENT; SCHOOL DISTRICTS.

The amounts of conservation tax credits under section 273.119; disaster or emergency reimbursement under section 273.123; attached machinery aid under section 273.138; homestead credit under section 273.13; aids and credits under section 273.1398; wetlands reimbursement under section 275.295; enterprise zone property credit payments under section 469.171; and metropolitan agricultural preserve reduction under section 473H.10 for school districts, shall be certified to the department of children, families, and learning by the department of revenue. The amounts so certified shall be paid according to section 124.195, subdivisions 6 and 10.

Sec. 7. Minnesota Statutes 1996, 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) "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.

(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.

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(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) transition revenue under section 124A.22, subdivision 13c;
- (4) basic transportation under section 124.226, subdivision 1; and
- (5) referendum revenue under section 124A.03.

(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.

(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.

(h) "Household adjustment factor" means the number of households for the ~~second most recent year preceding that in which the aids are payable, for the year most recently determined as of July 1 in the aid calculation year,~~ for the year most recently determined as of July 1 in the aid calculation year, divided by the number of households for the ~~third most recent year immediately preceding the year for which the number of households has most recently been determined as of July 1.~~ third most recent year immediately preceding the year for which the number of households has most recently been determined as of July 1. The household adjustment factor cannot be less than one.

(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.

(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.

(k) "Net tax capacity adjustment" means (1) the 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.

(l) "Fiscal disparity adjustment" means 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, multiplied by the ratio of the tax base differential percent referenced in subdivision 1a for

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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. 8. Minnesota Statutes 1996, section 275.011, subdivision 1, is amended to read:

Subdivision 1. The property tax levied for any purpose under a special law that is not codified in Minnesota Statutes or a city charter provision and that is subject to a mill rate limitation imposed by the special law or city charter provision, excluding levies subject to mill rate limitations that use adjusted assessed values determined by the commissioner of revenue under section 124.2131, must not exceed the following amount for the years specified:

(a) for taxes payable in 1988, the product of the applicable mill rate limitation imposed by special law or city charter provision multiplied by the total assessed valuation of all taxable property subject to the tax as adjusted by the provisions of Minnesota Statutes 1986, sections 272.64; 273.13, subdivision 7a; and 275.49;

(b) for taxes payable in 1989, the product of (1) the property tax levy limitation for the taxes payable year 1988 determined under clause (a) multiplied by (2) an index for market valuation changes equal to the assessment year 1988 total market valuation of all taxable property subject to the tax divided by the assessment year 1987 total market valuation of all taxable property subject to the tax; and

(c) for taxes payable in 1990 and subsequent years, the product of (1) the property tax levy limitation for the previous year determined pursuant to this subdivision multiplied by (2) an index for market valuation changes equal to the total market valuation of all taxable property subject to the tax for the current assessment year divided by the total market valuation of all taxable property subject to the tax for the previous assessment year.

For the purpose of determining the property tax levy limitation for the taxes payable year 1988 and subsequent years under this subdivision, "total market valuation" means the total market valuation of all taxable property subject to the tax without valuation adjustments for fiscal disparities (~~chapter~~ chapters 276A and 473F), tax increment financing (sections 469.174 to 469.179), and high voltage transmission lines powerline credit (section 273.425), or wind energy (sections 276.20 to 276.21) values.

Sec. 9. Minnesota Statutes 1996, 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

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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 as each appears in the records of the county assessor on November 1 of 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. 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 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;

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(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 is provided to the county assessor that by the applicable deadline, and the property is owned and used as the owner's qualifies for the homestead classification in that assessment 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:

(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.

(j) For taxes levied in 1996, payable in 1997 only, in the case of a statutory or home rule charter city or town that exercises the local levy option provided in section 473.388, subdivision 7, the notice of its proposed taxes may include a statement of the amount by which its proposed tax increase for taxes payable in 1997 is attributable to its exercise of that option, together with a statement that the levy of the metropolitan council was decreased by a similar amount because of the exercise of that option.

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Sec. 10. Minnesota Statutes 1996, section 275.295, subdivision 3, is amended to read:

Subd. 3. **APPROPRIATION.** There is appropriated from the general fund to the commissioner of revenue the amount necessary to make the payments required in subdivision 2. There is appropriated from the general fund to the commissioner of children, families, and learning the amount necessary to make the payments determined under subdivisions 1 and 2 for school districts.

Sec. 11. Minnesota Statutes 1996, section 276A.01, subdivision 7, is amended to read:

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 as of July 1 of the year in which a municipality's distribution net tax capacity is calculated. 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.

Sec. 12. Minnesota Statutes 1996, section 277.21, subdivision 3, is amended to read:

Subd. 3. **MANNER OF EXECUTION AND SALE.** In making the execution of the levy and in collecting the taxes due in a manner consistent with the provisions of this chapter, the county treasurer has all of the powers in chapter 550 and in any other law, and the powers given to the commissioner of revenue in sections 270.7001, 270.7002, and 290.92, subdivision 23, for purposes of effecting an execution against property in this state. The sale of property levied upon, and the time and manner of redemption therefrom, must be consistent with authority granted to the commissioner of revenue to collect state taxes under sections 270.70 to 270.709. The seal of the court, subscribed by the court administrator, as provided in section 550.04, is not required. The levy for collection of taxes may be made, whether or not a legal action for collection of the taxes has been commenced.

Sec. 13. Minnesota Statutes 1996, section 287.22, is amended to read:

287.22 EXCEPTIONS.

The tax imposed by section 287.21 shall not apply to:

A. Any executory contract for the sale of land under which the vendee is entitled to or does take possession thereof, or any assignment or cancellation thereof.

B. Any mortgage or any assignment, extension, partial release, or satisfaction thereof.

C. Any will.

D. Any plat.

E. Any lease.

F. Any deed, instrument, or writing in which the United States or any agency or instrumentality thereof is the grantor, assignor, transferor, conveyer, grantee or assignee.

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G. Deeds for cemetery lots.

H. Deeds of distribution by personal representatives.

I. Deeds to or from coowners partitioning undivided interests in the same piece of property.

J. Any deed or other instrument of conveyance issued pursuant to a land exchange under section 92.121 and related laws.

K. A referee's or sheriff's certificate of sale in a mortgage or lien foreclosure sale.

L. A referee's or sheriff's certificate of redemption from a mortgage or lien foreclosure sale issued to the redeeming mortgagor or lienee.

M. Any deed, instrument, or writing which grants, creates, modifies, or cancels an easement.

Sec. 14. Minnesota Statutes 1996, section 414.033, subdivision 7, is amended to read:

Subd. 7. **FILING; EFFECTIVE DATE; COPY, LEVIES.** Any annexation ordinance provided for in this section must be filed with the board, the township, the county auditor and the secretary of state and is final on the date the ordinance is approved by the board. A copy of the annexation ordinance must be delivered immediately by the governing body of the municipality to the appropriate county auditor or auditors. ~~For the purposes of taxation, if the annexation becomes effective on or before August 1 of a levy year, the municipality may levy on the annexed area beginning with that same levy year. If the annexation becomes effective after August 1 of a levy year, the town may continue to levy on the annexed area for that levy year, and the municipality may not levy on the annexed area until the following levy year.~~

Sec. 15. Minnesota Statutes 1996, section 414.033, subdivision 12, is amended to read:

Subd. 12. **PROPERTY TAXES.** When a municipality annexes land under subdivision 2, clause (2), (3), or (4), or subdivision 2a, property taxes payable on the annexed land shall continue to be paid to the affected town or towns for the year in which the annexation becomes effective. If the annexation becomes effective on or before August 1 of a levy year, the municipality may levy on the annexed area beginning with that same levy year. If the annexation becomes effective after August 1 of a levy year, the town may continue to levy on the annexed area for that levy year, and the municipality may not levy on the annexed area until the following levy year. In the first year following the year when the municipality could first levy on the annexed area under this subdivision, and thereafter, property taxes on the annexed land shall be paid to the municipality. In the first year following the year the land was annexed municipality could first levy on the annexed area, the municipality shall make a cash payment to the affected town or towns in an amount equal to 90 percent of the property taxes paid in the year the land was annexed distributed to the town in regard to the annexed area in the last year the property taxes from the annexed area were payable to the town; in the second year, an amount equal to 70 percent of the property taxes paid in the year the land was annexed; in the third year, an amount equal to 50 percent of the property taxes paid in the year the land was annexed; in the fourth year, an amount equal to 30 percent of the property taxes paid in the year the

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land was annexed; and in the fifth year, an amount equal to ten percent of the property taxes paid in the year the land was annexed. The municipality and the affected township may agree to a different payment.

Sec. 16. Minnesota Statutes 1996, section 469.177, subdivision 9, is amended to read:

Subd. 9. DISTRIBUTIONS OF EXCESS TAXES ON CAPTURED NET TAX CAPACITY. (a) If the amount of tax paid on captured net tax capacity exceeds the amount of tax increment, the county auditor shall distribute the excess to the municipality, county, and school district as follows: each governmental unit's share of the excess equals

(1) the total amount of the excess for the tax increment financing district, multiplied by

(2) a fraction, the numerator of which is the current local tax rate of the governmental unit less the governmental unit's local tax rate for the year the original local tax rate for the district was certified (in no case may this amount be less than zero) and the denominator of which is the sum of the numerators for the municipality, county, and school district.

If the entire increase in the local tax rate is attributable to a taxing district, other than the municipality, county, or school district, then the excess must be distributed to the municipality, county, and school district in proportion to their respective local tax rates.

The school district's tax rate must be divided into the portion of the tax rate attributable (1) to state equalized levies, and (2) unequalized levies. As used in this subdivision, "equalized levies" means the sum of the maximum amounts that may be levied for: (i) general education under section 124A.23, subdivision 2; (ii) supplemental revenue under section 124A.22, subdivision 8a; (iii) capital expenditure facilities revenue under section 124.243, subdivision 3; (iv) capital expenditure equipment revenue under section 124.244, subdivision 2; and (v) basic transportation under section 124.226, subdivision 1. "equalized school levies" which are defined in section 273.1398, subdivision 1, for aids payable in the year following the year in which the excess taxes on captured net tax capacity are due and payable. Unequalized levies mean the rest of the school district's levies. The calculations under clause (2) must determine the amount of excess taxes attributable to each portion of the school district's tax rate. If one of the portions of the change in the school district tax rate is less than zero and the combined change is greater than zero, the combined rate must be used and all the school district's share of excess taxes allocated to that portion of the tax rate.

(b) The amounts distributed shall be deducted in computing the levy limits of the taxing district for the succeeding taxable year. In the case of a school district, only the proportion of the excess taxes attributable to unequalized levies that are subject to a fixed dollar amount levy limit shall be deducted from the levy limit.

(c) In the case of distributions to a school district that are attributable to state equalized levies, the county auditor shall report amounts distributed to the commissioner of children, families, and learning in the same manner as provided for excess increments under section 469.176, subdivision 2, and the distribution shall be deducted from the school district's state aid payments.

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Sec. 17. Minnesota Statutes 1996, section 473.388, subdivision 7, is amended to read:

Subd. 7. **LOCAL LEVY OPTION.** (a) A statutory or home rule charter city or town that is eligible for assistance under this section, in lieu of receiving the assistance, may levy a tax for payment of the operating and capital expenditures for transit and other related activities and to provide for payment of obligations issued by the municipality for such purposes, provided that the tax must be sufficient to maintain the level of transit service provided in the municipality in the previous year.

(b) The transit tax revenues derived by the municipality may not exceed:

(1) for the first transit levy year and any subsequent transit levy year immediately following a year in which the municipality declines to make the levy, the maximum available local transit funds for the municipality for taxes payable in the current year under section 473.446, calculated as if the percentage of transit tax revenues for the municipality were 88 percent instead of 90 percent, and multiplied by the municipality's market value adjustment ratio; and

(2) for taxes levied in any year that immediately follows a year in which the municipality elects to levy under this subdivision, the maximum transit tax that the municipality may have levied in the previous year under this subdivision, multiplied by the municipality's market value adjustment ratio.

The commissioner of revenue shall certify the municipality's levy limitation under this subdivision to the municipality by June 1 of the levy year. The tax must be accumulated and kept in a separate fund to be known as the "replacement transit fund."

(c) To enable the municipality to receive revenues described in clauses (2) and (3) of the definition of "tax revenues" in subdivision 4, that would otherwise be lost if the municipality's transit tax levy was not treated as a successor levy to that made by the council under section 473.446:

(1) in the first transit levy year and any subsequent transit levy year immediately following a year in which the municipality declined to make the levy, 88 percent of the council's nondebt spread levy for the current taxes payable year shall be treated as levied by the municipality, and not the council, for purposes of section 473F.08, subdivision 3, for the purpose of determining its local tax rate for the preceding year; and

(2) 88 percent of the revenues described in clause (3) of the definition of "tax revenues" in subdivision 4, payable in the first transit levy year, or payable in any subsequent transit levy year following a year in which a municipality declined to make the levy, shall be permanently transferred from the council to the municipality. If a municipality levies a tax under this subdivision in one year, but declines to levy in a subsequent year, the aid transferred under this clause shall be transferred back to the council.

(d) Any transit taxes levied under this subdivision are not subject to, or counted towards, any limit hereafter imposed by law on the levy of taxes upon taxable property within any municipality unless the law specifically includes the transit tax.

(e) This subdivision is consistent with the transit redesign plan. Eligible municipalities opting to levy the transit tax under this subdivision shall continue to meet the regional performance standards established by the council.

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(f) Within the designated Americans with Disabilities Act area, metro mobility remains the obligation of the state.

(g) For purposes of this subdivision, "transit levy year" is any year in which the municipality elects to levy under this subdivision.

(h) A municipality may not levy taxes under this subdivision in any year unless it notifies the council and the commissioner of revenue of its intent to levy before July 1 of the levy year. The notification must include the amount of the municipality's proposed transit tax for the current levy year. After June 30 in the levy year, a municipality's decision to levy or not levy taxes under this subdivision is irrevocable for that levy year.

Sec. 18. Minnesota Statutes 1996, section 473F.02, subdivision 7, is amended to read:

Subd. 7. **POPULATION.** "Population" means the most recent estimate of the population of a municipality made by the metropolitan council and filed with the commissioner of revenue as of July 1 of the year in which a municipality's distribution net tax capacity is calculated. The council shall annually estimate the population of each municipality as of a date which it determines 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 promptly thereafter file its estimates with the commissioner of revenue.

Sec. 19. EFFECTIVE DATE.

Sections 1, 2, 4 to 7, 9 to 13, and 16 to 18 are effective the day following final enactment. Sections 3 and 8 are effective for determinations made in regard to taxes payable in 1996 and thereafter. Sections 14 and 15 are effective beginning with annexations that become effective in 1996 and thereafter.

ARTICLE 4

MINNESOTACARE

Section 1. Minnesota Statutes 1996, 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 hospital for patient services;
- (2) a surgical center for patient services;
- (3) a health care provider, other than a staff model health carrier, for patient services;
- (4) a wholesale drug distributor for sale or distribution of legend drugs that are delivered: (i) ~~to a~~ in 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

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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;

(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

(6) a pharmacy medical supplies distributor for sale, rent, lease, or repair of medical supplies, appliances, and equipment.

Sec. 2. Minnesota Statutes 1996, section 295.50, subdivision 4, is amended to read:

Subd. 4. **HEALTH CARE PROVIDER.** (a) "Health care provider" means:

(1) a person whose health care occupation is required to be licensed or registered by the state of Minnesota 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 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, medical supplies distributors, 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 157.17 to provide supportive services or health supervision services, adult foster homes as defined in Minnesota Rules, part 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 1996, section 295.50, subdivision 7, is amended to read:

Subd. 7. **HOSPITAL.** "Hospital" means a hospital licensed under chapter 144, or a hospital licensed by any other ~~state or province or territory of Canada~~ jurisdiction.

Sec. 4. Minnesota Statutes 1996, section 295.50, is amended by adding a subdivision to read:

Subd. 7a. **MEDICAL SUPPLIES DISTRIBUTOR.** A medical supplies distributor is a person who sells, rents, leases, or repairs medical supplies, appliances, and equipment.

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Sec. 5. Minnesota Statutes 1996, section 295.50, subdivision 13, is amended to read:

Subd. 13. **SURGICAL CENTER.** "Surgical center" is an outpatient surgical center as defined in Minnesota Rules, chapter 4675 or a similar facility located in any other state or province or territory of Canada jurisdiction.

Sec. 6. Minnesota Statutes 1996, section 295.51, subdivision 1, is amended to read:

Subdivision 1. **BUSINESS TRANSACTIONS IN MINNESOTA.** A hospital, surgical center, pharmacy medical supplies distributor, or health care provider is subject to tax under sections 295.50 to 295.59 if it is "transacting business in Minnesota." A hospital, surgical center, pharmacy medical supplies distributor, or health care provider is transacting business in Minnesota if it 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. 7. Minnesota Statutes 1996, section 295.52, subdivision 1b, is amended to read:

Subd. 1b. **PHARMACY MEDICAL SUPPLIES DISTRIBUTOR TAX.** A tax is imposed on each pharmacy medical supplies distributor equal to two percent of its gross revenues.

Sec. 8. Minnesota Statutes 1996, 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);

(6) amounts paid for legend drugs, other than nutritional products, to a wholesale drug distributor who is subject to tax under section 295.52, subdivision 3, 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;

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(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 health care provider or the wholly owned subsidiary of a 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 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 legend drugs sold directly to veterinarians or veterinary bulk purchasing organizations are excluded from the gross revenues subject to the wholesale drug distributor tax under sections 295.50 to 295.59.

Sec. 9. Minnesota Statutes 1996, section 295.53, subdivision 3, is amended to read:

Subd. 3. **SEPARATE STATEMENT OF TAX.** A hospital, surgical center, pharmacy medical supplies distributor, or health care provider must not state the tax obligation under section 295.52 in a deceptive or misleading manner. It must not separately

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state tax obligations on bills provided to patients, consumers, or other payers when the amount received for the services or goods is not subject to tax.

Pharmacies that separately state the tax obligations on bills provided to consumers or to other payers who purchase legend drugs may state the tax obligation as two percent of the wholesale price of the legend drugs. Pharmacies must not state the tax obligation as two percent of the retail price.

Whenever the commissioner determines that a person has engaged in any act or practice constituting a violation of this subdivision, the commissioner may bring an action in the name of the state in the district court of the appropriate county to enjoin the act or practice and to enforce compliance with this subdivision, or the commissioner may refer the matter to the attorney general or the county attorney of the appropriate county. Upon a proper showing, a permanent or temporary injunction, restraining order, or other appropriate relief must be granted.

Sec. 10. Minnesota Statutes 1996, section 295.53, subdivision 5, is amended to read:

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

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

Sec. 11. Minnesota Statutes 1996, section 295.54, subdivision 1, is amended to read:

Subdivision 1. **TAXES PAID TO ANOTHER STATE.** A hospital, surgical center, pharmacy medical supplies distributor, or health care provider that has paid taxes to another state or province or territory of Canada jurisdiction measured by gross revenues and is subject to tax under 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 jurisdiction to the extent of the lesser of (1) the tax actually paid to the other state or province or territory of Canada jurisdiction, or (2) the amount of tax imposed by Minnesota on the gross revenues subject to tax in the other taxing jurisdictions.

Sec. 12. Minnesota Statutes 1996, section 295.582, is amended to read:

295.582 AUTHORITY.

(a) A hospital, surgical center, pharmacy medical supplies distributor, or health care provider that is subject to a tax under section 295.52, or a pharmacy that has paid additional expense transferred under this section by a wholesale drug distributor, may transfer additional expense generated by section 295.52 obligations on to all third-party contracts for the purchase of health care services on behalf of a patient or consumer. The additional expense transferred to the third-party purchaser must not exceed two percent of the gross revenues received under the third-party contract, and two percent of copayments and deductibles paid by the individual patient or consumer. The expense must not be generated on revenues derived from payments that are excluded from the tax under section 295.53. All third-party purchasers of health care services including, but not limited to, third-party purchasers regulated under chapter 60A, 62A, 62C, 62D, 62H, 62N, 64B, 65A,

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65B, 79, or 79A, or under section 471.61 or 471.617, must pay the transferred expense in addition to any payments due under existing contracts with the hospital, surgical center, pharmacy medical supplies distributor, or health care provider, to the extent allowed under federal law. A third-party purchaser of health care services includes, but is not limited to, a health carrier, integrated service network, or community integrated service network that pays for health care services on behalf of patients or that reimburses, indemnifies, compensates, or otherwise insures patients for health care services. A third-party purchaser shall comply with this section regardless of whether the third-party purchaser is a for-profit, not-for-profit, or nonprofit entity. A wholesale drug distributor may transfer additional expense generated by section 295.52 obligations to entities that purchase from the wholesaler, and the entities must pay the additional expense. Nothing in this section limits the ability of a hospital, surgical center, pharmacy medical supplies distributor, wholesale drug distributor, or health care provider to recover all or part of the section 295.52 obligation by other methods, including increasing fees or charges.

(b) Each third-party purchaser regulated under any chapter cited in paragraph (a) shall include with its annual renewal for certification of authority or licensure documentation indicating compliance with paragraph (a). If the commissioner responsible for regulating the third-party purchaser finds at any time that the third-party purchaser has not complied with paragraph (a), the commissioner may by order fine or censure the third-party purchaser or revoke or suspend the certificate of authority or license of the third-party purchaser to do business in this state. The third-party purchaser may appeal the commissioner's order through a contested case hearing in accordance with chapter 14.

Sec. 13. **EFFECTIVE DATE.**

Sections 1 to 12 are effective the day following final enactment.

Presented to the governor April 14, 1997

Signed by the governor April 15, 1997, 2:05 p.m.

CHAPTER 32—S.F.No. 1052

An act relating to state lands; authorizing the board of trustees of Minnesota state colleges and universities to convey certain land.

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

Section 1. **AUTHORIZATION FOR CONVEYANCE OF LAND.**

(a) Notwithstanding the provisions of Minnesota Statutes, sections 94.09 to 94.16 and 103F.535, the board of trustees of Minnesota state colleges and universities may convey all or any part of the land in Clay county described in this section to the city of Moorhead or Moorhead public service. The conveyance may be for fair market value or less than fair market value, as determined by the board of trustees of Minnesota state colleges and universities, and shall be subject to terms and conditions required by the board of trustees of Minnesota state colleges and universities. The quitclaim deed conveying said

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