

training school licensed under this statute within 10 miles of the municipality where such instruction is given and there is no adult drivers training program in effect in the schools of the school district in which the trainee resides.

Sec. 30. INSTRUCTION TO REVISOR.

In the next editions of Minnesota Statutes and Minnesota Rules, the revisor of statutes shall change cross-references to clauses in Minnesota Statutes, section 171.04, subdivision 1, to the clauses as renumbered in section 8.

Sec. 31. APPROPRIATION.

\$302,700 is appropriated from the trunk highway fund for fiscal year 1999 to the commissioner of public safety. Of this appropriation:

(1) \$295,000 is for youth-oriented driver improvement clinics and implementation of the graduated licensing system under this act; and

(2) \$7,700 is for implementation of section 16.

Sec. 32. EFFECTIVE DATE.

Sections 2 to 6 and 27 are effective January 1, 1999. Sections 1, 7 to 26, and 28 to 30 are effective January 1, 1999, and apply to licenses issued on and after that date. Section 31 is effective July 1, 1998.

Presented to the governor April 10, 1998

Signed by the governor April 21, 1998, 9:20 a.m.

CHAPTER 389—H.F.No. 3840

An act relating to the financing and operation of government in this state; providing property tax reform; providing a property tax rebate; making changes to property tax rates, levies, notices, hearings, assessments, exemptions, aids, and credits; providing bonding and levy authority, and other powers to certain political subdivisions; making changes to income, sales, excise, mortgage registry and deed, premiums, health care provider, and solid waste tax provisions; allowing credits; authorizing the imposition of certain local sales, use, excise, and lodging taxes; authorizing a sanitary sewer district; modifying provisions relating to the budget reserve and other accounts; making changes to tax increment financing, regional development, housing, and economic development provisions; providing for the taxation of taconite and the distribution of taconite taxes; modifying provisions relating to the taxation and operation of gaming; providing tax incentives for border city zones; making miscellaneous changes to state and local tax and administrative provisions; changing the senior citizens' property tax deferral program; providing grants, loan guarantees, and low interest loans; changing certain fiscal note requirements; providing for a land transfer; appropriating money; amending Minnesota Statutes 1996, sections 16A.102, subdivisions 1 and 2; 124A.03, subdivision 1f; 240.15, subdivisions 1 and 5; 272.0211, subdivision 1; 273.135, subdivision 2; 273.1391, subdivision 2; 273.1398, subdivisions 1a, 2, and 4; 275.07, by adding a subdivision; 290.01, subdivision 3b; 290.06, subdivisions 2c; 290.067, subdivision 2a; 290.0671, by adding subdivisions; 290.091, subdivision 2; 290.0921, subdivision 3a; 290.10; 290.21, subdivision 3; 290A.03, subdivision 3; 290A.14; 295.52, subdivision 4a; 297A.01, subdivisions 8 and 15; 297A.02, subdivisions 2 and 4; 297A.135, subdivisions 4, as amended; and 5, as added; 297A.25, subdivision

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60, and by adding subdivisions; 297E.02, subdivisions 1, 4, and 6; 298.22, subdivision 2; 298.221; 298.2213, subdivision 4; 298.225, subdivision 1; 298.28, subdivisions 2, 3, 4, 6, 7, 9, 10, and 11; 298.48, subdivision 1; 325E.112, by adding a subdivision; 462.396, subdivision 2; 462A.21, by adding a subdivision; 462A.222, subdivision 3; 469.015, subdivision 4; 469.169, by adding subdivisions; 469.170, by adding a subdivision; 469.171, subdivision 9; 469.174, by adding a subdivision; 469.175, subdivisions 5, 6, 6a, and by adding a subdivision; 469.176, subdivision 7; 469.177, by adding a subdivision; 469.1771, subdivision 5, and by adding a subdivision; 469.303; 473.39, by adding a subdivision; 473.3915, subdivisions 2 and 3; 475.58, subdivisions 1 and 3; 477A.0122, subdivision 6; 477A.03, subdivision 2, and by adding a subdivision; and 477A.14; Minnesota Statutes 1997 Supplement, sections 3.986, subdivisions 2 and 4; 3.987, subdivisions 1 and 2; 3.988, subdivision 3; 3.989, subdivisions 1 and 2; 16A.152, subdivision 2; 60A.15, subdivision 1; 124.239, subdivisions 5, 5a, and 5b; 124.315, subdivisions 4 and 5; 124.918, subdivision 8; 270.60, subdivisions 2, 3, and 4; 270.67, subdivision 2; 272.02, subdivision 1; 272.115, subdivisions 4 and 5; 273.112, subdivisions 2, 3, and 4; 273.124, subdivision 14; 273.126, subdivision 3; 273.127, subdivision 3; 273.13, subdivisions 22, 23, 24, 25, and 31; 273.1382, subdivision 1, and by adding a subdivision; 275.065, subdivisions 3 and 6; 275.70, subdivision 5, and by adding a subdivision; 275.71, subdivisions 2, 3, and 4; 275.72, by adding a subdivision; 276.04, subdivision 2; 287.08; 289A.02, subdivision 7; 289A.19, subdivision 2; 290.01, subdivisions 19, 19a, 19b, 19c, 19f, and 31; 290.0671, subdivision 1; 290.0673, subdivisions 2 and 6; 290.091, subdivision 6; 290.371, subdivision 2; 290A.03, subdivisions 11, 13, and 15; 290B.03, subdivision 2; 290B.04, subdivisions 1, 3, and by adding subdivisions; 290B.05, subdivisions 1, 2, and 4; 290B.06; 290B.07; 290B.08, subdivision 2; 290B.09, subdivision 1; 291.005, subdivision 1; 295.52, subdivision 4; 297A.01, subdivision 16; 297A.25, subdivisions 3, 9, 11, 59, and by adding a subdivision; 297A.256, subdivision 1; 297A.48, by adding a subdivision; 297B.03; 297G.01, by adding a subdivision; 297G.03, subdivision 1; 297H.04, by adding a subdivision; 298.24, subdivision 1; 298.28, subdivisions 9a and 9b; 298.296, subdivision 4; 349.19, subdivision 2a; 446A.085, subdivision 1; 462A.05, subdivision 39; 462A.071, subdivisions 2, 4, 6, and 8; 465.715, by adding subdivisions; 469.169, subdivision 11; and 477A.011, subdivision 36; Laws 1965, chapter 326, section 1, subdivision 5, as amended; Laws 1967, chapter 170, section 1, subdivision 5, as amended; Laws 1971, chapter 773, section 1, as amended; and section 2, as amended; Laws 1976, chapter 162, section 1, as amended; Laws 1980, chapter 511, section 1, subdivision 2, as amended; section 2; and section 3; Laws 1984, chapter 380, section 1, as amended; and section 2; Laws 1991, chapter 291, article 8, section 27, subdivision 3; Laws 1992, chapter 511, article 2, section 52, as amended; article 8, section 33, subdivision 5; Laws 1993, chapter 375, article 9, section 46, subdivisions 2, 3, and 5; Laws 1994, chapter 587, article 11, by adding; Laws 1995, chapter 255, article 3, section 2, subdivision 1, as amended; and subdivision 4, as amended; chapter 264, article 2, section 44; Laws 1997, chapter 105, section 3, as amended; chapter 225, article 2, section 64; chapter 231, article 1, section 16, as amended; article 2, section 63, subdivision 1; and section 68, subdivisions 1 and 3; article 5, section 18, subdivision 1; article 7, section 47; article 10, section 24; article 13, section 19; and Laws 1997 Second Special Session chapter 2, section 4, subdivision 3; proposing coding for new law in Minnesota Statutes, chapters 272; 273; 290B; 298; 365A; 462A; 469; 471; and 477A; repealing Minnesota Statutes 1996, sections 289A.50, subdivision 6; 297A.02, subdivision 2; 298.012; 298.21; 298.23; 298.34, subdivisions 1 and 4; 298.391, subdivisions 2 and 5; and 365A.09; Minnesota Statutes 1997 Supplement, sections 3.987, subdivision 3; 14.431; and 273.13, subdivision 32.

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

ARTICLE 1

PROPERTY TAX REBATE

Section 1. 1998 PROPERTY TAX REBATE.

(a) A credit is allowed against the tax imposed under Minnesota Statutes, chapter 290, to an individual, other than a dependent, as defined in sections 151 and 152 of the Internal Revenue Code, disregarding section 152(b)(3) of the Internal Revenue Code, equal to 20 percent of the qualified property tax paid before January 1, 1999, for taxes assessed in 1997. The maximum amount of qualifying tax to which the credit applies is \$7,500.

(b) For property owned and occupied by the taxpayer during 1998, qualified property tax means property taxes payable as defined in Minnesota Statutes, section 290A.03, subdivision 13, assessed in 1997 and payable in 1998, and deductible by the individual under section 164 of the Internal Revenue Code of 1986, as amended through December 31, 1997, except the requirement in Minnesota Statutes, section 290A.03, subdivision 13, that the taxpayer own and occupy the property on January 2, 1998, does not apply. In the case of agricultural land assessed as part of a homestead pursuant to Minnesota Statutes, section 273.13, subdivision 23, the owner is allowed to calculate the credit on all property taxes on the homestead, except to the extent the owner is required to furnish a rent certificate under Minnesota Statutes, section 290A.19, to a tenant leasing a part of the farm homestead.

(c) For a renter, the qualified property tax means the amount of rent constituting property taxes under Minnesota Statutes, section 290A.03, subdivision 11, based on rent paid in 1998. If two or more renters could be claimants under Minnesota Statutes, chapter 290A, with regard to the rent constituting property taxes, the rules under Minnesota Statutes, section 290A.03, subdivision 8, paragraph (f), apply to determine the amount of the credit for the individual.

(d) For an individual who both owned and rented principal residences in calendar year 1998, qualified taxes are the sum of the amounts under paragraphs (b) and (c).

(e) If the amount of the credit under this section exceeds the taxpayer's tax liability under Minnesota Statutes, chapter 290, the commissioner shall refund the excess.

(f) To claim a credit under this section, the taxpayer must attach a copy of the property tax statement and certificate of rent paid, as applicable, and provide any additional information the commissioner requires.

(g) This credit applies to taxable years beginning after December 31, 1997, and before January 1, 1999.

(h) Payment of the credit under this section is subject to Minnesota Statutes, chapter 270A, and any other provision applicable to refunds under Minnesota Statutes, chapter 290.

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(i) An amount sufficient to pay refunds under this section is appropriated to the commissioner of revenue from the general fund.

Sec. 2. TRANSFER TO GENERAL FUND.

The commissioner of finance shall transfer \$500,000,000 from the property tax reform account to the general fund on July 1, 1998.

Sec. 3. Laws 1997, chapter 231, article 1, section 16, as amended by Laws 1997, First Special Session chapter 5, section 35, and Laws 1997, Third Special Session chapter 3, section 11, and Laws 1998, chapter 304, section 1, is amended to read:

Sec. 16. PROPERTY TAX REBATE.

(a) A credit is allowed against the tax imposed under Minnesota Statutes, chapter 290, to an individual, other than as a dependent, as defined in sections 151 and 152 of the Internal Revenue Code, disregarding section 152(b)(3) of the Internal Revenue Code, equal to 20 percent of the qualified property tax paid before January 1, 1998, for taxes assessed in 1996.

(b) For property owned and occupied by the taxpayer during 1997, qualified tax means property taxes payable as defined in Minnesota Statutes, section 290A.03, subdivision 13, assessed in 1996 and payable in 1997, except the requirement that the taxpayer own and occupy the property on January 2, 1997, does not apply. The credit is allowed only to the individual and spouse, if any, who paid the tax, whether directly, through an escrow arrangement, or under a contractual agreement for the purchase or sale of the property. In the case of agricultural land assessed as part of a homestead pursuant to Minnesota Statutes, section 273.13, subdivision 23, the owner is allowed to calculate the credit on all property taxes on the homestead, except to the extent the owner is required to furnish a rent certificate under Minnesota Statutes, section 290A.19, to a tenant leasing a part of the farm homestead.

(c) For a renter, the qualified property tax means the amount of rent constituting property taxes under Minnesota Statutes, section 290A.03, subdivision 11, based on rent paid in 1997. If two or more renters could be claimants under Minnesota Statutes, chapter 290A with regard to the rent constituting property taxes, the rules under Minnesota Statutes, section 290A.03, subdivision 8, paragraph (f), applies to determine the amount of the credit for the individual.

(d) For an individual who both owned and rented principal residences in calendar year 1997, qualified taxes are the sum of the amounts under paragraphs (a) and (b).

(e) If the amount of the credit under this subdivision exceeds the taxpayer's tax liability under this chapter, the commissioner shall refund the excess.

(f) To claim a credit under this subdivision, the taxpayer must attach a copy of the property tax statement and certificate of rent paid, as applicable, and provide any additional information the commissioner requires.

(g) An amount sufficient to pay refunds under this subdivision is appropriated to the commissioner from the general fund.

(h) This credit applies to taxable years beginning after December 31, 1996, and before January 1, 1998.

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(i) Payment of the credit under this section is subject to Minnesota Statutes, chapter 270A, and any other provision applicable to refunds under Minnesota Statutes, chapter 290.

Sec. 4. **APPROPRIATION.**

\$1,837,000 is appropriated from the general fund for fiscal year 1999 to the commissioner of revenue to administer section 1.

ARTICLE 2

PROPERTY TAX REFORM

Section 1. Minnesota Statutes 1997 Supplement, section 124.239, subdivision 5, is amended to read:

Subd. 5. **LEVY AUTHORIZED.** A district, after local board approval, may levy for costs related to an approved facility plan as follows:

(a) if the district has indicated to the commissioner that bonds will be issued, the district may levy for the principal and interest payments on outstanding bonds issued according to subdivision 3 after reduction for any alternative facilities aid receivable under subdivision 5a; or

(b) if the district has indicated to the commissioner that the plan will be funded through levy, the district may levy according to the schedule approved in the plan after reduction for any alternative facilities aid receivable under subdivision 5a.

Sec. 2. Minnesota Statutes 1997 Supplement, section 124.239, subdivision 5a, is amended to read:

Subd. 5a. **ALTERNATIVE FACILITIES AID.** A district's alternative facilities aid is the amount equal to the district's annual debt service costs, provided that the amount does not exceed the amount certified to be levied for those purposes for taxes payable in 1997, or for a district that made a levy under subdivision 5, paragraph (b), the lesser of the district's annual levy amount, or one-sixth of the amount of levy that it certified for that purpose for taxes payable in 1998.

Sec. 3. Minnesota Statutes 1997 Supplement, section 124.239, subdivision 5b, is amended to read:

Subd. 5b. **ALTERNATIVE FACILITIES APPROPRIATION.** (a) An amount not to exceed \$17,000,000 \$19,700,000 for fiscal year 2000 and \$20,000,000 for fiscal year 2001 and each year thereafter is appropriated from the general fund to the commissioner of children, families, and learning for fiscal year 2000 and each year thereafter for payment of alternative facilities aid under subdivision 5a. The 2000 appropriation includes \$1,700,000 for 1999 and \$15,300,000 for 2000.

(b) The appropriation in paragraph (a) must be reduced by the amount of any money specifically appropriated for the same purpose in any year from any state fund.

Sec. 4. Minnesota Statutes 1997 Supplement, section 124.315, subdivision 4, is amended to read:

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Subd. 4. **INTEGRATION LEVY.** A district may levy an amount equal to 46 33 percent for fiscal year 2000 and 22 percent for fiscal year 2001 and thereafter of the district's integration revenue as defined in subdivision 3.

Sec. 5. Minnesota Statutes 1997 Supplement, section 124.315, subdivision 5, is amended to read:

Subd. 5. **INTEGRATION AID.** A district's integration aid equals 54 67 percent for fiscal year 2000 and 78 percent for fiscal year 2001 and thereafter of the district's integration revenue as defined in subdivision 3.

Sec. 6. Minnesota Statutes 1996, section 124A.03, subdivision 1f, is amended to read:

Subd. 1f. **REFERENDUM EQUALIZATION REVENUE.** A district's referendum equalization revenue equals ~~\$315~~ \$350 times the district's actual pupil units for that year.

Referendum equalization revenue must not exceed a district's total referendum revenue for that year.

Sec. 7. Minnesota Statutes 1997 Supplement, section 273.127, subdivision 3, is amended to read:

Subd. 3. **CLASS 4C PROPERTIES.** For the market value of properties that meet the criteria of subdivision 2, paragraph (a), and which no longer qualify as a result of the eligibility criteria specified in section 273.126, a class rate of 2.4 percent applies for taxes payable in 1999 and a class rate of ~~2.6~~ 2.5 percent applies for taxes payable in 2000.

Sec. 8. Minnesota Statutes 1997 Supplement, section 273.13, subdivision 22, is amended to read:

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

For taxes payable in 1998 and thereafter, The first \$75,000 of market value of class 1a property has a net class rate of one percent of its market value; and the market value of class 1a property that exceeds \$75,000 has a class rate of ~~1.85~~ 1.7 percent of its market value.

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

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

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

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

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

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

(3) any person who:

(i) is permanently and totally disabled and

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

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

(B) supplemental security income for the disabled; or

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

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

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

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

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

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

(4) any person who is permanently and totally disabled and whose household income as defined in section 290A.03, subdivision 5, is 275 percent or less of the federal poverty level.

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

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

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

(c) Class 1c property is commercial use real property that abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which in-

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cludes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort or a partner in a partnership that owns the resort, even if the title to the homestead is held by the corporation or partnership. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. In order for a property to be classified as class 1e, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted between Memorial Day weekend and Labor Day weekend, and at least 60 percent of all bookings by lodging guests during the year must be for periods of at least two consecutive nights. Class 1c property has a class rate of one percent of total market value with the following limitation: the area of the property must not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property up to a total of 800 feet and 500 feet in depth, measured away from the lakeshore. If any portion of the class 1c resort property is classified as class 4c under subdivision 25, the entire property must meet the requirements of subdivision 25, paragraph (d), clause (1), to qualify for class 1c treatment under this paragraph.

(d) Class 1d property includes structures that meet all of the following criteria:

(1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;

(2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;

(3) the structure meets all applicable health and safety requirements for the appropriate season; and

(4) the structure is not saleable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

The market value of class 1d property has the same class rates as class 1a property under paragraph (a).

Sec. 9. Minnesota Statutes 1997 Supplement, section 273.13, subdivision 23, is amended to read:

Subd. 23. **CLASS 2.** (a) Class 2a property is agricultural land including any improvements that is homesteaded. The market value of the house and garage and immediately surrounding one acre of land has the same class rates as class 1a property under subdivision 22. The value of the remaining land including improvements up to \$115,000 has a net class rate of 0.4 0.35 percent of market value. The remaining value of class 2a property over \$115,000 of market value that does not exceed 320 acres has a net class rate of 0.9 0.8 percent of market value. The remaining property over the \$115,000 market value in excess of 320 acres has a class rate of 1.4 1.25 percent of market value.

(b) Class 2b property is (1) real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products; (2) real estate that is not improved with a structure and is used exclusively for growing trees for timber, lumber, and wood and wood products, if the owner has participated or is participating in a cost-sharing program for afforestation, reforestation, or timber stand improvement on that

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particular property, administered or coordinated by the commissioner of natural resources; (3) real estate that is nonhomestead agricultural land; or (4) a landing area or public access area of a privately owned public use airport. Class 2b property has a net class rate of ~~1.4~~ 1.25 percent of market value.

(c) Agricultural land as used in this section means contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes. "Agricultural purposes" as used in this section means the raising or cultivation of agricultural products or enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law Number 99-198. Contiguous acreage on the same parcel, or contiguous acreage on an immediately adjacent parcel under the same ownership, may also qualify as agricultural land, but only if it is pasture, timber, waste, unusable wild land, or land included in state or federal farm programs. Agricultural classification for property shall be determined excluding the house, garage, and immediately surrounding one acre of land, and shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

(d) Real estate, excluding the house, garage, and immediately surrounding one acre of land, of less than ten acres which is exclusively and intensively used for raising or cultivating agricultural products, shall be considered as agricultural land.

Land shall be classified as agricultural even if all or a portion of the agricultural use of that property is the leasing to, or use by another person for agricultural purposes.

Classification under this subdivision is not determinative for qualifying under section 273.111.

The property classification under this section supersedes, for property tax purposes only, any locally administered agricultural policies or land use restrictions that define minimum or maximum farm acreage.

(e) The term "agricultural products" as used in this subdivision includes production for sale of:

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

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

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

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

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

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

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

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

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

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

- (i) the land is properly cleared and regularly maintained for the primary purposes of the landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;
- (ii) the land is part of the airport property; and
- (iii) the land is not used for commercial or residential purposes.

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

Sec. 10. Minnesota Statutes 1997 Supplement, section 273.13, subdivision 24, is amended to read:

Subd. 24. **CLASS 3.** (a) Commercial and industrial property and utility real and personal property, except class 5 property as identified in subdivision 31, clause (1), is class 3a. Each parcel has a class rate of 2.7 ~~2.45~~ percent of the first tier of market value, and 4-0

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3.5 percent of the remaining market value, except that in the case of contiguous parcels of commercial and industrial property owned by the same person or entity, only the value equal to the first-tier value of the contiguous parcels qualifies for the reduced class rate. For the purposes of this subdivision, the first tier means the first \$150,000 of market value. In the case of utility property owned by one person or entity, only one parcel in each county has a reduced class rate on the first tier of market value.

For purposes of this paragraph, parcels are considered to be contiguous even if they are separated from each other by a road, street, vacant lot, waterway, or other similar intervening type of property.

(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b and has a class rate of 2.3 percent of the first \$50,000 of market value and ~~3.6~~ 3.5 percent of the remainder, except that for employment property located in a border city enterprise zone designated pursuant to section 469.168, subdivision 4, paragraph (c), the class rate of the first tier of market value and the class rate of the remainder is determined under paragraph (a), unless the governing body of the city designated as an enterprise zone determines that a specific parcel shall be assessed pursuant to the first clause of this sentence. The governing body may provide for assessment under the first clause of the preceding sentence only for property which is located in an area which has been designated by the governing body for the receipt of tax reductions authorized by section 469.171, subdivision 1.

(c) Structures which are (i) located on property classified as class 3a, (ii) constructed under an initial building permit issued after January 2, 1996, (iii) located in a transit zone as defined under section 473.3915, subdivision 3, (iv) located within the boundaries of a school district, and (v) not primarily used for retail or transient lodging purposes, shall have a class rate equal to 85 percent of the class rate of the second tier of the commercial property rate under paragraph (a) on any portion of the market value that does not qualify for the first tier class rate under paragraph (a). As used in item (v), a structure is primarily used for retail or transient lodging purposes if over 50 percent of its square footage is used for those purposes. ~~The four percent rate~~ A class rate equal to 85 percent of the class rate of the second tier of the commercial property class rate under paragraph (a) shall also apply to improvements to existing structures that meet the requirements of items (i) to (v) if the improvements are constructed under an initial building permit issued after January 2, 1996, even if the remainder of the structure was constructed prior to January 2, 1996. For the purposes of this paragraph, a structure shall be considered to be located in a transit zone if any portion of the structure lies within the zone. If any property once eligible for treatment under this paragraph ceases to remain eligible due to revisions in transit zone boundaries, the property shall continue to receive treatment under this paragraph for a period of three years.

Sec. 11. Minnesota Statutes 1997 Supplement, section 273.13, subdivision 25, as amended by Laws 1997, Third Special Session chapter 3, section 28, is amended to read:

Subd. 25. **CLASS 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. Class 4a property in a city with a population of 5,000 or

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less, that is (1) located outside of the metropolitan area, as defined in section 473.121, subdivision 2, or outside any county contiguous to the metropolitan area, and (2) whose city boundary is at least 15 miles from the boundary of any city with a population greater than 5,000 has a class rate of ~~2.3~~ 2.15 percent of market value. All other class 4a property has a class rate of ~~2.9~~ 2.5 percent of market value. For purposes of this paragraph, population has the same meaning given in section 477A.011, subdivision 3.

(b) Class 4b includes:

(1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential, and recreational;

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

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units;

(4) unimproved property that is classified residential as determined under section 273.13, subdivision 33.

Class 4b property has a class rate of ~~2.1~~ 1.7 percent of market value.

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential, and recreational; and

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

Class 4bb has a class rate of ~~1.9~~ 1.25 percent on the first \$75,000 of market value and a class rate of ~~2.1~~ 1.7 percent of its market value that exceeds \$75,000.

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 does not qualify for class 4bb.

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), real property devoted to temporary and seasonal residential occupancy for recreation purposes, including real property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. In order for a property to be classified as class 4c, seasonal recreational residential for commercial purposes, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted ~~between Memorial Day weekend and Labor Day weekend during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (ii) at least 20 percent of the annual gross receipts must be from charges for rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for marina services, launch services, and guide services, or the sale of bait and fishing tackle. For purposes of~~

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this determination, a paid booking of five or more nights shall be counted as two bookings. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Class 4c property classified in this clause also includes the remainder of class 1c resorts provided that the entire property including that portion of the property classified as class 1c also meets the requirements for class 4c under this clause; otherwise the entire property is classified as class 3. Owners of real property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c or 4c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located will be designated class 1c or 4c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 1c or 4c property must provide guest registers or other records demonstrating that the units for which class 1c or 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes shall not qualify for class 1c or 4c;

(2) qualified property used as a golf course if:

(i) any portion of the property is located within a county that has a population of less than 50,000, or within a county containing a golf course owned by a municipality, the county, or a special taxing district;

(ii) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(iii) (ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property.

(3) real property up to a maximum of one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this clause, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1986, as amended through De-

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cember 31, 1990. For purposes of this clause, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity;

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

(5) manufactured home parks as defined in section 327.14, subdivision 3; and

(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2.

Class 4c property has a class rate of ~~2.1~~ 1.8 percent of market value, except that (i) for each parcel of seasonal residential recreational property not used for commercial purposes the first \$75,000 of market value has a class rate of ~~1.4~~ 1.25 percent, and the market value that exceeds \$75,000 has a class rate of ~~2.5~~ 2.2 percent, and (ii) manufactured home parks assessed under clause (5) have a class rate of two percent, and (iii) property described in paragraph (d), clause (4), has the same class rate as the rate applicable to the first tier of class 4bb nonhomestead residential real estate under paragraph (c).

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the housing finance agency under sections 273.126 and 462A.071. Class 4d includes land in proportion to the total market value of the building that is qualifying low-income rental housing. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

Class 4d property has a class rate of one percent of market value.

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

- (1) the structure had formerly been used as a warehouse;
- (2) the structure was originally constructed prior to 1940;
- (3) the conversion was done after December 31, 1995, but before January 1, 2003;

and

- (4) the conversion involved an investment of at least \$25,000 per residential unit.

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

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Sec. 12. Minnesota Statutes 1997 Supplement, section 273.13, subdivision 31, is amended to read:

Subd. 31. **CLASS 5.** Class 5 property includes:

(1) tools, implements, and machinery of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, which are fixtures;

(2) unmined iron ore and low-grade iron-bearing formations as defined in section 273.14; and

(3) all other property not otherwise classified.

Class 5 property has a class rate of ~~4.0~~ 3.5 percent of market value for taxes payable in ~~1998~~ and thereafter.

Sec. 13. Minnesota Statutes 1997 Supplement, section 273.1382, subdivision 1, is amended to read:

Subdivision 1. **EDUCATION HOMESTEAD CREDIT.** Each year, beginning with property taxes payable in 1998, the respective county auditors shall determine the initial tax rate for each school district for the general education levy certified under section 124A.23, subdivision 2 or 3. That rate plus the school district's education homestead credit tax rate adjustment under section 275.08, subdivision 1e, shall be the general education homestead credit local tax rate for the district. The auditor shall then determine a general education homestead credit for each homestead within the county equal to ~~32~~ 68 percent for taxes payable in 1999 and ~~69~~ 69 percent for taxes payable in 2000 and thereafter of the general education homestead credit local tax rate times the net tax capacity of the homestead for the taxes payable year. The amount of general education homestead credit for a homestead may not exceed ~~\$225~~ \$320 for taxes payable in 1999 and ~~\$335~~ \$335 for taxes payable in 2000 and thereafter. In the case of an agricultural homestead, only the net tax capacity of the house, garage, and surrounding one acre of land shall be used in determining the property's education homestead credit.

Sec. 14. Minnesota Statutes 1997 Supplement, section 273.1382, is amended by adding a subdivision to read:

Subd. 1a. **CREDIT PERCENTAGE REDUCTION.** If the general education levy target for fiscal year 2000 or 2001 is increased by another law enacted prior to the 1999 legislative session, the commissioner of revenue shall adjust the percentage rates of the education homestead credit for the corresponding taxes payable year by multiplying the percentage rate by the ratio of the prior general education levy target to the current general education levy target. If an adjustment is made under this section for fiscal year 2001, the adjusted rate shall remain in effect for future years until amended by subsequent legislation.

Sec. 15. Minnesota Statutes 1996, section 273.1398, subdivision 1a, is amended to read:

Subd. 1a. **TAX BASE DIFFERENTIAL.** (a) For aids payable in 1997-2000, for purposes of computing the fiscal disparity adjustment only, the tax base differential is

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~~0.25~~ 0.2 percent of the assessment year ~~1995~~ 1998 taxable market value of class ~~4e non-commercial seasonal recreational residential~~ 3 commercial-industrial property ~~up to \$72,000 over \$150,000.~~

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

Sec. 16. Minnesota Statutes 1996, section 273.1398, subdivision 2, is amended to read:

Subd. 2. **HOMESTEAD AND AGRICULTURAL CREDIT AID.** Homestead and agricultural credit aid for each unique taxing jurisdiction equals the product of (1) the homestead and agricultural credit aid base, and (2) the growth adjustment factor, plus the net tax capacity adjustment and the fiscal disparity adjustment. For aid payable in 2000, each county shall have its homestead and agricultural credit aid permanently reduced by an amount equal to one-third of the additional amount received by the county under section 477A.03, subdivision 2, paragraph (c), clause (ii).

Sec. 17. Minnesota Statutes 1996, section 273.1398, subdivision 4, is amended to read:

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

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

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

Sec. 18. Minnesota Statutes 1997 Supplement, section 290A.03, subdivision 11, is amended to read:

Subd. 11. **RENT CONSTITUTING PROPERTY TAXES.** "Rent constituting property taxes" means ~~18~~ 19 percent of the gross rent actually paid in cash, or its equivalent, or the portion of rent paid in lieu of property taxes, in any calendar year by a claimant for the right of occupancy of the claimant's Minnesota homestead in the calendar year, and which rent constitutes the basis, in the succeeding calendar year of a claim for relief under this chapter by the claimant.

Sec. 19. Minnesota Statutes 1997 Supplement, section 290A.03, subdivision 13, is amended to read:

Subd. 13. **PROPERTY TAXES PAYABLE.** "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claim-

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ant's homestead after deductions made under sections 273.135, 273.1382, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. No apportionment or reduction of the "property taxes payable" shall be required for the use of a portion of the claimant's homestead for a business purpose if the claimant does not deduct any business depreciation expenses for the use of a portion of the homestead in the determination of federal adjusted gross income. For homesteads which are manufactured homes as defined in section 273.125, subdivision 8, and for homesteads which are park trailers taxed as manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall also include 48 19 percent of the gross rent paid in the preceding year for the site on which the homestead is located. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year in which the tax is payable and (i) the property must have been classified as homestead property pursuant to section 273.124, on or before December 15 of the assessment year to which the "property taxes payable" relate; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made on or before December 15 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

Sec. 20. Minnesota Statutes 1996, section 477A.0122, subdivision 6, is amended to read:

Subd. 6. **REPORT.** (a) On or before March 15 of the year following the year in which the distributions under this section are received, each county shall file with the commissioner of revenue and commissioner of human services a report on prior year expenditures for out-of-home placement and family preservation, including expenditures under this section. For the human services programs specified in this section, the commissioner of revenue and commissioner of human services, in consultation with representatives of county governments, shall make a recommendation to the 1999 legislature as to which current reporting requirements imposed on county governments, if any, may be eliminated, replaced, or consolidated on the report established by this section. For aid payable in calendar year 2000 and thereafter, each county shall provide information on the amount of state aid, local property tax revenue, and federal aid expended by that county on the programs specified in this section using the consolidated financial report recommended by the commissioner of revenue and commissioner of human services under this subdivision.

(b) The commissioner of revenue and the commissioner of human services, in consultation with representatives of county governments and children's advocacy representatives, shall study the current formula used in distributing aid under this section and factors related to out-of-home placement and family preservation expenditures and make a report to the house and senate tax committees by February 1, 1999. The report shall in-

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clude a recommendation for a new formula to be used in distributing the aid under this section, beginning with aids payable in 2000.

Sec. 21. REPEALER.

Minnesota Statutes 1997 Supplement, section 273.13, subdivision 32, is repealed.

Sec. 22. APPROPRIATIONS; FUND TRANSFERS.

Subdivision 1. GENERAL FUND TRANSFER. The sum of \$12,027,000 is transferred from the property tax reform account to the general fund on June 30, 1999.

Subd. 2. EDUCATION LEVY REDUCTION APPROPRIATION. In addition to any amount appropriated by other law, \$51,300,000 is appropriated to the commissioner of children, families, and learning in fiscal year 2000 and \$57,000,000 in fiscal year 2001 and thereafter to fund a reduction in the statewide general education property tax levy. The fiscal year 2001 appropriation includes \$5,700,000 for 2000 and \$51,300,000 for 2001. The amounts appropriated for fiscal years 2000 and 2001 are from the property tax reform account; subsequent appropriations are from the general fund.

Subd. 3. REFERENDUM EQUALIZATION AID. For fiscal year 2000, \$6,300,000 and for fiscal year 2001, \$7,000,000 is appropriated from the property tax reform account to the commissioner of children, families, and learning to fund the additional costs of referendum equalization aid under section 6.

Subd. 4. INTEGRATION AID. For fiscal year 2000, \$6,300,000 and for fiscal year 2001, \$12,400,000 is appropriated to the commissioner of children, families, and learning from the property tax reform account to fund the increase in integration aid under section 5.

Subd. 5. ALTERNATIVE FACILITIES AID. \$2,700,000 for fiscal year 2000 and \$3,000,000 for fiscal year 2001 is appropriated from the property tax reform account to the commissioner of children, families, and learning to finance the increase in alternative facilities aid under sections 2 and 3.

Subd. 6. EDUCATION HOMESTEAD CREDIT INCREASE. The amounts necessary to make the increased payments attributable to the increases in education homestead credit percentage rates and maximums under sections 13 and 14 are transferred from the property tax reform account to the general fund in fiscal years 2000 and 2001.

Subd. 7. FISCAL DISPARITIES HACA. The amount necessary to fund the fiscal year 2001 cost of fiscal disparities HACA under section 15 is transferred from the property tax reform account to the general fund for fiscal year 2001.

Subd. 8. PROPERTY TAX REFUND INCREASE. The additional amount necessary to fund the changes in the property tax refund under sections 18 and 19 for fiscal years 2000 and 2001 is transferred from the property tax reform account to the general fund in each of those fiscal years.

Subd. 9. FAMILY PRESERVATION AID INCREASE. The sum of \$20,000,000 is transferred from the property tax reform account to the general fund in fiscal year 2001 to fund a portion of the increase in family preservation aid under article 4, section 8, paragraph (c)(ii).

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Subd. 10. LOCAL GOVERNMENT AID INCREASE. The sum of \$3,000,000 in each of fiscal years 2000 and 2001 is transferred from the property tax reform account to the general fund to cover the additional local government aid appropriation provided in article 4, section 8, paragraph (d).

Subd. 11. EXISTING LOW-INCOME HOUSING AID. The amount necessary to fund the cost of the existing low-income housing aid under article 4, section 10, is transferred from the property tax reform account to the general fund in each of fiscal years 2000 and 2001.

Subd. 12. GENERAL FUND TRANSFER. In the event that there are insufficient funds within the property tax reform account to fund any of the payments or transfers provided under this section, sufficient funds are appropriated from the general fund to the property tax reform account to fully fund the appropriation or transfer in fiscal year 2000 or 2001.

Sec. 23. EFFECTIVE DATES.

Sections 1 to 7 are effective for revenue for fiscal year 2000. Sections 8 to 14 and 17 are effective beginning with taxes payable in 1999. Sections 15 and 16 are effective beginning with aids payable in 2000. Sections 18 and 19 are effective beginning with rents paid in 1998. Sections 20 to 22 are effective the day following final enactment.

ARTICLE 3

PROPERTY TAXES, LOCAL BONDING AND LEVY AUTHORITY

Section 1. Minnesota Statutes 1997 Supplement, section 272.02, subdivision 1, is amended to read:

Subdivision 1. All property described in this section to the extent herein limited shall be exempt from taxation:

- (1) All public burying grounds.
- (2) All public schoolhouses.
- (3) All public hospitals.
- (4) All academies, colleges, and universities, and all seminaries of learning.
- (5) All churches, church property, and houses of worship.
- (6) Institutions of purely public charity except parcels of property containing structures and the structures described in section 273.13, subdivision 25, paragraph ~~(e)~~, clauses (1), (2), and (3), or paragraph (d) (e), other than those that qualify for exemption under clause (25).
- (7) All public property exclusively used for any public purpose.
- (8) Except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, paragraphs (c) and (d), shall be exempt.

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The following personal property shall be taxable:

(a) personal property which is part of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures;

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

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

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

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

(f) flight property as defined in section 270.071.

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

Any taxpayer requesting exemption of all or a portion of any real property or any equipment or device, or part thereof, operated primarily for the control or abatement of air or water pollution shall file an application with the commissioner of revenue. The equipment or device shall meet standards, rules, or criteria prescribed by the Minnesota pollution control agency, and must be installed or operated in accordance with a permit or order issued by that agency. The Minnesota pollution control agency shall upon request of the commissioner furnish information or advice to the commissioner. On determining that property qualifies for exemption, the commissioner shall issue an order exempting the property from taxation. The equipment or device shall continue to be exempt from taxation as long as the permit issued by the Minnesota pollution control agency remains in effect.

(10) Wetlands. For purposes of this subdivision, "wetlands" means: (i) land described in section 103G.005, subdivision 15a; (ii) land which is mostly under water, produces little if any income, and has no use except for wildlife or water conservation purposes, provided it is preserved in its natural condition and drainage of it would be legal, feasible, and economically practical for the production of livestock, dairy animals, poultry, fruit, vegetables, forage and grains, except wild rice; or (iii) land in a wetland pres-

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ervation area under sections 103F.612 to 103F.616. "Wetlands" under items (i) and (ii) include adjacent land which is not suitable for agricultural purposes due to the presence of the wetlands, but do not include woody swamps containing shrubs or trees, wet meadows, meandered water, streams, rivers, and floodplains or river bottoms. Exemption of wetlands from taxation pursuant to this section shall not grant the public any additional or greater right of access to the wetlands or diminish any right of ownership to the wetlands.

(11) Native prairie. The commissioner of the department of natural resources shall determine lands in the state which are native prairie and shall notify the county assessor of each county in which the lands are located. Pasture land used for livestock grazing purposes shall not be considered native prairie for the purposes of this clause. Upon receipt of an application for the exemption provided in this clause for lands for which the assessor has no determination from the commissioner of natural resources, the assessor shall refer the application to the commissioner of natural resources who shall determine within 30 days whether the land is native prairie and notify the county assessor of the decision. Exemption of native prairie pursuant to this clause shall not grant the public any additional or greater right of access to the native prairie or diminish any right of ownership to it.

(12) Property used in a continuous program to provide emergency shelter for victims of domestic abuse, provided the organization that owns and sponsors the shelter is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, notwithstanding the fact that the sponsoring organization receives funding under section 8 of the United States Housing Act of 1937, as amended.

(13) If approved by the governing body of the municipality in which the property is located, property not exceeding one acre which is owned and operated by any senior citizen group or association of groups that in general limits membership to persons age 55 or older and is organized and operated exclusively for pleasure, recreation, and other non-profit purposes, no part of the net earnings of which inures to the benefit of any private shareholders; provided the property is used primarily as a clubhouse, meeting facility, or recreational facility by the group or association and the property is not used for residential purposes on either a temporary or permanent basis.

(14) To the extent provided by section 295.44, real and personal property used or to be used primarily for the production of hydroelectric or hydromechanical power on a site owned by the federal government, the state, or a local governmental unit which is developed and operated pursuant to the provisions of section 103G.535.

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

(a) a "direct satellite broadcasting facility" operated by a corporation licensed by the federal communications commission to provide direct satellite broadcasting services using direct broadcast satellites operating in the 12-ghz. band; and

(b) a "fixed satellite regional or national program service facility" operated by a corporation licensed by the federal communications commission to provide fixed satellite-

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transmitted regularly scheduled broadcasting services using satellites operating in the 6-ghz. band.

An exemption provided by clause (15) shall apply for a period not to exceed five years. When the facility no longer qualifies for exemption, it shall be placed on the assessment rolls as provided in subdivision 4. Before approving a tax exemption pursuant to this paragraph, the governing body of the municipality shall provide an opportunity to the members of the county board of commissioners of the county in which the facility is proposed to be located and the members of the school board of the school district in which the facility is proposed to be located to meet with the governing body. The governing body shall present to the members of those boards its estimate of the fiscal impact of the proposed property tax exemption. The tax exemption shall not be approved by the governing body until the county board of commissioners has presented its written comment on the proposal to the governing body or 30 days have passed from the date of the transmittal by the governing body to the board of the information on the fiscal impact, whichever occurs first.

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

(17) Notwithstanding section 273.19, state lands that are leased from the department of natural resources under section 92.46.

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

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

(20) Real and personal property, including leasehold or other personal property interests, owned and operated by a corporation if more than 50 percent of the total voting

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

(21)(a) Small scale wind energy conversion systems installed after January 1, 1991, and used as an electric power source are exempt.

“Small scale wind energy conversion systems” are wind energy conversion systems, as defined in section 216C.06, subdivision 12, including the foundation or support pad, which are (i) used as an electric power source; (ii) located within one county and owned by the same owner; and (iii) produce two megawatts or less of electricity as measured by nameplate ratings.

(b) Medium scale wind energy conversion systems installed after January 1, 1991, are treated as follows: (i) the foundation and support pad are taxable; (ii) the associated supporting and protective structures are exempt for the first five assessment years after they have been constructed, and thereafter, 30 percent of the market value of the associated supporting and protective structures are taxable; and (iii) the turbines, blades, transformers, and its related equipment, are exempt. “Medium scale wind energy conversion systems” are wind energy conversion systems as defined in section 216C.06, subdivision 12, including the foundation or support pad, which are: (i) used as an electric power source; (ii) located within one county and owned by the same owner; and (iii) produce more than two but equal to or less than 12 megawatts of energy as measured by nameplate ratings.

(c) Large scale wind energy conversion systems installed after January 1, 1991, are treated as follows: 25 percent of the market value of all property is taxable, including (i) the foundation and support pad; (ii) the associated supporting and protective structures; and (iii) the turbines, blades, transformers, and its related equipment. “Large scale wind energy conversion systems” are wind energy conversion systems as defined in section 216C.06, subdivision 12, including the foundation or support pad, which are: (i) used as an electric power source; and (ii) produce more than 12 megawatts of energy as measured by nameplate ratings.

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

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

(24) Real and personal property owned and operated by a private, nonprofit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3), primarily used for an ice arena or ice rink, and used primarily for youth and high school programs.

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

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

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

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

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

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

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

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

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

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

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

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

(29) Real property acquired by a home rule charter city, statutory city, county, town, or school district under a lease purchase agreement or an installment purchase contract

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during the term of the lease purchase agreement as long as and to the extent that the property is used by the city, county, town, or school district and devoted to a public use and to the extent it is not subleased to any private individual, entity, association, or corporation in connection with a business or enterprise operated for profit.

(30) Property owned by a nonprofit charitable organization that qualifies for tax exemption under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1997, that is intended to be used as a business incubator in a high-unemployment county but is not occupied on the assessment date. As used in this clause, a "business incubator" is a facility used for the development of nonretail businesses, offering access to equipment, space, services, and advice to the tenant businesses, for the purpose of encouraging economic development, diversification, and job creation in the area served by the organization, and "high-unemployment county" is a county that had an average annual unemployment rate of 7.9 percent or greater in 1997. Property that qualifies for the exemption under this clause is limited to no more than two contiguous parcels and structures that do not exceed in the aggregate 40,000 square feet. This exemption expires after taxes payable in 2005.

(31) Notwithstanding any other law to the contrary, real property that meets the following criteria is exempt:

(i) constitutes a wastewater treatment system (a) constructed by a municipality using public funds, (b) operates under a State Disposal System Permit issued by the Minnesota pollution control agency pursuant to chapters 115 and 116 and Minnesota Rules, chapter 7001, and (c) applies its effluent to land used as part of an agricultural operation;

(ii) is located within a municipality of a population of less than 10,000;

(iii) is used for treatment of effluent from a private potato processing facility; and

(iv) is owned by a municipality and operated by a private entity under agreement with that municipality.

Sec. 2. Minnesota Statutes 1996, section 272.0211, subdivision 1, is amended to read:

Subdivision 1. EFFICIENCY DETERMINATION AND CERTIFICATION. An owner or operator of a new or existing electric power generation facility, excluding wind energy conversion systems, may apply to the commissioner of revenue for a market value exclusion on the property as provided for in this section. This exclusion shall apply only to the market value of the equipment of the facility, and shall not apply to the structures and the land upon which the facility is located. The commissioner of revenue shall prescribe the forms and procedures for this application. Upon receiving the application, the commissioner of revenue shall request the commissioner of public service to make a determination of the efficiency of the applicant's electric power generation facility. In calculating the efficiency of a facility, the commissioner of public service shall use a definition of efficiency which calculates efficiency as the sum of:

(1) the useful electrical power output; plus

(2) the useful thermal energy output; plus

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(3) the fuel energy of the useful chemical products,

all divided by the total energy input to the facility, expressed as a percentage. The commissioner must include in this formula the energy used in any on-site preparation of materials necessary to convert the materials into the fuel used to generate electricity, such as a process to gasify petroleum coke. The commissioner shall use the high heating value for all substances in the commissioner's efficiency calculations, except for wood for fuel in a biomass-eligible project under section 216B.2424; for these instances, the commissioner shall adjust the heating value to allow for energy consumed for evaporation of the moisture in the wood. The applicant shall provide the commissioner of public service with whatever information the commissioner deems necessary to make the determination. Within 30 days of the receipt of the necessary information, the commissioner of public service shall certify the findings of the efficiency determination to the commissioner of revenue and to the applicant. The commissioner of public service shall determine the efficiency of the facility and certify the findings of that determination to the commissioner of revenue every two years thereafter from the date of the original certification.

Sec. 3. Minnesota Statutes 1997 Supplement, section 273.112, subdivision 2, is amended to read:

Subd. 2. The present general system of ad valorem property taxation in the state of Minnesota does not provide an equitable basis for the taxation of certain private outdoor recreational, ~~social~~, open space and park land property and has resulted in excessive taxes on some of these lands. Therefore, it is hereby declared that the public policy of this state would be best served by equalizing tax burdens upon private outdoor, recreational, ~~social~~, open space and park land within this state through appropriate taxing measures to encourage private development of these lands which would otherwise not occur or have to be provided by governmental authority.

Sec. 4. Minnesota Statutes 1997 Supplement, section 273.112, subdivision 3, is amended to read:

Subd. 3. Real estate shall be entitled to valuation and tax deferment under this section only if it is:

(a) actively and exclusively devoted to golf, skiing, lawn bowling, croquet, or archery or firearms range recreational use or other recreational or ~~social~~ uses carried on at the establishment;

(b) five acres in size or more, except in the case of a lawn bowling or croquet green or an archery or firearms range or ~~an establishment actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses in which the establishment is owned and operated by a not-for-profit corporation;~~

(c)(1) operated by private individuals or, in the case of a lawn bowling or croquet green, by private individuals or corporations, and open to the public; or

(2) operated by firms or corporations for the benefit of employees or guests; or

(3) operated by private clubs having a membership of 50 or more or open to the public, provided that the club does not discriminate in membership requirements or selection on the basis of sex or marital status; and

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(d) made available for use in the case of real estate devoted to golf without discrimination on the basis of sex during the time when the facility is open to use by the public or by members, except that use for golf may be restricted on the basis of sex no more frequently than one, or part of one, weekend each calendar month for each sex and no more than two, or part of two, weekdays each week for each sex.

If a golf club membership allows use of golf course facilities by more than one adult per membership, the use must be equally available to all adults entitled to use of the golf course under the membership, except that use may be restricted on the basis of sex as permitted in this section. Memberships that permit play during restricted times may be allowed only if the restricted times apply to all adults using the membership. A golf club may not offer a membership or golfing privileges to a spouse of a member that provides greater or less access to the golf course than is provided to that person's spouse under the same or a separate membership in that club, except that the terms of a membership may provide that one spouse may have no right to use the golf course at any time while the other spouse may have either limited or unlimited access to the golf course.

A golf club may have or create an individual membership category which entitles a member for a reduced rate to play during restricted hours as established by the club. The club must have on record a written request by the member for such membership.

A golf club that has food or beverage facilities or services must allow equal access to those facilities and services for both men and women members in all membership categories at all times. Nothing in this paragraph shall be construed to require service or access to facilities to persons under the age of 21 years or require any act that would violate law or ordinance regarding sale, consumption, or regulation of alcoholic beverages.

For purposes of this subdivision and subdivision 7a, discrimination means a pattern or course of conduct and not linked to an isolated incident.

Sec. 5. Minnesota Statutes 1997 Supplement, section 273.112, subdivision 4, is amended to read:

Subd. 4. The value of any real estate described in subdivision 3 shall upon timely application by the owner, in the manner provided in subdivision 6, be determined solely with reference to its appropriate private outdoor, recreational, social, open space and park land classification and value notwithstanding sections 272.03, subdivision 8, and 273.11. In determining such value for ad valorem tax purposes the assessor shall not consider the value such real estate would have if it were converted to commercial, industrial, residential or seasonal residential use.

Sec. 6. Minnesota Statutes 1997 Supplement, section 272.115, subdivision 4, is amended to read:

Subd. 4. **ELIGIBILITY FOR HOMESTEAD STATUS.** No real estate sold or transferred ~~on or after January 1, 1993, for which a certificate of real estate value is required under subdivision 4~~ this section shall be classified as a homestead, unless (1) a certificate of value has been filed with the county auditor in accordance with this section, or (2) the real estate was conveyed by the federal government, the state, a political subdivision of the state, or combination of them to a person otherwise eligible to receive homestead classification of the property.

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

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Sec. 7. Minnesota Statutes 1997 Supplement, section 272.115, subdivision 5, is amended to read:

Subd. 5. **EXEMPTION FOR GOVERNMENT BODIES.** A certificate of real estate value is not required when the real estate is being conveyed to ~~or by a public authority or agency of the federal government,~~ the state of Minnesota, a political subdivision of the state, or any combination of them, for highway or roadway right-of-way purposes, provided that the ~~authority, agency, or governmental unit~~ has agreed to file a list of the real estate conveyed by or to the authority, agency, or governmental unit with the commissioner of revenue by June 1 of the year following the year of the conveyance.

Sec. 8. Minnesota Statutes 1997 Supplement, section 273.124, subdivision 14, is amended to read:

Subd. 14. **AGRICULTURAL HOMESTEADS; SPECIAL PROVISIONS.** (a) Real estate of less than ten acres that is the homestead of its owner must be classified as class 2a under section 273.13, subdivision 23, paragraph (a), if:

(1) the parcel on which the house is located is contiguous on at least two sides to (i) agricultural land, (ii) land owned or administered by the United States Fish and Wildlife Service, or (iii) land administered by the department of natural resources on which in lieu taxes are paid under sections 477A.11 to 477A.14;

(2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20 acres;

(3) the noncontiguous land is located not farther than ~~two~~ four townships or cities, or a combination of townships or cities from the homestead; and

(4) the agricultural use value of the noncontiguous land and farm buildings is equal to at least 50 percent of the market value of the house, garage, and one acre of land.

Homesteads initially classified as class 2a under the provisions of this paragraph shall remain classified as class 2a, irrespective of subsequent changes in the use of adjoining properties, as long as the homestead remains under the same ownership, the owner owns a noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use value qualifies under clause (4).

(b) Except as provided in paragraph (d), noncontiguous land shall be included as part of a homestead under section 273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached land is located in the same township or city, or not farther than ~~two~~ four townships or cities or combination thereof from the homestead. Any taxpayer of these noncontiguous lands must notify the county assessor that the noncontiguous land is part of the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must also notify the assessor of the other county.

(c) Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified as a homestead under section 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a.

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(d) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the April 1997 floods;

(2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or Wilkin;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1997 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 1997 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 1998, the owner must notify the assessor by December 1, 1997. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

Sec. 9. Minnesota Statutes 1997 Supplement, section 273.126, subdivision 3, is amended to read:

Subd. 3. **RENT RESTRICTIONS.** (a) In order to qualify under class 4d, a unit must be subject to a rent restriction agreement with the housing finance agency for a period of at least five years. The agreement must be in effect and apply to the rents to be charged for the year in which the property taxes are payable. The agreement must provide that the restrictions apply to each year of the period, regardless of whether the unit is occupied by an individual with qualifying income or whether class 4d applies. The rent restriction agreement must provide for rents for the unit to be no higher than 30 percent of 60 percent of the median gross income. The definition of median gross income specified in this section applies. "Rent" means "gross rent" as defined in section 42(g)(2)(B) of the Internal Revenue Code of 1986, as amended through December 31, 1996.

(b) Notwithstanding the maximum rent levels permitted, 20 percent of the units in the metropolitan area and ten percent of the units in greater Minnesota qualifying under class 4d must be made available to a family with a section 8 certificate or voucher. For applications for class 4d made before July 1, 1999, the required percent of units for an applicant is increased to 40 percent and the maximum rent that may be charged on a unit occupied by a family with a section 8 certificate or voucher is limited to the fair market rent for the area, as established by the United States Department of Housing and Urban Development, if within the five year period ending January 2 of the assessment year:

(1) 40 percent or more of the units in the project or development were covered by a section 8 project-based housing assistance contract and the contract has been canceled or no longer applies; or

(2) the units were in a project or development financed with a direct federal loan or federally insured loan made pursuant to Title II of the National Housing Act and the loan has been paid or prepaid, eliminating the restrictions on rents under Title II of the Act.

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(c) The rent restriction agreement runs with the land and binds any successor to title to the property, without regard to whether the successor had actual notice or knowledge of the agreement. The owner must promptly record the agreement in the office of the county recorder or must file it in the office of the registrar of titles, in the county where the property is located. If the agreement is not recorded, class 4d does not apply to the property.

Sec. 10. [273.1383] 1997 FLOOD LOSS REPLACEMENT AID.

Subdivision 1. FLOOD NET TAX CAPACITY LOSS. In assessment years 1998, 1999, and 2000, the county assessor of each county listed in section 273.124, subdivision 14, paragraph (d), clause (2), shall compute a hypothetical county net tax capacity based upon market values for the current assessment year and the class rates that were in effect for assessment year 1997. The amount, if any, by which the assessment year 1997 total taxable net tax capacity exceeds the hypothetical taxable net tax capacity shall be known as the county's "flood net tax capacity loss" for the current assessment year. The county assessor of each county whose flood net tax capacity loss for the current year exceeds five percent of its assessment year 1997 total taxable net tax capacity shall certify its flood net tax capacity loss to the commissioner of revenue by August 1 of the assessment year.

Subd. 2. FLOOD LOSS AID. Each year, each county with a flood net tax capacity loss equal to or greater than five percent of its assessment year 1997 total taxable net tax capacity shall be entitled to flood loss aid equal to the flood net tax capacity loss times the county government's average local tax rate for taxes payable in 1998.

Subd. 3. DUTIES OF COMMISSIONER. The commissioner of revenue shall determine each qualifying county's aid amount. If the sum of the aid amounts for all qualifying counties exceeds the appropriation limit, the commissioner shall proportionately reduce each county's aid amount so that the sum of county aid amounts is equal to the appropriation limit. The commissioner shall notify each county of its flood loss aid amount by August 15 of the assessment year. The commissioner shall make payments to each county on or before July 20 of the taxes payable year corresponding to the assessment year.

Subd. 4. APPROPRIATION. An amount necessary to fund the aid amounts under this section is annually appropriated from the general fund to the commissioner of revenue in fiscal years 2000, 2001, and 2002, for calendar years 1999, 2000, and 2001. The maximum amount of the appropriation is limited to \$1,700,000 for fiscal year 2000 and \$1,500,000 per year for fiscal years 2001 and 2002. In addition, the amount of the appropriation under Laws 1997, Second Special Session chapter 2, section 9, that the commissioner determines will not be spent for the programs under that section is available to pay the aid amounts under this section.

Sec. 11. [273.80] DISTRESSED HOMESTEAD REINVESTMENT EXEMPTION.

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

"Substantially condition deficient" means that repairs estimated to cost at least \$20,000 are necessary to restore a house to sound operating condition, according to prevailing costs of home improvements for the area.

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“Sound operating condition” means that a home meets minimal health and safety standards for residential occupancy under applicable housing or building codes.

“Residential rehabilitation consultant” means a person who is employed by a housing services organization recognized by resolution of the city council of the city in which the property is located, and who has been trained in residential housing rehabilitation.

“Census tract” means a tract defined for the 1990 federal census.

Subd. 2. ELIGIBILITY. An owner-occupied, detached, single-family dwelling is eligible for treatment under this section if it:

- (1) is located in a city of the first class;
- (2) is located in a census tract where the median value of owner-occupied homes is less than 80 percent of the median value of owner-occupied homes for the entire city, according to the 1998 assessment;
- (3) has an estimated market value less than 60 percent of the median value of owner-occupied homes for the entire city, according to the 1998 assessment; and
- (4) has been declared to be substantially condition deficient, by a residential rehabilitation consultant.

Subd. 3. QUALIFICATION. A home which meets the eligibility requirements of subdivision 2 before May 1, 2003, qualifies for the property tax exemption under subdivision 4 after a residential rehabilitation consultant certifies that the home is in sound operating condition, and that all permits necessary to make the repairs were obtained. An owner need not occupy the dwelling while the necessary repairs are being done, provided that the property is occupied prior to granting the exemption under subdivision 4. All or a part of the repairs necessary to restore the house to sound operating conditions may be done prior to the owner purchasing the property, if those repairs are done by or for a 501(c)(3) nonprofit organization.

Subd. 4. PROPERTY TAX EXEMPTION. A home qualifying under subdivision 3 is exempt from all property taxes on the land and buildings for taxes payable for five consecutive years following its certification under subdivision 3, if the property is owned and occupied by the same person who owned it when the home was certified as substantially condition deficient or by the first purchaser from the 501(c)(3) nonprofit organization that repaired the property. To be effective beginning with taxes payable in the following year, the certification must be made by September 1.

Subd. 5. ASSESSMENT; RECORD. The assessor may require whatever information is necessary to determine eligibility for the tax exemption under this section. During the time that the property is exempt, the assessor shall continue to value the property and record its current value on the tax rolls.

Sec. 12. Minnesota Statutes 1997 Supplement, section 275.065, subdivision 3, is amended to read:

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

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

(d) The notice must state for each parcel:

(1) the market value of the property as determined under section 273.11, and used for computing property taxes payable in the following year and for taxes payable in the current year 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) the items listed below, shown separately by county, city or town, state determined school tax net of the education homestead credit under section 273.1382, voter approved school levy, other local school levy, and the sum of the special taxing districts, and as a total of all taxing authorities:

(i) the actual tax for taxes payable in the current year;

(ii) the tax change due to spending factors, defined as the proposed tax minus the constant spending tax amount;

(iii) the tax change due to other factors, defined as the constant spending tax amount minus the actual current year tax; and

(iv) the proposed tax amount.

In the case of a town or the state determined school tax, the final tax shall also be its proposed tax unless the town changes its levy at a special town meeting under section 365.52. 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. 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 between the total taxes payable in the current year and the total proposed taxes, expressed as a percentage.

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For purposes of this section, the amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount.

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

- (1) special assessments;
- (2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda, school district levy referenda, and levy limit increase referenda;
- (3) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;
- (4) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and
- (5) the contamination tax imposed on properties which received market value reductions for contamination.

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

(g) If the notice the taxpayer receives under this section lists the property as non-homestead, and satisfactory documentation is provided to the county assessor by the applicable deadline, and the property 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.

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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) If a statutory or home rule charter city or a town has exercised the local levy option provided by section 473.388, subdivision 7, it may include in the notice of its proposed taxes the amount of its proposed taxes attributable to its exercise of the option. In the first year of the city or town's exercise of this option, the statement shall include an estimate of the reduction of the metropolitan council's tax on the parcel due to exercise of that option. The metropolitan council's levy shall be adjusted accordingly.

Sec. 13. Minnesota Statutes 1997 Supplement, section 275.065, subdivision 6, is amended to read:

Subd. 6. **PUBLIC HEARING; ADOPTION OF BUDGET AND LEVY.** (a) For purposes of this section, the following terms shall have the meanings given:

(1) "Initial hearing" means the first and primary hearing held to discuss the taxing authority's proposed budget and proposed property tax levy for taxes payable in the following year, or, for school districts, the current budget and the proposed property tax levy for taxes payable in the following year.

(2) "Continuation hearing" means a hearing held to complete the initial hearing, if the initial hearing is not completed on its scheduled date.

(3) "Subsequent hearing" means the hearing held to adopt the taxing authority's final property tax levy, and, in the case of taxing authorities other than school districts, the final budget, for taxes payable in the following year.

(b) Between November 29 and December 20, the governing bodies of a city that has a population over 500, county, metropolitan special taxing districts as defined in subdivision 3, paragraph (i), and regional library districts shall each hold an initial public hearing to discuss and seek public comment on its final budget and property tax levy for taxes payable in the following year, and the governing body of the school district shall hold an initial public hearing to review its current budget and proposed property tax levy for taxes payable in the following year. The metropolitan special taxing districts shall be required to hold only a single joint initial public hearing, the location of which will be determined by the affected metropolitan agencies.

(c) The initial hearing must be held after 5:00 p.m. if scheduled on a day other than Saturday. No initial hearing may be held on a Sunday.

(d) At the initial hearing under this subdivision, the percentage increase in property taxes proposed by the taxing authority, if any, and the specific purposes for which property tax revenues are being increased must be discussed. During the discussion, the governing body shall hear comments regarding a proposed increase and explain the reasons for the proposed increase. The public shall be allowed to speak and to ask questions. At the public hearing, the school district must also provide and discuss information on the distribution of its revenues by revenue source, and the distribution of its spending by program area.

(e) If the initial hearing is not completed on its scheduled date, the taxing authority must announce, prior to adjournment of the hearing, the date, time, and place for the con-

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continuation of the hearing. The continuation hearing must be held at least five business days but no more than 14 business days after the initial hearing. A continuation hearing may not be held later than December 20 except as provided in paragraphs (f) and (g). A continuation hearing must be held after 5:00 p.m. if scheduled on a day other than Saturday. No continuation hearing may be held on a Sunday.

(f) The governing body of a county shall hold its initial hearing on the ~~second Tuesday~~ first Thursday in December each year, and may hold additional initial hearings on other dates before December 20 if necessary for the convenience of county residents. If the county needs a continuation of its hearing, the continuation hearing shall be held on the third Tuesday in December. If the third Tuesday in December falls on December 21, the county's continuation hearing shall be held on Monday, December 20.

(g) The metropolitan special taxing districts shall hold a joint initial public hearing on the ~~first Monday~~ Wednesday of December. A continuation hearing, if necessary, shall be held on the ~~second Monday~~ Wednesday of December even if that ~~second Monday~~ Wednesday is after December 10.

(h) The county auditor shall provide for the coordination of initial and continuation hearing dates for all school districts and cities within the county to prevent conflicts under clauses (i) and (j).

(i) By August 10, each school board and the board of the regional library district shall certify to the county auditors of the counties in which the school district or regional library district is located the dates on which it elects to hold its initial hearing and any continuation hearing. If a school board or regional library district does not certify these dates by August 10, the auditor will assign the initial and continuation hearing dates. The dates elected or assigned must not conflict with the initial and continuation hearing dates of the county or the metropolitan special taxing districts.

(j) By August 20, the county auditor shall notify the clerks of the cities within the county of the dates on which school districts and regional library districts have elected to hold their initial and continuation hearings. At the time a city certifies its proposed levy under subdivision 1 it shall certify the dates on which it elects to hold its initial hearing and any continuation hearing. Until September 15, the first and second Mondays of December are reserved for the use of the cities. If a city does not certify these its hearing dates by September 15, the auditor shall assign the initial and continuation hearing dates. The dates elected or assigned for the initial hearing must not conflict with the initial hearing dates of the county, metropolitan special taxing districts, regional library districts, or school districts within which the city is located. To the extent possible, the dates of the city's continuation hearing should not conflict with the continuation hearing dates of the county, metropolitan special taxing districts, regional library districts, or school districts within which the city is located. This paragraph does not apply to cities of 500 population or less.

(k) The county initial hearing date and the city, metropolitan special taxing district, regional library district, and school district initial hearing dates must be designated on the notices required under subdivision 3. The continuation hearing dates need not be stated on the notices.

(l) At a subsequent hearing, each county, school district, city over 500 population, and metropolitan special taxing district may amend its proposed property tax levy and

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must adopt a final property tax levy. Each county, city over 500 population, and metropolitan special taxing district may also amend its proposed budget and must adopt a final budget at the subsequent hearing. The final property tax levy must be adopted prior to adopting the final budget. A school district is not required to adopt its final budget at the subsequent hearing. The subsequent hearing of a taxing authority must be held on a date subsequent to the date of the taxing authority's initial public hearing. If a continuation hearing is held, the subsequent hearing must be held either immediately following the continuation hearing or on a date subsequent to the continuation hearing. The subsequent hearing may be held at a regularly scheduled board or council meeting or at a special meeting scheduled for the purposes of the subsequent hearing. The subsequent hearing of a taxing authority does not have to be coordinated by the county auditor to prevent a conflict with an initial hearing, a continuation hearing, or a subsequent hearing of any other taxing authority. All subsequent hearings must be held prior to five working days after December 20 of the levy year. The date, time, and place of the subsequent hearing must be announced at the initial public hearing or at the continuation hearing.

(m) The property tax levy certified under section 275.07 by a city of any population, county, metropolitan special taxing district, regional library district, or school district must not exceed the proposed levy determined under subdivision 1, except by an amount up to the sum of the following amounts:

(1) the amount of a school district levy whose voters approved a referendum to increase taxes under section 124.82, subdivision 3, 124A.03, subdivision 2, or 124B.03, subdivision 2, after the proposed levy was certified;

(2) the amount of a city or county levy approved by the voters after the proposed levy was certified;

(3) the amount of a levy to pay principal and interest on bonds approved by the voters under section 475.58 after the proposed levy was certified;

(4) the amount of a levy to pay costs due to a natural disaster occurring after the proposed levy was certified, if that amount is approved by the commissioner of revenue under subdivision 6a;

(5) the amount of a levy to pay tort judgments against a taxing authority that become final after the proposed levy was certified, if the amount is approved by the commissioner of revenue under subdivision 6a;

(6) the amount of an increase in levy limits certified to the taxing authority by the commissioner of children, families, and learning or the commissioner of revenue after the proposed levy was certified; and

(7) the amount required under section 124.755.

(n) This subdivision does not apply to towns and special taxing districts other than regional library districts and metropolitan special taxing districts.

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

Sec. 14. Minnesota Statutes 1996, section 275.07, is amended by adding a subdivision to read:

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Subd. 5. REVISED FINAL LEVY. (a) If the final levy of a taxing jurisdiction certified to the county auditor is incorrect due to an error in the deduction of the aid received under section 273.1398, subdivision 2, in determining the certified levy as required under subdivision 1, the taxing jurisdiction may apply to the commissioner of revenue to increase the levy and recertify it in the correct amount. The commissioner must receive the request by January 2.

(b) If the commissioner determines that the requirements of paragraph (a) have been met, the commissioner shall notify the taxing jurisdiction that the revised final levy has been approved. Upon receipt of the approval, but no later than January 15, the governing body of the taxing jurisdiction shall adopt the revised final levy and the taxing jurisdiction shall recertify the revised final levy to the county auditor. The county auditor shall use the revised final levy to compute the tax rate for the taxing jurisdiction.

(c) The county auditor shall report to the commissioner of revenue the revised final levy used to determine the tax rates for the taxing jurisdiction. The provisions of section 275.065, subdivisions 6, 6a, and 7 do not apply to the revised final levy for the taxing jurisdiction certified under this section.

(d) The taxing jurisdiction must publish in an official newspaper of general circulation in the taxing jurisdiction a notice of its revised final levy. The notice shall contain examples of the tax impact of the revised final levy on homestead, apartment, and commercial classes of property in the taxing jurisdiction. The county auditor shall assist the taxing jurisdiction in preparing the examples for the publication.

Sec. 15. Minnesota Statutes 1997 Supplement, section 287.08, is amended to read:

287.08 TAX, HOW PAYABLE; RECEIPTS.

(a) The tax imposed by sections 287.01 to 287.12 shall be paid to the treasurer of the county in which the mortgaged land or some part thereof is situated at or before the time of filing the mortgage for record or registration. The treasurer shall endorse receipt on the mortgage, countersigned by the county auditor, who shall charge the amount to the treasurer and such receipt shall be recorded with the mortgage, and such receipt of the record thereof shall be conclusive proof that the tax has been paid to the amount therein stated and authorize any county recorder to record the mortgage. Its form, in substance, shall be "registration tax hereon of dollars paid." If the mortgages be exempt from taxation the endorsement shall be "exempt from registration tax," to be signed in either case by the treasurer as such, and in case of payment to be countersigned by the auditor. In case the treasurer shall be unable to determine whether a claim of exemption should be allowed, the tax shall be paid as in the case of a taxable mortgage.

(b) Upon written application of the taxpayer, the county treasurer may refund in whole or in part any tax which has been erroneously paid, or a person having paid a mortgage registry tax amount may seek a refund of such tax, or other appropriate relief, by bringing an action in tax court in the county in which the tax was paid, within 60 days of the payment. The action is commenced by the serving of a petition for relief on the county treasurer, and by filing a copy with the court. The county attorney shall defend the action. The county treasurer shall notify the treasurer of each county that has or would receive a portion of the tax as paid.

(c) If the county treasurer determines a refund should be paid, or if a refund is ordered, the county treasurer of each county that actually received a portion of the tax shall

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immediately pay a proportionate share of three percent of the refund using any available county funds. The county treasurer of each county which received, or would have received, a portion of the tax shall also pay their county's proportionate share of the remaining 97 percent of the court-ordered refund on or before the tenth day of the following month using solely the mortgage registry tax funds that would be paid to the commissioner of revenue on that date under section 287.12. If the funds on hand under this procedure are insufficient to fully fund 97 percent of the court-ordered refund, the county treasurer of the county in which the action was brought shall file a claim with the commissioner of revenue under section 16A.48 for the remaining portion of 97 percent of the refund, and shall pay over the remaining portion upon receipt of a warrant from the state issued pursuant to the claim.

(d) When any such mortgage covers real property situate in more than one county in this state the whole of such tax shall be paid to the treasurer of the county where the mortgage is first presented for record or registration, and the payment shall be receipted and countersigned as above provided. If the principal debt or obligation secured by such a multiple county mortgage exceeds \$1,000,000, the tax shall be divided and paid over by the county treasurer receiving the same, on or before the tenth day of each month after receipt thereof, to the county or counties entitled thereto in the ratio which the market value of the real property covered by the mortgage in each county bears to the market value of all the property described in the mortgage. In making such division and payment the county treasurer shall send therewith a statement giving the description of the property described in the mortgage and the market value of the part thereof situate in each county. For the purpose aforesaid, the treasurer of any county may require the treasurer of any other county to certify to the former the market valuation of any tract of land in any such mortgage.

Sec. 16. [365A.095] DISSOLUTION.

A petition signed by at least 75 percent of the property owners in the territory of the subordinate service district requesting the removal of the district may be presented to the town board. Within 30 days after the town board receives the petition, the town clerk shall determine the validity of the signatures on the petition. If the requisite number of signatures are certified as valid, the town board must hold a public hearing on the petitioned matter. Within 30 days after the end of the hearing, the town board must decide whether to discontinue the subordinate service district, continue as it is, or take some other action with respect to it.

Sec. 17. Minnesota Statutes 1996, section 462.396, subdivision 2, is amended to read:

Subd. 2. **BUDGET; HEARING; LEVY LIMITS.** On or before August 20 each year, the commission shall submit its proposed budget for the ensuing calendar year showing anticipated receipts, disbursements and ad valorem tax levy with a written notice of the time and place of the public hearing on the proposed budget to each county auditor and municipal clerk within the region and those town clerks who in advance have requested a copy of the budget and notice of public hearing. On or before September 15 each year, the commission shall adopt, after a public hearing held not later than September 15, a budget covering its anticipated receipts and disbursements for the ensuing year and shall decide upon the total amount necessary to be raised from ad valorem tax levies to meet its budget. After adoption of the budget and no later than September 15, the secre-

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tary of the commission shall certify to the auditor of each county within the region the county share of the tax, which shall be an amount bearing the same proportion to the total levy agreed on by the commission as the net tax capacity of the county bears to the net tax capacity of the region. (1) For taxes levied in 1990 and thereafter 1998, the maximum amounts of levies made for the purposes of sections 462.381 to 462.398 are the following amounts, ~~less the sum of regional planning grants from the commissioner to that region:~~ for Region 1, \$180,337; for Region 2, ~~\$150,000~~ \$180,000; for Region 3, \$353,110; for Region 5, \$195,865; for Region 6E, \$197,177; for Region 6W, ~~\$150,000~~ \$180,000; for Region 7E, ~~\$158,653~~ \$180,000; for Region 8, \$206,107; for Region 9, \$343,572. (2) For taxes levied in 1999 and thereafter, the maximum amount that may be levied by each commission shall be the amount authorized in clause (1), or 103 percent of the amount levied in the previous year, whichever is greater. The auditor of each county in the region shall add the amount of any levy made by the commission within the limits imposed by this subdivision to other tax levies of the county for collection by the county treasurer with other taxes. When collected the county treasurer shall make settlement of the taxes with the commission in the same manner as other taxes are distributed to political subdivisions.

Sec. 18. Minnesota Statutes 1997 Supplement, section 462A.071, subdivision 2, is amended to read:

Subd. 2. **APPLICATION.** (a) In order to qualify for certification under subdivision 1, the owner or manager of the property must annually apply to the agency. The application must be in the form prescribed by the agency, contain the information required by the agency, and be submitted by the date and time specified by the agency. Beginning in calendar year 2000, the agency shall adopt procedures and deadlines for making application to permit certification of the units qualifying to the assessor by no later than April 1 of the assessment year.

(b) Each application must include:

- (1) the property tax identification number;
- (2) the number, type, and size of units the applicant seeks to qualify as low-income housing under class 4d;
- (3) the number, type, and size of units in the property for which the applicant is not seeking qualification, if any;
- (4) a certification that the property has been inspected by a qualified inspector within the past three years and meets the minimum housing quality standards or is exempt from the inspection requirement under subdivision 4;
- (5) a statement indicating the building is qualifying units in compliance with the income limits;
- (6) an executed agreement to restrict rents meeting the requirements specified by the agency or executed leases for the units for which qualification as low-income housing as class 4d under section 273.13 is sought and the rent schedule; and
- (7) any additional information the agency deems appropriate to require.

(c) The applicant must pay a per-unit application fee to be set by the agency. The application fee charged by the agency must approximately equal the costs of processing

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and reviewing the applications. The fee must be deposited in the general housing development fund.

Sec. 19. Minnesota Statutes 1997 Supplement, section 462A.071, subdivision 4, is amended to read:

Subd. 4. **MINIMUM HOUSING QUALITY STANDARDS.** (a) To qualify for taxation under class 4d under section 273.13, a unit must meet both the housing maintenance code of the local unit of government in which the unit is located, if such a code has been adopted, and or the housing quality standards adopted by the United States Department of Housing and Urban Development, if no local housing maintenance code has been adopted.

(b) In order to meet the minimum housing quality standards, a building must be inspected by an independent designated inspector at least once every three years. The inspector must certify that the building complies with the minimum standards. The property owner must pay the cost of the inspection.

(c) The agency may exempt from the inspection requirement housing units that are financed by a governmental entity and subject to regular inspection or other compliance checks with regard to minimum housing quality. Written certification must be supplied to show that these exempt units have been inspected within the last three years and comply with the requirements under the public financing or local requirements.

Sec. 20. Minnesota Statutes 1997 Supplement, section 462A.071, subdivision 6, is amended to read:

Subd. 6. **SECTION 8 AND, TAX CREDIT, AND RURAL HOUSING SERVICE UNITS.** (a) The agency may deem units as meeting the requirements of section 273.126 and this section, if the units either:

(1) are subject to a housing assistance payments contract under section 8 of the United States Housing Act of 1937, as amended; or

(2) are rent and income restricted units of a qualified low-income housing project receiving tax credits under section 42(g) of the Internal Revenue Code of 1986, as amended; or

(3) are financed by the Rural Housing Service of the United States Department of Agriculture and receive payments under the rental assistance program pursuant to section 521(a) of the Housing Act of 1949, as amended.

(b) The agency may certify these deemed units under subdivision 1 based on a simplified application procedure that verifies the unit's qualifications under paragraph (a).

Sec. 21. Minnesota Statutes 1997 Supplement, section 462A.071, subdivision 8, is amended to read:

Subd. 8. **PENALTIES.** (a) The penalties provided by this subdivision apply to each unit that received class 4d taxation for a year and failed to meet the requirements of section 273.126 and this section.

(b) If the owner or manager does not comply with the rent restriction agreement, or does not comply with the income restrictions or, minimum housing quality standards, or

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the section 8 availability requirements, a penalty applies equal to the increased taxes that would have been imposed if the property unit had not been classified under class 4d for the year in which restrictions were violated, plus an additional amount equal to ten percent of the increased taxes. The provisions of section 279.03 apply to the amount of increased taxes that would have been imposed if a unit had not been classified under class 4d for the year in which restrictions were violated.

(c) If the agency finds that the violations were inadvertent and insubstantial, a penalty of \$50 per unit per year applies in lieu of the penalty specified under paragraph (b). In order to qualify under this paragraph, violations of the minimum housing quality standards must be corrected within a reasonable period of time and rent charged in excess of the agreement must be rebated to the tenants.

(d) The agency may abate the penalties under this subdivision for reasonable cause.

(e) Penalties assessed under paragraph (c) are payable to the agency and must be deposited in the general housing development fund. If an owner or manager fails to timely pay a penalty imposed under paragraph (c), the agency may choose to:

(1) impose the penalty under paragraph (b); or

(2) certify the penalty under paragraph (c) to the auditor for collection as additional taxes.

The agency shall certify to the county auditor penalties assessed under paragraph (b) and clause (2). The auditor shall impose and collect the certified penalties as additional taxes which will be distributed to taxing districts in the same manner as property taxes on the property.

Sec. 22. Minnesota Statutes 1996, section 473.39, is amended by adding a subdivision to read:

Subd. 1e. OBLIGATIONS. In addition to the authority in subdivisions 1a, 1b, 1c, and 1d, the council may issue certificates of indebtedness, bonds, or other obligations under this section in an amount not exceeding \$32,500,000, which may be used for capital expenditures as prescribed in the council's transit capital improvement program and for related costs, including the costs of issuance and sale of the obligations.

The metropolitan council, the city of St. Paul, and the Minnesota department of transportation shall jointly assess the feasibility of locating a bus storage facility near Mississippi and Cayuga Street and I-35E in St. Paul. If the metropolitan council determines feasibility, the first priority for siting must be at that location.

Sec. 23. Minnesota Statutes 1996, section 473.3915, subdivision 2, is amended to read:

Subd. 2. REGULAR ROUTE TRANSIT SERVICE. "Regular route transit service" means services as defined in section 473.385, subdivision 1, paragraph (b), with at least two scheduled runs per hour between 7:00 a.m. and 6:30 p.m., Monday to Friday, and regularly scheduled service on Saturday, Sunday, and holidays, and weekdays after 6:30 p.m. The two scheduled runs for buses leaving a replacement transit service transit hub need not be on the same route.

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Sec. 24. Minnesota Statutes 1996, section 473.3915, subdivision 3, is amended to read:

Subd. 3. **TRANSIT ZONE.** "Transit zone" means: (1) the area within one-quarter of a mile of a route along which regular route transit service is provided that is also within the metropolitan urban service area, as determined by the council; or (2) the area within one-eighth of a mile around a replacement transit service transit hub. "Transit zone" includes any light rail transit route for which funds for construction have been committed.

Sec. 25. Minnesota Statutes 1996, section 475.58, subdivision 1, is amended to read:

Subdivision 1. **APPROVAL BY ELECTORS; EXCEPTIONS.** Obligations authorized by law or charter may be issued by any municipality upon obtaining the approval of a majority of the electors voting on the question of issuing the obligations, but an election shall not be required to authorize obligations issued:

- (1) to pay any unpaid judgment against the municipality;
- (2) for refunding obligations;
- (3) for an improvement or improvement program, which obligation is payable wholly or partly from the proceeds of special assessments levied upon property specially benefited by the improvement or by an improvement within the improvement program, or of taxes levied upon the increased value of property within a district for the development of which the improvement is undertaken, including obligations which are the general obligations of the municipality, if the municipality is entitled to reimbursement in whole or in part from the proceeds of such special assessments or taxes and not less than 20 percent of the cost of the improvement or the improvement program is to be assessed against benefited property or is to be paid from the proceeds of federal grant funds or a combination thereof, or is estimated to be received from such taxes within the district;
- (4) payable wholly from the income of revenue producing conveniences;
- (5) under the provisions of a home rule charter which permits the issuance of obligations of the municipality without election;
- (6) under the provisions of a law which permits the issuance of obligations of a municipality without an election;
- (7) to fund pension or retirement fund liabilities pursuant to section 475.52, subdivision 6;
- (8) under a capital improvement plan under section 373.40; and
- (9) to fund facilities as provided in subdivision 3; and
- (10) under sections 469.1813 to 469.1815 (property tax abatement authority bonds).

Sec. 26. Minnesota Statutes 1996, section 477A.14, is amended to read:

477A.14 USE OF FUNDS.

Forty percent of the total payment to the county shall be deposited in the county general revenue fund to be used to provide property tax levy reduction. The remainder shall be distributed by the county in the following priority:

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(a) 37.5 cents for each acre of county-administered other natural resources land shall be deposited in a resource development fund to be created within the county treasury for use in resource development, forest management, game and fish habitat improvement, and recreational development and maintenance of county-administered other natural resources land. Any county receiving less than \$5,000 annually for the resource development fund may elect to deposit that amount in the county general revenue fund;

(b) From the funds remaining, within 30 days of receipt of the payment to the county, the county treasurer shall pay each organized township 30 cents per acre of acquired natural resources land and 7.5 cents per acre of other natural resources land located within its boundaries. Payments for natural resources lands not located in an organized township shall be deposited in the county general revenue fund. Payments to counties and townships pursuant to this paragraph shall be used to provide property tax levy reduction, except that of the payments for natural resources lands not located in an organized township, the county may allocate the amount determined to be necessary for maintenance of roads in unorganized townships. Provided that, if the total payment to the county pursuant to section 477A.12 is not sufficient to fully fund the distribution provided for in this clause, the amount available shall be distributed to each township and the county general revenue fund on a pro rata basis; and

(c) Any remaining funds shall be deposited in the county general revenue fund. Provided that, if the distribution to the county general revenue fund exceeds \$35,000, the excess shall be used to provide property tax levy reduction.

Sec. 27. Laws 1971, chapter 773, section 1, as amended by Laws 1974, chapter 351, section 5, Laws 1976, chapter 234, sections 1 and 7, Laws 1978, chapter 788, section 1, Laws 1981, chapter 369, section 1, Laws 1983, chapter 302, section 1, Laws 1988, chapter 513, section 1, and Laws 1992, chapter 511, article 9, section 23, is amended to read:

Section 1. ST. PAUL, CITY OF; CAPITAL IMPROVEMENT PROGRAM.

Subdivision 1. Notwithstanding any provision of the charter of the city of St. Paul, the council of said city shall have power by a resolution adopted by five affirmative votes of all its members to authorize the issuance and sale of general obligation bonds of the city in the years stated and in the aggregate annual amounts not to exceed the limits prescribed in subdivision 2 of this section for the payment of which the full faith and credit of the city is irrevocably pledged.

Subd. 2. For each of the years through 1998 2003, the city of St. Paul is authorized to issue bonds in the aggregate principal amount of ~~\$8,000,000~~ \$15,000,000 for each year; or in an amount equal to one-fourth of one percent of the assessors estimated market value of taxable property in St. Paul, whichever is greater, provided that no more than ~~\$8,000,000~~ \$15,000,000 of bonds is authorized to be issued in any year, unless St. Paul's local general obligation debt as defined in this section is less than six percent of market value calculated as of December 31 of the preceding year; but at no time shall the aggregate principal amount of bonds authorized exceed \$15,700,000 in 1992, \$16,600,000 in 1993, \$16,600,000 in 1994, \$16,600,000 in 1995, \$17,500,000 in 1996, \$17,500,000 in 1997, and \$18,000,000 in 1998, \$18,000,000 in 1999, \$19,000,000 in 2000, \$19,000,000 in 2001, \$19,500,000 in 2002, and \$20,000,000 in 2003.

Subd. 3. For purposes of this section, St. Paul's general obligation debt shall consist of the principal amount of all outstanding bonds of (1) the city of St. Paul, the housing and

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redevelopment authority of St. Paul, the civic center authority of St. Paul, and the port authority of St. Paul, for which the full faith and credit of the city or any of the foregoing authorities has been pledged; (2) Independent School District 625, for which the full faith and credit of the district has been pledged; and (3) the county of Ramsey, for which the full faith and credit of the county has been pledged, reduced by an amount equal to the principal amount of the outstanding bonds multiplied by a figure, the numerator of which is equal to the assessed value net tax capacity of property within the county outside of the city of St. Paul and the denominator of which is equal to the assessed value net tax capacity of the county.

There shall be deducted before making the foregoing computations the outstanding principal amount of all refunded bonds, all tax or aid anticipation certificates of indebtedness of the city, the authorities, the school district and the county for which the full faith and credit of the bodies has been pledged and all tax increment financed bonds which have not used, for the prior three consecutive years, general tax levies or capitalized interest to support annual principal and interest payments.

Sec. 28. Laws 1971, chapter 773, section 2, as amended by Laws 1978, chapter 788, section 2, Laws 1983, chapter 302, section 2, Laws 1988, chapter 513, section 2, and Laws 1992, chapter 511, article 9, section 24, is amended to read:

Sec. 2. The proceeds of all bonds issued pursuant to section 1 hereof shall be used exclusively for the acquisition, construction, and repair of capital improvements and, commencing in the year 1992 and notwithstanding any provision in Laws 1978, chapter 788, section 5, as amended, for redevelopment project activities as defined in Minnesota Statutes, section 469.002, subdivision 14, in accordance with Minnesota Statutes, section 469.041, clause (6). The amount of proceeds of bonds authorized by section 1 used for redevelopment project activities shall not exceed ~~\$655,000 in 1992, \$690,000 in 1993, \$690,000 in 1994, \$690,000 in 1995, \$700,000 in 1996, \$700,000 in 1997, and \$725,000 in 1998~~ or any later year.

None of the proceeds of any bonds so issued shall be expended except upon projects which have been reviewed, and have received a priority rating, from a capital improvements committee consisting of 18 members, of whom a majority shall not hold any paid office or position under the city of St. Paul. The members shall be appointed by the mayor, with at least four members from each Minnesota senate district located entirely within the city and at least two members from each senate district located partly within the city. Prior to making an appointment to a vacancy on the capital improvement budget committee, the mayor shall consult the legislators of the senate district in which the vacancy occurs. The priorities and recommendations of the committee shall be purely advisory, and no buyer of any bonds shall be required to see to the application of the proceeds.

Sec. 29. Laws 1976, chapter 162, section 1, as amended by Laws 1982, chapter 474, section 1, Laws 1983, chapter 338, section 1, Laws 1989 First Special Session chapter 1, article 5, section 45, and Laws 1991, chapter 167, section 1, is amended to read:

Section 1. RED RIVER OF THE NORTH WATERSHED; TAX BY WATERSHED DISTRICTS.

Each watershed district located both within the counties of Kittson, Marshall, Polk, Pennington, Red Lake, Norman, Clay, Mahnomen, Clearwater, Roseau, Wilkin, Otter-tail, Becker, Koochiching, Beltrami, Traverse, Grant, Big Stone, Stevens, and Itasca,

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which district and within the hydrologic basin of the Red River of the North that is a member of the Red River watershed management board, established by a joint powers agreement in accordance with Minnesota Statutes, section 471.59, may levy an ad valorem tax not to exceed 0.04836 percent of the taxable market value of all property within the district. This levy shall be in excess of any levy authorized by Minnesota Statutes, section 103D.905. The proceeds of one-half of this levy shall be credited to the district's construction fund and shall be used for the development, construction, and maintenance of projects and programs of benefit to the district. The proceeds of the remaining one-half of this levy shall be credited to the general fund of the Red River watershed management board and shall be used for funding the development, construction, and maintenance of projects and programs of benefit to the Red River basin. The Red River management board shall adopt criteria for member districts to follow in applying for funding from the board.

Sec. 30. Laws 1984, chapter 380, section 1, as amended by Laws 1994, chapter 505, article 6, section 27, is amended to read:

Section 1. TAX.

The Anoka county board may levy a tax on of not more than .01 percent of the taxable market value of taxable property located within the county ~~outside of~~ excluding any taxable property taxed by any city in which is situated a for the support of any free public library, to acquire, better, and construct county library buildings and to pay principal and interest on bonds issued for that purpose. The tax shall be disregarded in the calculation of levies or limits on levies provided by Minnesota Statutes, section 373.40, or other law.

Sec. 31. Laws 1984, chapter 380, section 2, is amended to read:

Sec. 2. AUTHORIZATION.

The Anoka county board may, by resolution adopted by a four-sevenths vote, issue and sell general obligation bonds of the county ~~in the amount of \$9,000,000 in the manner provided in Minnesota Statutes, chapter 475, to acquire, better, and construct county library buildings. The total amount of bonds outstanding at any time shall not exceed \$5,000,000. The county board, prior to the issuance of any bonds authorized by section 1 and after adopting the resolution as provided above in this section, shall adopt a resolution by majority vote of the county board stating the amount, purpose and, in general, the security to be provided for the bonds, and shall publish the resolution once each week for two consecutive weeks in the medium of official and legal publication of the county. The bonds may be issued without the submission of the question of their issuance to the voters of the county library district unless within 21 days after the second publication of the resolution a petition requesting a referendum, signed by at least ten percent of the registered voters of the county, is filed with the county auditor. If a petition is filed, bonds may be issued unless disapproved by a majority of the voters of the county library district, voting on the question of their issuance at a regular or special election. The bonds shall not be subject to the requirements of Minnesota Statutes, sections 475.57 to 475.59. The maturity years and amounts and interest rates of each series of bonds shall be fixed so that the maximum amount of principal and interest to become due in any year, on the bonds of that series and of all outstanding series issued by or for the purposes of libraries, shall not exceed an amount equal to three-fourths of a mill times the assessed value the lesser of (i) .01 percent of the taxable market value of all taxable property in the county, which was~~

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not excluding any taxable property taxed in 1981 by any city for the support of any free public library, as last finally equalized before the issuance of the series or (ii) \$1,250,000. When the tax levy authorized in this section is collected, it shall be appropriated and credited to a debt service fund for the bonds. The tax levy for the debt service fund under Minnesota Statutes, section 475.61 shall be reduced by the amount available or reasonably anticipated to be available in the fund to make payments otherwise payable from the levy pursuant to section 475.61.

Sec. 32. Laws 1992, chapter 511, article 2, section 52, as amended by Laws 1997, chapter 231, article 2, section 50, is amended to read:

Sec. 52. WATERSHED DISTRICT LEVIES.

(a) The Nine Mile Creek watershed district, the Riley-Purgatory Bluff Creek watershed district, the Minnehaha Creek watershed district, the Coon Creek watershed district, and the Lower Minnesota River watershed district may levy in 1992 and thereafter a tax not to exceed \$200,000 on property within the district for the administrative fund. The levy authorized under this section is in lieu of Minnesota Statutes, section 103D.905, subdivision 3. The administrative fund shall be used for the purposes contained in Minnesota Statutes, section 103D.905, subdivision 3. The board of managers shall make the levy for the administrative fund in accordance with Minnesota Statutes, section 103D.915.

(b) The Wild Rice watershed district may levy, for taxes payable in 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, and 2002, an ad valorem tax not to exceed \$200,000 on property within the district for the administrative fund. The additional \$75,000 above the amount authorized in Minnesota Statutes, section 103D.905, subdivision 3, must be used for (1) costs incurred in connection with the development and maintenance of cost-sharing projects with the United States Army Corps of Engineers or (2) administrative costs associated with 1997 flood mitigation projects. The board of managers shall make the levy for the administrative fund in accordance with Minnesota Statutes, section 103D.915.

Sec. 33. Laws 1994, chapter 587, article 11, is amended by adding a section to read:

Sec. 5a. POLITICAL SUBDIVISION.

For purposes of Minnesota Statutes, section 275.066, the Chisholm/Hibbing airport authority is a political subdivision of the state of Minnesota.

Sec. 34. Laws 1997, chapter 231, article 2, section 63, subdivision 1, is amended to read:

Subdivision 1. IMPROVEMENTS MADE TO CERTAIN APARTMENTS. (a) Notwithstanding any other provisions to the contrary, the market value increase resulting from improvements made after the effective date of this act and prior to January 1, 1999 2000, to qualifying property located in the city of Brooklyn Center, Richfield, or St. Louis Park shall be excluded for assessment purposes under the conditions provided in this subdivision.

(b) "Qualifying property" means property that meets all of the following criteria:

- (1) the building is at least 30 years old at the time of the improvements;
- (2) the building is residential real estate of four or more units and is classified under Minnesota Statutes, section 273.13, subdivision 25, as class 4a, 4c, or 4d property; and

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(3) the total cost of the qualifying improvements exceeds ~~\$5,000~~ \$2,500 per unit.

(c) A building permit must have been issued prior to the commencement of the improvements. Only improvements to the residential structure and garages qualify under this subdivision. The assessor shall require an application, including, if unknown by the assessor, documentation of the age of the building from the owner. The application may be filed subsequent to the date of the building permit provided that the application is filed prior to the next assessment date.

(d) If the property qualifies under this subdivision, the assessor shall note the qualifying value of the improvements on the property's record and that amount shall be subtracted from the qualifying property's market value for the five assessment years immediately following the year in which the improvements were completed, at which time the assessor shall determine the property's estimated market value, and 20 percent of the qualifying value shall be added back in each of the next five subsequent assessment years. The assessor may require from the owner any documentation necessary to verify that the cost of improvements exceed the ~~\$5,000~~ \$2,500 per unit minimum.

Sec. 35. Laws 1997, chapter 231, article 2, section 68, subdivision 1, is amended to read:

Subdivision 1. **APPLICATION.** To facilitate a review by the ~~1998~~ legislature of the property taxation of elderly assisted living facilities and the development of standards and criteria for the taxation of these facilities, this section:

(1) requires the commissioner of revenue to conduct a survey of the tax status of these facilities under subdivision 2; and

(2) prohibits changes in assessment practices and policies regarding these facilities under subdivision 3.

Sec. 36. Laws 1997, chapter 231, article 2, section 68, subdivision 3, is amended to read:

Subd. 3. **MORATORIUM ON CHANGES IN ASSESSMENT PRACTICES.**

(a) An assessor may not change the current practices or policies used generally in assessing elderly assisted living facilities.

(b) An assessor may not change the assessment of an existing elderly assisted living facility, unless the change is made as a result of a change in ownership, occupancy, or use of the facility. This paragraph does not apply to:

(1) a facility that was constructed during calendar year 1997 or 1998;

(2) a facility that was converted to an elderly assisted living facility during calendar year 1997 or 1998; or

(3) a change in market value.

(c) This subdivision expires and no longer applies on the earlier of:

(1) the enactment of legislation establishing criteria for the property taxation of elderly assisted living facilities; or

(2) ~~final adjournment of the 1998 legislature~~ 1999 regular legislative session.

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Sec. 37. CHILD CARE FACILITY.

In connection with the capital expenditure authority in Minnesota Statutes, section 473.39, subdivision 1e, the metropolitan council shall consider incorporating in a new transfer garage a child care facility to assist in the recruitment and retention of metropolitan transit drivers.

Sec. 38. QUALIFIED PROPERTY.

A contiguous property located within a county adjacent to a county containing a city of the first class and within the metropolitan area as defined in Minnesota Statutes, section 473.121, shall be valued and classified under sections 39 and 40, provided it meets the following conditions:

(1) the property does not exceed 60 acres;

(2) the property includes a sculpture garden open to the public, either free of charge or for a nominal admission fee;

(3) the property includes a system of internal roads and paths for pedestrian use and an amphitheater for live artistic performances;

(4) the property is used for a summer youth art camp;

(5) the property is used for seminars for aspiring and professional artists;

(6) the property includes the homestead of the owner; and

(7) the property has been owned by the owner for at least 40 years.

Sec. 39. CLASSIFICATION.

Notwithstanding any law to the contrary, a property qualifying under section 38 shall be classified as class 2a property under Minnesota Statutes, section 273.13, subdivision 23.

Sec. 40. VALUATION.

Notwithstanding Minnesota Statutes, section 273.11, subdivision 1, the land qualifying under section 38 shall be valued as if it were agricultural property, using a per acre valuation equal to the average per acre valuation of similar agricultural property within the county.

Sec. 41. SPECIAL ASSESSMENT DEFERRAL AUTHORIZED.

Notwithstanding Minnesota Statutes, chapter 429, a city may defer the payment of any special assessment levied against a property qualifying under section 38 as determined by the city.

Sec. 42. TRANSFER OF PROPERTY; PAYMENT OF DEFERRED TAXES.

Subdivision 1. ADDITIONAL TAX. The assessor shall make a separate determination of the market value and net tax capacity of a property qualifying under section 38 as if sections 39 and 40 did not apply. The tax based upon the appropriate local tax rate applicable to such property in the taxing district shall be recorded on the property assessment records.

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Subd. 2. **RECAPTURE.** (a) Property or any portion thereof qualifying under section 38 is subject to additional taxes if (1) ownership of the property is transferred to anyone other than the spouse or child of the current owner, or (2) the current owner or the spouse or child of the current owner has not conveyed or entered into a contract before July 1, 2002, to convey the property to a nonprofit foundation or corporation created to own and operate the property as an art park providing the services included in section 38, clauses (2) to (5).

(b) The additional taxes are imposed at the earlier of (1) the year following transfer of ownership to anyone other than the spouse or child of the current owner or a nonprofit foundation or corporation created to own and operate the property as an art park, or (2) for taxes payable in 2003. The additional taxes are equal to the difference between the taxes determined under sections 39 and 40 and the amount determined under subdivision 1 for all years that the property qualified under section 38. The additional taxes must be extended against the property on the tax list for the current year; provided, however, that no interest or penalties may be levied on the additional taxes if timely paid.

Subd. 3. **CURRENT OWNER.** For purposes of this section, "current owner" means the owner of property qualifying under section 38 on the date of final enactment of this act or that owner's spouse or child.

Subd. 4. **NONPROFIT FOUNDATION OR CORPORATION.** For purposes of this act, "nonprofit foundation or corporation" means a nonprofit entity created to own and operate the property as an art park providing the services included in section 38, clauses (2) to (5).

Sec. 43. **WATER SUPPLY PROJECTS OF MORE THAN \$15,000,000.**

Notwithstanding Minnesota Statutes, chapter 410, or Minneapolis city charter, chapter 15, section 9, the city of Minneapolis and its board of estimate and taxation may issue and sell bonds or incur other indebtedness for a capital improvement project related to water supply that in all phases from inception to completion exceeds \$15,000,000 without submitting the question of issuing such obligations or incurring such indebtedness to the electorate for approval.

Sec. 44. **JENSEN-NOPEMING SPECIAL DISTRICT.**

Subdivision 1. **SPECIAL DISTRICT MAY BE ESTABLISHED.** The counties of Carlton and St. Louis may establish the Jensen-Nopeming Special District with authority to levy a property tax not greater than \$200,000 annually for the capital costs of the Chris Jensen Nursing Home and the Nopeming Nursing Home. The tax may be levied on taxable property in the territory described in Minnesota Statutes, section 458D.02, subdivision 2. The district shall be governed by a board composed of those members of the St. Louis county board who represent territory subject to taxation by the district and two members of the Carlton county board elected by the Carlton county board to serve terms provided by the board. The proceeds of the tax may be used only for capital costs of the nursing homes. As provided by Minnesota Statutes, chapter 475, debt may be incurred by the district for capital costs of the nursing home and the proceeds of the tax may be pledged to secure the debt. The district may enter into appropriate agreements with either county to facilitate the incurrence of debt or otherwise discharge its duties under this section.

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By April 15, 1999, the St. Louis county board shall complete a study examining the long-term profitability of Chris Jensen and Nopeming nursing homes. Upon completion of the study, the board must adopt a plan to eliminate any future property tax revenue dedicated to operating costs of the two facilities.

Subd. 2. LOCAL APPROVAL. Subdivision 1 is effective the day after the county boards of Carlton and St. Louis counties comply with the provisions of Minnesota Statutes, section 645.021, subdivision 3.

Sec. 45. CITIES OF MINNEAPOLIS AND ST. PAUL; TRANSIT ZONE TAX.

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

(b) "City" is the city of Minneapolis or the city of St. Paul.

(c) "Downtown taxing district" means:

(1) for the city of Minneapolis, the geographic area in which the city may impose the tax under Laws 1986, chapter 396, section 4, as amended by Laws 1986, chapter 400, section 44; and

(2) for the city of St. Paul, taxing wards numbers 3 and 4.

(d) "Purchase agreement" includes an option agreement to acquire a leasehold interest that includes an option to purchase.

(e) "Transit zone tax capacity" means the reduction in net tax capacity of transit zone property in the downtown taxing district that result from the reduced class rate under the provisions of Minnesota Statutes, section 273.13, subdivision 24, paragraph (c), or a successor provision. Transit zone tax capacity is determined without regard to captured or original net tax capacity under Minnesota Statutes, section 469.177, or to the distribution or contribution value under Minnesota Statutes, section 473F.08.

Subd. 2. EXEMPTION. The tax under this section does not apply to:

(1) property for which a building permit was issued before December 31, 1998; or

(2) property for which a building permit was issued before June 30, 2001, if:

(i) at least 50 percent of the land on which the structure is to be built has been acquired or is the subject of signed purchase agreements or signed options as of March 15, 1998, by the entity that proposes construction of the project or an affiliate of the entity;

(ii) signed agreements have been entered into with one entity or with affiliated entities to lease for the account of the entity or affiliated entities at least 50 percent of the square footage of the structure or the owner of the structure will occupy at least 50 percent of the square footage of the structure; and

(iii)(A) the project proposer has submitted the completed data portions of an environmental assessment worksheet by December 31, 1998, or (B) a notice of determination of adequacy of an environmental impact statement has been published by April 1, 1999, or (C) an alternative urban areawide review has been completed by April 1, 1999; or

(3) property for which a building permit is issued before July 30, 1999, if:

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(i) at least 50 percent of the land on which the structure is to be built has been acquired or is the subject of signed purchase agreements as of March 31, 1998, by the entity that proposes construction of the project or an affiliate of the entity;

(ii) a signed agreement has been entered into between the building developer and a tenant to lease for its own account at least 200,000 square feet of space in the building;

(iii) a signed letter of intent is entered into by July 1, 1998, between the building developer and the tenant to lease the space for its own account; and

(iv) the environmental review process required by state law was commenced by December 31, 1998; or

(4)(i) property a portion of the land on which the structure is to be built is the subject of condemnation proceedings as of March 15, 1998; and

(ii) signed agreements have been entered into with one entity or with affiliated entities to lease for the account of the entity or affiliated entities at least 50 percent of the square footage of the structure or the owner of the structure will occupy at least 50 percent of the square footage of the structure.

Subd. 3. AUTHORITY TO IMPOSE. (a) The city may, by ordinance, impose a tax on transit zone tax capacity within the downtown taxing district.

(b) The rate of the tax equals the sum of the ad valorem property tax rates imposed by the county, city, school district, and special taxing districts in the city that apply for the taxable year.

(c) The tax equals the rate multiplied by the transit zone tax capacity.

(d) The tax imposed is not included in the calculation of levies or levy limits.

Subd. 4. COLLECTION AND ADMINISTRATION. Any tax imposed under this section is payable at the same time and in the same manner and must be collected and imposed as provided by general law for ad valorem taxes. Any tax not paid by the due date is subject to the same penalty and interest as ad valorem taxes not paid by the due date.

Subd. 5. USE OF REVENUES. The revenues from the tax imposed under this section must be deposited in a separate account on the city's books and records. Money in the account may only be used in the downtown taxing district to provide transit services or transit related projects that directly increase the feasibility of existing or proposed transit system services or improvements.

Subd. 6. EFFECTIVE DATE. This section is effective the day following final enactment and applies to the cities of Minneapolis and St. Paul under the provisions of Minnesota Statutes, section 645.023.

Sec. 46. APPLICATION.

Sections 23 and 24 apply in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 47. REPEALER.

Minnesota Statutes 1996, section 365A.09, is repealed.

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Sec. 48. EFFECTIVE DATE.

Section 1, clause (30), is effective for the 1998 assessment for taxes payable in 1999 through assessment year 2004, taxes payable in 2005, and section 1, clause (31), is effective beginning with the 1998 assessment payable 1999 and thereafter, except that for the 1998 assessment, the filing requirement under Minnesota Statutes, section 272.025, subdivision 3, for both clauses (30) and (31) shall be 60 days after enactment of this act. Sections 2, 29, and 43 are effective the day following final enactment. Sections 3 to 5 and 8 are effective for the 1998 assessment, taxes payable in 1999 and thereafter. Sections 6 and 7 are effective for real estate sales and transfers occurring on or after July 1, 1998. Sections 9, 18, paragraph (c), and 19 to 21 are effective beginning for property taxes assessed in 1998 and payable in 1999. Section 10 is effective for aids payable in 1999, 2000, and 2001. Section 12 is effective beginning with notices prepared in 1998 for taxes payable in 1999. Section 13 is effective for public hearings held in 1998 and thereafter. Sections 14, 23, 24, and 46 are effective for taxes payable in 1999 and thereafter. Section 15 is effective for mortgages recorded or registered on or after July 1, 1998. Section 25 confirms the original intent of the legislature in enacting the abatement law and is effective retroactively to the same time Minnesota Statutes, sections 469.1813 to 469.1815, became effective. Section 26 is effective for payments to counties after June 30, 1998. Sections 27 and 28 are effective upon compliance by the governing body of the city of St. Paul with Minnesota Statutes, section 645.021, subdivision 3. Sections 30 and 31 are effective the day after the chief clerical officer of Anoka county complies with Minnesota Statutes, section 645.021, subdivision 3. Sections 32 and 33 are effective for taxes levied in 1997, payable in 1998, and thereafter. Section 34 is effective for each of the cities of Brooklyn Center, Richfield, and St. Louis Park upon compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of that city. Sections 38 to 42 are effective beginning with taxes payable in 1998 and ending with taxes payable in 2003. Section 48, subdivision 1, is effective the day following final enactment.

An applicant for class 4d for taxes payable in 1999 may withdraw its application by June 1, 1998, if the provisions added to Minnesota Statutes, section 273.126, subdivision 3, by section 9, would require the applicant to increase the percent of units that must be made available for section 8 tenants.

ARTICLE 4**GENERAL LEVY LIMITS AND STATE AIDS**

Section 1. Minnesota Statutes 1997 Supplement, section 275.70, subdivision 5, is amended to read:

Subd. 5. **SPECIAL LEVIES.** "Special levies" means those portions of ad valorem taxes levied by a local governmental unit for the following purposes or in the following manner:

(1) to pay the costs of the principal and interest on bonded indebtedness or to reimburse for the amount of liquor store revenues used to pay the principal and interest due on municipal liquor store bonds in the year preceding the year for which the levy limit is calculated;

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(2) to pay the costs of principal and interest on certificates of indebtedness issued for any corporate purpose except for the following:

- (i) tax anticipation or aid anticipation certificates of indebtedness;
- (ii) certificates of indebtedness issued under sections 298.28 and 298.282;
- (iii) certificates of indebtedness used to fund current expenses or to pay the costs of extraordinary expenditures that result from a public emergency; or
- (iv) certificates of indebtedness used to fund an insufficiency in tax receipts, or an insufficiency in other revenue sources;

(3) to provide for the bonded indebtedness portion of payments made to another political subdivision of the state of Minnesota;

(4) to fund payments made to the Minnesota state armory building commission under section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds;

(5) for unreimbursed expenses related to flooding that occurred during the first half of calendar year 1997, as allowed by the commissioner of revenue under section 275.74, paragraph (b);

(6) for local units of government located in an area designated by the Federal Emergency Management Agency pursuant to a major disaster declaration issued for Minnesota by President Clinton after April 1, 1997, and before June 11, 1997, for the amount of tax dollars lost due to abatements authorized under section 273.123, subdivision 7, and Laws 1997, chapter 231, article 2, section 64, to the extent that they are related to the major disaster and to the extent that neither the state or federal government reimburses the local government for the amount lost;

(7) property taxes approved by voters which are levied against the referendum market value as provided under section 275.61;

(8) to fund matching requirements needed to qualify for federal or state grants or programs to the extent that either (i) the matching requirement exceeds the matching requirement in calendar year 1997, or (ii) it is a new matching requirement that didn't exist prior to 1998; and

(9) to pay the expenses reasonably and necessarily incurred in preparing for or repairing the effects of natural disaster including the occurrence or threat of widespread or severe damage, injury, or loss of life or property resulting from natural causes, in accordance with standards formulated by the emergency services division of the state department of public safety, as allowed by the commissioner of revenue under section 275.74, paragraph (b);

(10) for the amount of tax revenue lost due to abatements authorized under section 273.123, subdivision 7, for damage related to the tornadoes of March 29, 1998, to the extent that neither the state or federal government provides reimbursement for the amount lost;

(11) pay amounts required to correct an error in the levy certified to the county auditor by a city or county in a levy year, but only to the extent that when added to the preced-

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ing year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.70 to 275.74 in the preceding levy year; and

(12) to pay an abatement under section 469.1815.

Sec. 2. Minnesota Statutes 1997 Supplement, section 275.70, is amended by adding a subdivision to read:

Subd. 6. **MATCHING FUND REQUIREMENTS.** The special levy provided in subdivision 5, clause (8), does not include the increased direct and indirect costs related to general increases in program costs where there is no mandated increase regarding the matching fund requirements. Specifically, but without limitation, the following provisions apply to the special levy authorization in subdivision 5, clause (8): (1) increases in direct or indirect income maintenance administrative costs are not included; (2) increases for social services and social services administration are included, but only to the extent that the minimum local share amount needed to receive community social service aids exceeds the amount levied for social services and social services administration for the taxes payable year 1997; and (3) increases in county costs for Title IV-E Foster Care Services over the amount levied for the taxes payable year 1997 are included to the extent the amount from both years represents the local matching fund requirement for the federal grant.

Sec. 3. Minnesota Statutes 1997 Supplement, section 275.71, subdivision 2, is amended to read:

Subd. 2. **LEVY LIMIT BASE.** (a) The levy limit base for a local governmental unit for taxes levied in 1997 shall be equal to the sum of:

(1) the amount the local governmental unit levied in 1996, less any amount levied for debt, as reported to the department of revenue under section 275.62, subdivision 1, clause (1), and less any tax levied in 1996 against market value as provided for in section 275.61;

(2) the amount of aids the local governmental unit was certified to receive in calendar year 1997 under sections 477A.011 to 477A.03 before any reductions for state tax increment financing aid under section 273.1399, subdivision 5;

(3) the amount of homestead and agricultural credit aid the local governmental unit was certified to receive under section 273.1398 in calendar year 1997 before any reductions for tax increment financing aid under section 273.1399, subdivision 5;

(4) the amount of local performance aid the local governmental unit was certified to receive in calendar year 1997 under section 477A.05; and

(5) the amount of any payments certified to the local government unit in 1997 under sections 298.28 and 298.282.

If a governmental unit was not required to report under section 275.62 for taxes levied in 1997, the commissioner shall request information on levies used for debt from the local governmental unit and adjust its levy limit base accordingly.

(b) The levy limit base for a local governmental unit for taxes levied in 1998 is limited equal to its adjusted levy limit base in the previous year, subject to any adjustments

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under section 275.72 and multiplied by the increase that would have occurred under subdivision 3, clause (3), if that clause had been in effect for taxes levied in 1997.

Sec. 4. Minnesota Statutes 1997 Supplement, section 275.71, subdivision 3, is amended to read:

Subd. 3. **ADJUSTED LEVY LIMIT BASE.** For taxes levied in 1997 and 1998, the adjusted levy limit is equal to the levy limit base computed under subdivision 2 or section 275.72, multiplied by:

(1) one plus a percentage equal to the percentage growth in the implicit price deflator; and

(2) for all cities and for counties outside of the seven-county metropolitan area, one plus a percentage equal to the percentage increase in number of households, if any, for the most recent 12-month period for which data is available; and

(3) for counties located in the seven-county metropolitan area, one plus a percentage equal to the greater of the percentage increase in the number of households in the county or the percentage increase in the number of households in the entire seven-county metropolitan area for the most recent 12-month period for which data is available; and

(3) one plus a percentage equal to the percentage increase in the taxable market value of the jurisdiction due to new construction of class 3 and class 5 property, as defined in section 273.13, subdivisions 24 and 31, for the most recent year for which data are available.

Sec. 5. Minnesota Statutes 1997 Supplement, section 275.71, subdivision 4, is amended to read:

Subd. 4. **PROPERTY TAX LEVY LIMIT.** For taxes levied in 1997 and 1998, the property tax levy limit for a local governmental unit is equal to its adjusted levy limit base determined under subdivision 3 plus any additional levy authorized under section 275.73, which is levied against net tax capacity, reduced by the sum of (1) the total amount of aids that the local governmental unit is certified to receive under sections 477A.011 to 477A.014, (2) homestead and agricultural aids it is certified to receive under section 273.1398, (3) local performance aid it is certified to receive under section 477A.05, and (4) taconite aids under sections 298.28 and 298.282 including any aid which was required to be placed in a special fund for expenditure in the next succeeding year, (5) flood loss aid under section 273.1383, and (6) low-income housing aid under sections 477A.06 and 477A.065.

Sec. 6. Minnesota Statutes 1997 Supplement, section 275.72, is amended by adding a subdivision to read:

Subd. 2a. **ADJUSTMENTS FOR CHANGES IN SERVICE LEVELS.** If a local governmental unit, as a result of an annexation agreement prior to January 1, 1997, has different tax rates in various parts of the jurisdiction due to different service levels, it may petition the commissioner of revenue to adjust its levy limits established under section 275.71. The commissioner shall adjust the levy limits to reflect scheduled changes in tax rates related to increasing service levels in areas currently receiving less city services. The local governmental unit shall provide the commissioner with any information the commissioner deems necessary in making the levy limit adjustment.

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Sec. 7. Minnesota Statutes 1997 Supplement, section 477A.011, subdivision 36, is amended to read:

Subd. 36. **CITY AID BASE.** (a) Except as provided in paragraphs (b), (c), and (d), "city aid base" means, for each city, the sum of the local government aid and equalization aid it was originally certified to receive in calendar year 1993 under Minnesota Statutes 1992, section 477A.013, subdivisions 3 and 5, and the amount of disparity reduction aid it received in calendar year 1993 under Minnesota Statutes 1992, section 273.1398, subdivision 3.

(b) For aids payable in 1996 and thereafter, a city that in 1992 or 1993 transferred an amount from governmental funds to its sewer and water fund, which amount exceeded its net levy for taxes payable in the year in which the transfer occurred, has a "city aid base" equal to the sum of (i) its city aid base, as calculated under paragraph (a), and (ii) one-half of the difference between its city aid distribution under section 477A.013, subdivision 9, for aids payable in 1995 and its city aid base for aids payable in 1995.

(c) The city aid base for any city with a population less than 500 is increased by \$40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$40,000 for aids payable in calendar year 1995 only, provided that:

- (i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;
- (ii) the city portion of the tax capacity rate exceeds 100 percent; and
- (iii) its city aid base is less than \$60 per capita.

(d) The city aid base for a city is increased by \$20,000 in 1998 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$20,000 in calendar year 1998 only, provided that:

- (i) the city has a population in 1994 of 2,500 or more;
- (ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;
- (iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than \$400 per capita; and

(iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

(e) The city aid base for a city is increased by \$200,000 in 1999 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 1999 only, provided that:

- (i) the city was incorporated as a statutory city after December 1, 1993;
- (ii) its city aid base does not exceed \$5,600; and
- (iii) the city had a population in 1996 of 5,000 or more.

(f) The city aid base for a city is increased by \$450,000 in 1999 to 2008 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$450,000 in calendar year 1999 only, provided that:

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(i) the city had a population in 1996 of at least 50,000;
(ii) its population had increased by at least 40 percent in the ten-year period ending in 1996; and

(iii) its city's net tax capacity for aids payable in 1998 is less than \$700 per capita.

(g) Beginning in 2002, the city aid base for a city is equal to the sum of its city aid base in 2001 and the amount of additional aid it was certified to receive under section 477A.06 in 2001. For 2002 only, the maximum amount of total aid a city may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by the amount it was certified to receive under section 477A.06 in 2001.

Sec. 8. Minnesota Statutes 1996, section 477A.03, subdivision 2, is amended to read:

Subd. 2. **ANNUAL APPROPRIATION.** (a) A sum sufficient to discharge the duties imposed by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the commissioner of revenue. For aids payable in 1996 and thereafter, the total aids paid under sections 477A.013, subdivision 9, and 477A.0122 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

(b) Aid payments to counties under section 477A.0121 are limited to \$20,265,000 in 1996. Aid payments to counties under section 477A.0121 are limited to \$27,571,625 in 1997. For aid payable in 1998 and thereafter, the total aids paid under section 477A.0121 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

(c)(i) For aids payable in 1998 and thereafter, the total aids paid to counties under section 477A.0122 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

(ii) Aid payments to counties under section 477A.0122 in 2000 are further increased by an additional \$30,000,000 in 2000.

(d) Aid payments to cities in 1999 under section 477A.013, subdivision 9, are limited to \$380,565,489. For aids payable in 2000 and 2001, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3. For aids payable in 2002, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3, and increased by the amount certified to be paid in 2001 under section 477A.06. For aids payable in 2003 and thereafter, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3. The additional amount authorized under subdivision 4 is not included when calculating the appropriation limits under this paragraph.

Sec. 9. Minnesota Statutes 1996, section 477A.03, is amended by adding a subdivision to read:

Subd. 4. **ADDITIONAL MONEY FOR CITY AID.** For the calendar years 1999 to 2008, the limit on the annual appropriation for aids paid under section 477A.013, subdivision 9, as determined in subdivision 2, paragraph (d), is increased by \$450,000.

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Sec. 10. [477A.06] EXISTING LOW-INCOME HOUSING AID.

Subdivision 1. ELIGIBILITY. (a) For assessment years 1998, 1999, and 2000, for all class 4d property on which construction was begun before January 1, 1999, the assessor shall determine the difference between the actual net tax capacity and the net tax capacity that would be determined for the property if the class rates for assessment year 1997 were in effect.

(b) In calendar years 1999, 2000, and 2001, each city shall be eligible for aid equal to (i) the amount by which the sum of the differences determined in clause (a) for the corresponding assessment year exceeds 2.5 percent of the city's total taxable net tax capacity for taxes payable in 1998, multiplied by (ii) the city government's average local tax rate for taxes payable in 1998.

Subd. 2. CERTIFICATION. The county assessor shall notify the commissioner of revenue of the amount determined under subdivision 1, paragraph (b), clause (i), for any city which qualifies for aid under this section by June 30 of the assessment year, in a form prescribed by the commissioner. The commissioner shall notify each city of its qualifying aid amount by August 15 of the assessment year.

Subd. 3. APPROPRIATION; PAYMENT. (a) The commissioner shall pay each city its qualifying aid amount on or before July 20 of each year. An amount sufficient to pay the aid authorized under this section is appropriated to the commissioner of revenue from the property tax reform account in fiscal years 2000 and 2001, and from the general fund in fiscal year 2002.

(b) For fiscal years 2001 and 2002, the amount of aid appropriated under this section may not exceed \$1,500,000 each year.

(c) If the total amount of aid that would otherwise be payable under the formula in this section exceeds the maximum allowed under paragraph (b), the amount of aid for each city is reduced proportionately to equal the limit.

Sec. 11. [477A.065] NEW CONSTRUCTION LOW-INCOME HOUSING AID.

Subdivision 1. ELIGIBILITY. Each taxes payable year, each city containing class 4d property on which initial construction was begun after January 1, 1999, shall be eligible for aid equal to (1) 1.5 times the net tax capacity of the property for the assessment year corresponding to the taxes payable year, multiplied by (2) the city government's average local tax rate for the previous taxes payable year.

Subd. 2. CERTIFICATION. The county assessor shall notify the commissioner of revenue of the amount determined under subdivision 1, clause (1), for any city which qualifies for aid under this section by June 30 of each assessment year, in a form prescribed by the commissioner. The commissioner shall notify each city of its qualifying aid amount by August 15 of the assessment year.

Subd. 3. APPROPRIATION; PAYMENT. The commissioner shall pay each city its qualifying aid amount on or before July 20 of each year. An amount sufficient to pay the aid authorized under this section is appropriated to the commissioner of revenue from the general fund each year.

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Sec. 12. CITY OF COON RAPIDS; ADJUSTMENT IN 1999 AID PAYMENTS.

Notwithstanding Minnesota Statutes, section 477A.015, the July 20, 1999, aid payment to the city of Coon Rapids for aid under section 477A.013, subdivision 9, shall equal the entire amount of its city aid base increase in 1999 under section 477A.011, subdivision 36, plus one-half of the remaining amount of its aid under section 477A.013, subdivision 9. The remainder of its 1999 aid under section 477A.013, subdivision 9, shall be paid on or before December 26, 1999.

Sec. 13. TEMPORARY LOCAL GOVERNMENT AID INCREASES.

For payments in calendar year 1998 only, the city of East Grand Forks shall receive an additional payment of \$9,200,000 and the city of Warren shall receive an additional payment of \$800,000 under the provisions of Minnesota Statutes, sections 477A.011 to 477A.014. For payments in calendar year 1999 only, the city of East Grand Forks shall receive an additional aid payment of \$4,600,000 and the city of Warren shall receive an additional payment of \$400,000 under the provisions of Minnesota Statutes, sections 477A.011 to 477A.014. The amounts of these payments shall not be included in the calculation of any other aids provided under Minnesota Statutes, chapter 477A, or other law, or in any limitations on levies or expenditures.

\$10,000,000 is appropriated in fiscal year 1999 and \$5,000,000 is appropriated in fiscal year 2000 to the commissioner of revenue from the general fund to make the payments under this section.

Sec. 14. CITY OF RED WING; LEVY LIMITS.

Subdivision 1. LEVY LIMIT BASE INCREASE. The levy limit base of the city of Red Wing for taxes levied in 1998 under Minnesota Statutes, section 275.71, subdivision 2, paragraph (b), is increased by \$477,677.

Subd. 2. EFFECTIVE DATE. Upon compliance by the governing body of the city of Red Wing with Minnesota Statutes, section 645.021, subdivision 3, subdivision 1 is effective for taxes levied in 1998, payable in 1999.

Sec. 15. WAITE PARK; LEVY LIMIT ADJUSTMENT.

Subdivision 1. ADJUSTED LEVY LIMIT BASE. For taxes levied in 1998 only, the adjusted levy limit base defined in Minnesota Statutes, section 275.71, subdivision 3, for the city of Waite Park, is increased by \$117,000.

Subd. 2. EFFECTIVE DATE. Upon compliance by the governing body of the city of Waite Park with Minnesota Statutes, section 645.021, subdivision 3, subdivision 1 is effective for taxes levied in 1998, payable in 1999.

Sec. 16. CITY OF COON RAPIDS; LEVY LIMITS.

Subdivision 1. LEVY LIMIT BASE INCREASE. For taxes levied in 1998 only, the adjusted levy limit base defined in Minnesota Statutes, section 275.71, subdivision 3, for the city of Coon Rapids, is increased by \$450,000.

Subd. 2. EFFECTIVE DATE. Upon compliance by the governing body of the city of Coon Rapids with Minnesota Statutes, section 645.021, subdivision 3, subdivision 1 is effective for taxes levied in 1998, payable in 1999.

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Sec. 17. **CITY OF ST. PETER; LEVY LIMIT EXEMPTION.**

For taxes levied in 1998, payable in 1999, the city of St. Peter is exempt from the levy limits imposed under Minnesota Statutes, sections 275.71 to 275.74. This section is effective the day after compliance by the governing body of the city of St. Peter with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 18. **EFFECTIVE DATES.**

Sections 1, 3 to 6, 14, and 15 are effective for taxes levied in 1998, payable in 1999. Section 2 is effective for taxes levied in 1997 and 1998, payable in 1998 and 1999. Sections 7 and 8 are effective for aids payable in 1999 and thereafter. Section 9 is effective for aids payable in 1999 to 2008. Section 10 is effective for aids payable in 1999 to 2001. Section 11 is effective for aids payable in 2001 and thereafter. Section 12 is effective for aids payable in 1999 only. Section 13 is effective for aids payable in 1998 and 1999 only.

ARTICLE 5

SENIOR CITIZEN'S PROPERTY TAX DEFERRAL

Section 1. Minnesota Statutes 1997 Supplement, section 276.04, subdivision 2, is amended to read:

Subd. 2. **CONTENTS OF TAX STATEMENTS.** (a) The treasurer shall provide for the printing of the tax statements. The commissioner of revenue shall prescribe the form of the property tax statement and its contents. The statement must contain a tabulated statement of the dollar amount due to each taxing authority and the amount of the state determined school tax from the parcel of real property for which a particular tax statement is prepared. The dollar amounts attributable to the county, the state determined school tax, the voter approved school tax, the other local school tax, the township or municipality, and the total of the metropolitan special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated. The amounts due all other special taxing districts, if any, may be aggregated. The amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement. The statement shall include the following sentences, printed in upper case letters in boldface print: "EVEN THOUGH THE STATE OF MINNESOTA DOES NOT RECEIVE ANY PROPERTY TAX REVENUES, IT SETS THE AMOUNT OF THE STATE-DETERMINED SCHOOL TAX LEVY. THE STATE OF MINNESOTA REDUCES YOUR PROPERTY TAX BY PAYING CREDITS AND REIMBURSEMENTS TO LOCAL UNITS OF GOVERNMENT."

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

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

- (1) the property's estimated market value under section 273.11, subdivision 1;
- (2) the property's taxable market value after reductions under section 273.11, subdivisions 1a and 16;
- (3) the property's gross tax, calculated by adding the property's total property tax to the sum of the aids enumerated in clause (4);
- (4) a total of the following aids:
 - (i) education aids payable under chapters 124 and 124A;
 - (ii) local government aids for cities, towns, and counties under chapter 477A;
 - (iii) disparity reduction aid under section 273.1398; and
 - (iv) homestead and agricultural credit aid under section 273.1398;
- (5) for homestead residential and agricultural properties, the education homestead credit under section 273.1382;
- (6) any credits received under sections 273.119; 273.123; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief"; and
- (7) ~~any deferred property tax amount under the senior citizens' property tax deferral program under chapter 290B, as well as the total deferred amount plus accrued interest; and~~
- (8) the net tax payable in the manner required in paragraph (a).

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

The commissioner of revenue shall certify to the county auditor the actual or estimated aids enumerated in clause (4) that local governments will receive in the following year. The commissioner must certify this amount by January 1 of each year.

Sec. 2. Minnesota Statutes 1996, section 290A.14, is amended to read:

290A.14 PROPERTY TAX STATEMENT.

The county treasurer shall prepare and send a sufficient number of copies of the property tax statement to the owner, and to the owner's escrow agent if the taxes are paid

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via an escrow account, to enable the owner to comply with the filing requirements of this chapter and to retain one copy as a record. The property tax statement, in a form prescribed by the commissioner, shall indicate the manner in which the claimant may claim relief from the state under both this chapter and chapter 290B, and the amount of the tax for which the applicant may claim relief. The statement shall also indicate if there are delinquent property taxes on the property in the preceding year. Taxes included in a confession of judgment under section 279.37 shall not constitute delinquent taxes as long as the claimant is current on the payments required to be made under section 279.37.

Sec. 3. Minnesota Statutes 1997 Supplement, section 290B.03, subdivision 2, is amended to read:

Subd. 2. **QUALIFYING HOMESTEAD; DEFINED.** Qualifying homestead property is defined as the dwelling occupied as the homeowner's principal residence and so much of the land surrounding it, ~~not exceeding one acre~~, as is reasonably necessary for use of the dwelling as a home and any other property used for purposes of a homestead as defined in section 273.13, subdivisions 22 and 23, but not to exceed one acre. The homestead may be part of a multidwelling building and the land on which it is built.

Sec. 4. Minnesota Statutes 1997 Supplement, section 290B.04, subdivision 1, is amended to read:

Subdivision 1. **INITIAL APPLICATION.** (a) A taxpayer meeting the program qualifications under section 290B.03 may apply to the commissioner of revenue for the deferral of taxes. Applications are due on or before July 1 for deferral of any of the following year's property taxes. A taxpayer may apply in the year in which the taxpayer becomes 65 years old, provided that no deferral of property taxes will be made until the calendar year after the taxpayer becomes 65 years old. The application, which shall be prescribed by the commissioner of revenue, shall include the following items and any other information which the commissioner deems necessary:

- (1) the name, address, and social security number of the owner or owners;
- (2) a copy of the property tax statement for the current payable year for the homesteaded property;
- (3) the initial year of ownership and occupancy as a homestead;
- (4) the owner's household income for the previous calendar year; and
- (5) information on any mortgage loans or other amounts secured by mortgages or other liens against the property, for which purpose the commissioner may require the applicant to provide a copy of the mortgage note, the mortgage, or a statement of the balance owing on the mortgage loan provided by the mortgage holder. The commissioner may require the appropriate documents in connection with obtaining and confirming information on unpaid amounts secured by other liens.

The application must state that program participation is voluntary. The application must also state that the deferred amount depends directly on the applicant's household income, and that program participation includes authorization for the annual deferred amount for each year and, the cumulative deferral and interest ~~to~~ that appear on each year's property tax statement as notice prepared by the county under section 290B.04, subdivision 6, is public data.

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The application must state that program participants may claim the property tax refund based on the full amount of property taxes eligible for the refund, including any deferred amounts. The application must also state that property tax refunds will be used to offset any deferral and interest under this program, and that any other amounts subject to revenue recapture under section 270A.03, subdivision 7, will also be used to offset any deferral and interest under this program.

(b) As part of the initial application process, the commissioner may require the applicant to obtain at the applicant's own cost and submit:

(1) if the property is registered property under chapter 508 or 508A, a copy of the original certificate of title in the possession of the county registrar of titles (sometimes referred to as "condition of register"), or

(2) if the property is abstract property, a report prepared by a licensed abstracter showing the last deed and any unsatisfied mortgages, liens, judgments, and state and federal tax lien notices which were recorded on or after the date of that last deed with respect to the property or to the applicant.

The certificate or report under clauses (1) and (2) need not include references to any documents filed or recorded more than 40 years prior to the date of the certification or report. The certification or report must be as of a date not more than 30 days prior to submission of the application.

The commissioner may also require the county recorder or county registrar of the county where the property is located to provide copies of recorded documents related to the applicant or the property, for which the recorder or registrar shall not charge a fee. The commissioner may use any information available to determine or verify eligibility under this section.

Sec. 5. Minnesota Statutes 1997 Supplement, section 290B.04, subdivision 3, is amended to read:

Subd. 3. ANNUAL EXCESS-INCOME CERTIFICATION BY TAXPAYER. Annually on or before July 1, A taxpayer whose initial application has been approved under subdivision 2, shall complete the certification form and return it to notify the commissioner of revenue in writing by July 1 if the taxpayer's household income for the preceding calendar year exceeded \$30,000. The certification must state whether or not the taxpayer wishes to have property taxes deferred for the following year provided the taxes exceed the maximum property tax amount under section 290B.05. If the taxpayer does wish to have property taxes deferred, the certification must state the homeowner's total household income for the previous calendar year and any other information which the commissioner deems necessary. No property taxes may be deferred under chapter 290B in any year following the year in which a program participant filed or should have filed an excess-income certification under this subdivision, unless the participant has filed a resumption of eligibility certification as described in subdivision 4.

Sec. 6. Minnesota Statutes 1997 Supplement, section 290B.04, is amended by adding a subdivision to read:

Subd. 4. RESUMPTION OF ELIGIBILITY CERTIFICATION BY TAXPAYER. A taxpayer who has previously filed an excess-income certification under subdivision 3 may resume program participation if the taxpayer's household income for a subse-

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quent year is \$30,000 or less. If the taxpayer chooses to resume program participation, the taxpayer must notify the commissioner of revenue in writing by July 1 of the year following a calendar year in which the taxpayer's household income is \$30,000 or less. The certification must state the taxpayer's total household income for the previous calendar year. Once a taxpayer resumes participation in the program under this subdivision, participation will continue until the taxpayer files a subsequent excess-income certification under subdivision 3 or until participation is terminated under section 290B.08, subdivision 1.

Sec. 7. Minnesota Statutes 1997 Supplement, section 290B.04, is amended by adding a subdivision to read:

Subd. 5. PENALTY FOR FAILURE TO FILE EXCESS-INCOME CERTIFICATION; INVESTIGATIONS. (a) The commissioner shall assess a penalty equal to 20 percent of the property taxes improperly deferred in the case of a false application, a false certification, or in the case of a required excess-income certification which was not filed as of the applicable due date. The commissioner shall assess a penalty equal to 50 percent of the property taxes improperly deferred if the taxpayer knowingly filed a false application or certification, or knowingly failed to file a required excess-income certification by the applicable due date. The commissioner shall assess penalties under this section through the issuance of an order under the provisions of chapter 289A. Persons affected by a commissioner's order issued under this section may appeal as provided in chapter 289A.

(b) The commissioner may conduct investigations related to initial applications and excess-income certifications required under this chapter within the period ending 3-1/2 years from the due date of the application or certification.

Sec. 8. Minnesota Statutes 1997 Supplement, section 290B.04, is amended by adding a subdivision to read:

Subd. 6. ANNUAL NOTICE TO PARTICIPANT. Annually, on or before July 1, the county auditor shall notify, in writing, each participant in the county who is in the senior citizen's deferral program of the current year's deferred taxes and the total cumulative deferred taxes and accrued interest on the participant's property as of that date.

Sec. 9. Minnesota Statutes 1997 Supplement, section 290B.05, subdivision 1, is amended to read:

Subdivision 1. DETERMINATION BY COMMISSIONER. The commissioner shall determine each qualifying homeowner's "annual maximum property tax amount" following approval of the homeowner's initial application and following the receipt of a resumption of eligibility certification. The "annual maximum property tax amount" equals five percent of the homeowner's total household income for the year preceding either the initial application or the resumption of eligibility certification, whichever is applicable. Following approval of the initial application, the commissioner shall annually determine the qualifying homeowner's "maximum property tax amount" and "maximum allowable deferral." The maximum property tax amount calculated for taxes payable in the following year is equal to five percent of the homeowner's total household income for the previous calendar year. No tax may be deferred relative to the appropriate assessment year for any homeowner whose total household income for the previous year exceeds \$30,000. No tax shall be deferred in any year in which the homeowner does not meet the program qualifications in section 290B.03. The maximum allowable total deferral is

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equal to 75 percent of the assessor's estimated market value for the year, less (1) the balance of any mortgage loans and other amounts secured by liens against the property at the time of application, including any unpaid special assessments but not including property taxes payable during the year; and (2) any outstanding deferral and interest.

Sec. 10. Minnesota Statutes 1997 Supplement, section 290B.05, subdivision 2, is amended to read:

Subd. 2. CERTIFICATION BY COMMISSIONER. On or before December 1 of the year of initial application, the commissioner shall certify to the county auditor of the county in which the qualifying homestead is located (1) the annual maximum property tax amount; and (2) the maximum allowable deferral for the year; and (3) the cumulative deferral and interest for all years preceding the next taxes payable year. On or before December 1 of any year in which a homeowner files a resumption of eligibility certification, the commissioner shall certify to the county auditor the new annual maximum property tax amount to be used in calculating the deferral for subsequent years.

Sec. 11. Minnesota Statutes 1997 Supplement, section 290B.05, subdivision 4, is amended to read:

Subd. 4. LIMITATION ON TOTAL AMOUNT OF DEFERRED TAXES. ~~On or before September 1 of each year, the commissioner shall request, and each county or city assessor shall provide, the current year's estimated market value of each property on the list supplied by the commissioner that may be eligible for deferral under this section for taxes payable in the following year. The total amount of deferred taxes and interest on a property, when added to (1) the balance owing on any mortgages on the property at the time of initial application; and (2) other amounts secured by liens on the property at the time of the initial application, may not exceed 75 percent of the assessor's current estimated market value of the property.~~

Sec. 12. Minnesota Statutes 1997 Supplement, section 290B.06, is amended to read:

290B.06 PROPERTY TAX REFUNDS; OFFSET.

For purposes of qualifying for the regular property tax refund or the special refund for homeowners under chapter 290A, the qualifying tax is the full amount of taxes, including the deferred portion of the tax. In any year in which a program participant chooses to have property taxes deferred under this section, any ~~regular or special property tax refund awarded based upon those property taxes as defined in section 270A.03, subdivision 7,~~ must be taken first as a deduction from the amount of the deferred tax for that year, and second as a deduction against any outstanding deferral from previous years, rather than as a cash payment to the homeowner. The commissioner shall cancel any current year's deferral or previous years' deferral and interest that is offset by the ~~property tax refunds.~~ If the total of the regular and the special ~~property tax refund amounts exceeds the sum of the deferred tax for the current year and cumulative deferred tax and interest for previous years,~~ the commissioner shall then remit the excess amount to the homeowner. On or before the date on which the commissioner issues property tax refunds, the commissioner shall notify program participants of any reduction in the deferred amount for the current and previous years resulting from ~~property tax refunds.~~

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Sec. 13. Minnesota Statutes 1997 Supplement, section 290B.07, is amended to read:

290B.07 LIEN; DEFERRED PORTION.

(a) Payment by the state to the county treasurer of taxes deferred under this section is deemed a loan from the state to the program participant. The commissioner must compute the interest as provided in section 270.75, subdivision 5, but not to exceed five percent, and maintain records of the total deferred amount and interest for each participant. Interest shall accrue beginning September 1 of the payable year for which the taxes are deferred. Any deferral made under this chapter shall not be construed as delinquent property taxes.

The lien created under section 272.31 continues to secure payment by the taxpayer, or by the taxpayer's successors or assigns, of the amount deferred, including interest, with respect to all years for which amounts are deferred. The lien for deferred taxes and interest has the same priority as any other lien under section 272.31, except that liens, including mortgages, recorded or filed prior to the recording or filing of the notice under section 290B.04, subdivision 2, have priority over the lien for deferred taxes and interest. A seller's interest in a contract for deed, in which a qualifying homeowner is the purchaser or an assignee of the purchaser, has priority over deferred taxes and interest on deferred taxes, regardless of whether the contract for deed is recorded or filed. The lien for deferred taxes and interest for future years has the same priority as the lien for deferred taxes and interest for the first year, which is always higher in priority than any mortgages or other liens filed, recorded, or created after the notice recorded or filed under section 290B.04, subdivision 2. The county treasurer or auditor shall maintain records of the deferred portion and shall list the amount of deferred taxes for the year and the cumulative deferral and interest for all previous years as a lien against the property on the property tax statement. In any certification of unpaid taxes for a tax parcel, the county auditor shall clearly distinguish between taxes payable in the current year, deferred taxes and interest, and delinquent taxes. Payment of the deferred portion becomes due and owing at the time specified in section 290B.08. Upon receipt of the payment, the commissioner shall issue a receipt for it to the person making the payment upon request and shall notify the auditor of the county in which the parcel is located, within ten days, identifying the parcel to which the payment applies. Upon receipt by the commissioner of revenue of collected funds in the amount of the deferral, the state's loan to the program participant is deemed paid in full.

(b) If property for which taxes have been deferred under this chapter forfeits under chapter 281 for nonpayment of a nondeferred property tax amount, or because of nonpayment of amounts previously deferred following a termination under section 290B.08, the lien for the taxes deferred under this chapter, plus interest and costs, shall be canceled by the county auditor as provided in section 282.07. However, notwithstanding any other law to the contrary, any proceeds from a subsequent sale of the property under chapter 282 or another law, must be used to first reimburse the county's forfeited tax sale fund for any direct costs of selling the property or any costs directly related to preparing the property for sale, and then to reimburse the state for the amount of the canceled lien. Within 90 days of the receipt of any sale proceed to which the state is entitled under these provisions, the county auditor must pay those funds to the commissioner of revenue by warrant for deposit in the general fund. No other deposit, use, distribution, or release of gross sale

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proceeds or receipts may be made by the county until payments sufficient to fully reimburse the state for the canceled lien amount have been transmitted to the commissioner.

Sec. 14. Minnesota Statutes 1997 Supplement, section 290B.08, subdivision 2, is amended to read:

Subd. 2. **PAYMENT UPON TERMINATION.** Upon the termination of the deferral under subdivision 1, the amount of deferred taxes and interest plus the recording or filing fees under both section 290B.04, subdivision 2, and this subdivision becomes due and payable to the commissioner within 90 days of termination of the deferral for terminations under subdivision 1, paragraph (a), clauses (1) and (2), and within one year of termination of the deferral for terminations under subdivision 1, paragraph (a), clauses (3) and (4). No additional interest is due on the deferral if timely paid. On receipt of payment, the commissioner shall within ten days notify the auditor of the county in which the parcel is located, identifying the parcel to which the payment applies and shall remit the recording or filing fees under section 290B.04, subdivision 2, and this subdivision to the auditor. A notice of termination of deferral, containing the legal description and the recording or filing data for the notice of qualification for deferral under section 290B.04, subdivision 2, shall be prepared and recorded or filed by the county auditor in the same office in which the notice of qualification for deferral under section 290B.04, subdivision 2, was recorded or filed, and the county auditor shall mail a copy of the notice of termination to the property owner. The property owner shall pay the recording or filing fees. Upon recording or filing of the notice of termination of deferral, the notice of qualification for deferral under section 290B.04, subdivision 2, and the lien created by it are discharged. If the deferral is not timely paid, the penalty, interest, lien, forfeiture, and other rules for the collection of ad valorem property taxes apply.

Sec. 15. Minnesota Statutes 1997 Supplement, section 290B.09, subdivision 1, is amended to read:

Subdivision 1. **DETERMINATION; PAYMENT.** The commissioner of revenue county auditor shall determine the total current year's deferred amount of property tax under this chapter in each the county, basing determinations on a review of and submit those amounts as part of the abstracts of tax lists submitted by the county auditors under section 275.29. The commissioner may make changes in the abstracts of tax lists as deemed necessary. The commissioner of revenue, after such review, shall pay the deferred amount of property tax to each county treasurer on or before August 31.

~~At least once each year, the commissioner shall report to the county auditor the total cumulative amount of deferred taxes and interest that constitute a lien against the property.~~

The county treasurer shall distribute as part of the October settlement the funds received as if they had been collected as a part of the property tax.

Sec. 16. **[290B.10] SENIOR DEFERRAL PROGRAM; INFORMATION PROVIDED.**

The commissioner of revenue shall provide information about the senior deferral program and eligibility criteria for the program in the instruction booklet prepared for taxpayers to use in applying for property tax refunds under chapter 290A.

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Sec. 17. EFFECTIVE DATE.

Sections 1 and 3 to 15 are effective for deferrals of property taxes payable in 1999 and thereafter, except that the July 1 application date for taxes payable in 1999 in section 4 is extended to August 1 for applications filed in 1998 only.

Section 2 is effective for statements prepared in 1998 for taxes payable in 1999 and thereafter. Section 16 is effective for booklets prepared in 1998 for refunds claimed in 1999 and thereafter.

ARTICLE 6**INCOME AND FRANCHISE TAXES**

Section 1. Minnesota Statutes 1997 Supplement, section 289A.19, subdivision 2, is amended to read:

Subd. 2. **CORPORATE FRANCHISE AND MINING COMPANY TAXES.** Corporations or mining companies shall receive an extension of seven months for filing the return of a corporation subject to tax under chapter 290 or for filing the return of a mining company subject to tax under sections 298.01 and 298.015 ~~if~~. Interest on any balance of tax not paid when the regularly required return is due must be paid at the rate specified in section 270.75, from the date such payment should have been made if no extension was granted, until the date of payment of such tax.

If a corporation or mining company does not:

(1) the corporation or mining company pays pay at least 90 percent of the amount of tax shown on the return on or before the regular due date of the return, the penalty prescribed by section 289A.60, subdivision 1, shall be imposed on the unpaid balance of tax;
or

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

(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, the penalty prescribed by section 289A.60, subdivision 1, shall be imposed on the unpaid balance of tax from the original due date of the return.

Sec. 2. Minnesota Statutes 1996, section 290.01, subdivision 3b, is amended to read:

Subd. 3b. **LIMITED LIABILITY COMPANY.** For purposes of this chapter and chapter 289A, a limited liability company that is formed under either the laws of this state or under similar laws of another state, ~~and that is considered to be a partnership will be treated as an entity similar to its treatment for federal income tax purposes, is considered to be a partnership and the members must be considered to be partners.~~

Sec. 3. Minnesota Statutes 1997 Supplement, section 290.01, subdivision 19a, is amended to read:

Subd. 19a. **ADDITIONS TO FEDERAL TAXABLE INCOME.** For individuals, estates, and trusts, there shall be added to federal taxable income:

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(1)(i) interest income on obligations of any state other than Minnesota or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota exempt from federal income taxes under the Internal Revenue Code or any other federal statute, and

(ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, except the portion of the exempt-interest dividends derived from interest income on obligations of the state of Minnesota or its political or governmental subdivisions, municipalities, governmental agencies or instrumentalities, but only if the portion of the exempt-interest dividends from such Minnesota sources paid to all shareholders represents 95 percent or more of the exempt-interest dividends that are paid by the regulated investment company as defined in section 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as defined in section 851(h) of the Internal Revenue Code, making the payment; and

(iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal government described in section 7871(c) of the Internal Revenue Code shall be treated as interest income on obligations of the state in which the tribe is located;

(2) the amount of income taxes paid or accrued within the taxable year under this chapter and income taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income tax is the last itemized deduction disallowed;

(3) the capital gain amount of a lump sum distribution to which the special tax under section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law Number 99-514, applies;

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and income taxes paid to any other state or any province or territory of Canada, to the extent allowed as a deduction in determining federal adjusted gross income. For the purpose of this paragraph, income taxes do not include the taxes imposed by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

(5) the amount of loss or expense included in federal taxable income under section 1366 of the Internal Revenue Code flowing from a corporation that has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code, but which is not allowed to be an "S" corporation under section 290.9725; and

(6) the amount of any distributions in cash or property made to a shareholder during the taxable year by a corporation that has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code, but which is not allowed to be an "S" corporation under section 290.9725 to the extent not already included in federal taxable income under section 1368 of the Internal Revenue Code.;

(7) in the year stock of a corporation that had made a valid election under section 1362 of the Internal Revenue Code but was not an "S" corporation under section 290.9725 is sold or disposed of in a transaction taxable under the Internal Revenue Code,

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the amount of difference between the Minnesota basis of the stock under subdivision 19f, paragraph (m), and the federal basis if the Minnesota basis is lower than the shareholder's federal basis; and

(8) the amount of expense, interest, or taxes disallowed pursuant to section 290.10.

Sec. 4. Minnesota Statutes 1997 Supplement, section 290.01, subdivision 19b, is amended to read:

Subd. 19b. **SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.** For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

(1) interest income on obligations of any authority, commission, or instrumentality of the United States to the extent includable in taxable income for federal income tax purposes but exempt from state income tax under the laws of the United States;

(2) if included in federal taxable income, the amount of any overpayment of income tax to Minnesota or to any other state, for any previous taxable year, whether the amount is received as a refund or as a credit to another taxable year's income tax liability;

(3) the amount paid to others, less the credit allowed under section 290.0674, not to exceed \$1,625 for each dependent in grades kindergarten to 6 and \$2,500 for each dependent in grades 7 to 12, for tuition, textbooks, and transportation of each dependent in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs;

(4) to the extent included in federal taxable income, distributions from a qualified governmental pension plan, an individual retirement account, simplified employee pension, or qualified plan covering a self-employed person that represent a return of contributions that were included in Minnesota gross income in the taxable year for which the contributions were made but were deducted or were not included in the computation of federal adjusted gross income. The distribution shall be allocated first to return of contributions until the contributions included in Minnesota gross income have been exhausted. This subtraction applies only to contributions made in a taxable year prior to 1985;

(5) income as provided under section 290.0802;

(6) the amount of unrecovered accelerated cost recovery system deductions allowed under subdivision 19g;

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(7) to the extent included in federal adjusted gross income, income realized on disposition of property exempt from tax under section 290.491;

(8) to the extent not deducted in determining federal taxable income, the amount paid for health insurance of self-employed individuals as determined under section 162(l) of the Internal Revenue Code, except that the 25 percent limit does not apply. If the taxpayer deducted insurance payments under section 213 of the Internal Revenue Code of 1986, the subtraction under this clause must be reduced by the lesser of:

(i) the total itemized deductions allowed under section 63(d) of the Internal Revenue Code, less state, local, and foreign income taxes deductible under section 164 of the Internal Revenue Code and the standard deduction under section 63(c) of the Internal Revenue Code; or

(ii) the lesser of (A) the amount of insurance qualifying as "medical care" under section 213(d) of the Internal Revenue Code to the extent not deducted under section 162(l) of the Internal Revenue Code or excluded from income or (B) the total amount deductible for medical care under section 213(a);

(9) the exemption amount allowed under Laws 1995, chapter 255, article 3, section 2, subdivision 3;

(10) to the extent included in federal taxable income, postservice benefits for youth community service under section 121.707 for volunteer service under United States Code, title 42, section 5011(d), as amended; and

(11) to the extent not subtracted under clause (1), the amount of income or gain included in federal taxable income under section 1366 of the Internal Revenue Code flowing from a corporation that has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code which is not allowed to be an "S" corporation under section 290.9725;

(12) in the year stock of a corporation that had made a valid election under section 1362 of the Internal Revenue Code but was not an "S" corporation under section 290.9725 is sold or disposed of in a transaction taxable under the Internal Revenue Code, the amount of difference between the Minnesota basis of the stock under subdivision 19f, paragraph (m), and the federal basis if the Minnesota basis is higher than the shareholder's federal basis; and

(13) an amount equal to an individual's, trust's, or estate's net federal income tax liability for the tax year that is attributable to items of income, expense, gain, loss, or credits federally flowing to the taxpayer in the tax year from a corporation, having a valid election in effect for federal tax purposes under section 1362 of the Internal Revenue Code but not treated as a "S" corporation for state tax purposes under section 290.9725.

Sec. 5. Minnesota Statutes 1997 Supplement, section 290.01, subdivision 19f, is amended to read:

Subd. 19f. BASIS MODIFICATIONS AFFECTING GAIN OR LOSS ON DISPOSITION OF PROPERTY. (a) For individuals, estates, and trusts, the basis of property is its adjusted basis for federal income tax purposes except as set forth in paragraphs (f), (g), and (m). For corporations, the basis of property is its adjusted basis for federal income tax purposes, without regard to the time when the property became subject to tax

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under this chapter or to whether out-of-state losses or items of tax preference with respect to the property were not deductible under this chapter, except that the modifications to the basis for federal income tax purposes set forth in paragraphs (b) to (j) are allowed to corporations, and the resulting modifications to federal taxable income must be made in the year in which gain or loss on the sale or other disposition of property is recognized.

(b) The basis of property shall not be reduced to reflect federal investment tax credit.

(c) The basis of property subject to the accelerated cost recovery system under section 168 of the Internal Revenue Code shall be modified to reflect the modifications in depreciation with respect to the property provided for in subdivision 19e. For certified pollution control facilities for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, the basis of the property must be increased by the amount of the amortization deduction not previously allowed under this chapter.

(d) For property acquired before January 1, 1933, the basis for computing a gain is the fair market value of the property as of that date. The basis for determining a loss is the cost of the property to the taxpayer less any depreciation, amortization, or depletion, actually sustained before that date. If the adjusted cost exceeds the fair market value of the property, then the basis is the adjusted cost regardless of whether there is a gain or loss.

(e) The basis is reduced by the allowance for amortization of bond premium if an election to amortize was made pursuant to Minnesota Statutes 1986, section 290.09, subdivision 13, and the allowance could have been deducted by the taxpayer under this chapter during the period of the taxpayer's ownership of the property.

(f) For assets placed in service before January 1, 1987, corporations, partnerships, or individuals engaged in the business of mining ores other than iron ore or taconite concentrates subject to the occupation tax under chapter 298 must use the occupation tax basis of property used in that business.

(g) For assets placed in service before January 1, 1990, corporations, partnerships, or individuals engaged in the business of mining iron ore or taconite concentrates subject to the occupation tax under chapter 298 must use the occupation tax basis of property used in that business.

(h) In applying the provisions of sections 301(c)(3)(B), 312(f) and (g), and 316(a)(1) of the Internal Revenue Code, the dates December 31, 1932, and January 1, 1933, shall be substituted for February 28, 1913, and March 1, 1913, respectively.

(i) In applying the provisions of section 362(a) and (c) of the Internal Revenue Code, the date December 31, 1956, shall be substituted for June 22, 1954.

(j) The basis of property shall be increased by the amount of intangible drilling costs not previously allowed due to differences between this chapter and the Internal Revenue Code.

(k) The adjusted basis of any corporate partner's interest in a partnership is the same as the adjusted basis for federal income tax purposes modified as required to reflect the basis modifications set forth in paragraphs (b) to (j). The adjusted basis of a partnership in which the partner is an individual, estate, or trust is the same as the adjusted basis for federal income tax purposes modified as required to reflect the basis modifications set forth in paragraphs (f) and (g).

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(l) The modifications contained in paragraphs (b) to (j) also apply to the basis of property that is determined by reference to the basis of the same property in the hands of a different taxpayer or by reference to the basis of different property.

(m) If a corporation has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code, but is not allowed to be an "S" corporation under section 290.9725, and the corporation is liquidated or the individual shareholder disposes of the stock and there is no capital loss reflected in federal adjusted gross income because of the fact that corporate losses have exhausted the shareholders' basis for federal purposes, the shareholders shall be entitled to a capital loss commensurate to their Minnesota basis for the stock, the Minnesota basis in the shareholder's stock in the corporation shall be computed as if the corporation were not an "S" corporation for federal tax purposes.

Sec. 6. Minnesota Statutes 1996, section 290.06, subdivision 2c, is amended to read:

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

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

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

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

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

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

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

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

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

(1) The numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code disregarding income or loss flowing from a corporation having a valid election for the taxable year under section 1362 of the Internal Revenue Code but which is not an "S" corporation under section 290.9725 and increased by the addition required for interest income from non-Minnesota state and municipal bonds under section 290.01, subdivision 19a, clause (1), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, as amended through April 15, 1995, increased by the addition required for interest income from non-Minnesota state and municipal bonds under section 290.01, subdivision 19a, clause (1) amounts specified in section 290.01, subdivision 19a, clauses (1), (5), (6), and (7), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), (11), and (12).

Sec. 7. Minnesota Statutes 1997 Supplement, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. **CREDIT ALLOWED.** (a) An individual is allowed a credit against the tax imposed by this chapter equal to a percentage of the credit for which the individual is eligible earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code. The percentage is 15 for individuals without a qualifying child, and 25 for individuals with at least one qualifying child. For purposes of this section, "qualifying child" has the meaning given in section 32(e)(3) of the Internal Revenue Code.

(b) For individuals with no qualifying children, the credit equals 1.1475 percent of the first \$4,460 of earned income. The credit is reduced by 1.1475 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$5,570, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals 6.8 percent of the first \$6,680 of earned income and 8.5 percent of earned income over \$11,650 but less than \$12,990. The credit is reduced by 4.77 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$14,560, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals eight percent of the first \$9,390 of earned income and 20 percent of earned income over \$14,350 but less than \$16,230. The credit is reduced by 8.8 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$17,280, but in no case is the credit less than zero.

(e) For a nonresident or part-year resident, the credit ~~determined under section 32 of the Internal Revenue Code~~ must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(f) For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, the credit must be allocated based on the ratio of federal

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adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income.

Sec. 8. Minnesota Statutes 1996, section 290.0671, is amended by adding a subdivision to read:

Subd. 1a. **DEFINITIONS.** For purposes of this section, the terms "qualifying child," "earned income," and "modified adjusted gross income" have the meanings given in section 32(c) of the Internal Revenue Code.

Sec. 9. Minnesota Statutes 1996, section 290.0671, is amended by adding a subdivision to read:

Subd. 7. **INFLATION ADJUSTMENT.** The earned income amounts used to calculate the credit and the income thresholds at which the maximum credit begins to be reduced in subdivision 1 must be adjusted for inflation. The commissioner shall adjust the earned income and threshold amounts by the percentage determined under section 290.06, subdivision 2d, for the taxable year.

Sec. 10. Minnesota Statutes 1997 Supplement, section 290.0673, subdivision 2, is amended to read:

Subd. 2. **QUALIFIED JOB TRAINING PROGRAM.** (a) To qualify for credits under this section, a job training program must satisfy the following requirements:

(1) It must be operated by a nonprofit corporation that qualifies under section 501(c)(3) of the Internal Revenue Code.

(2) The organization must spend at least \$5,000 per graduate of the program.

(3) The program must provide education and training in:

(i) basic skills, such as reading, writing, mathematics, and communications;

(ii) thinking skills, such as reasoning, creative thinking, decision making, and problem solving; and

(iii) personal qualities, such as responsibility, self-esteem, self-management, honesty, and integrity.

(4) The program must provide income supplements, when needed, to participants for housing, counseling, tuition, and other basic needs.

(5) The education and training course must last for at least six months.

(6) Individuals served by the program must:

(i) be 18 years old or older;

(ii) have had federal adjusted gross income of no more than ~~\$10,000~~ \$15,000 per year in the last two years;

(iii) have assets of no more than ~~\$5,000~~ \$7,000, excluding the value of a homestead; and

(iv) not have been claimed as a dependent on the federal tax return of another person in the previous taxable year.

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(7) The program must charge placement and retention fees that cumulatively exceed the amount of credit certificates provided to the employer by at least 20 percent.

(b) The program must be certified by the commissioner of children, families, and learning as meeting the requirements of this subdivision.

Sec. 11. Minnesota Statutes 1997 Supplement, section 290.0673, subdivision 6, is amended to read:

Subd. 6. ~~NONREFUNDABLE REFUNDABLE~~. The taxpayer must use the tax credit for the taxable year in which the certificate is issued to the employer. If the credit for the taxable year ~~may not exceed~~ exceeds the liability for tax under ~~section 290.06, subdivision 1, chapter 290~~ for the taxable year, ~~before reduction by the nonrefundable credits allowed under this chapter~~ the commissioner shall refund the excess to the taxpayer. An amount sufficient to pay the refunds authorized by this subdivision is appropriated to the commissioner from the general fund.

Sec. 12. Minnesota Statutes 1996, section 290.091, subdivision 2, is amended to read:

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

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

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

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding:

(i) the Minnesota charitable contribution deduction and;

(ii) the medical expense deduction;

(iii) the casualty, theft, and disaster loss deduction; and

(iv) the impairment-related work expenses of a disabled person;

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

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

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

(6) amounts added to federal taxable income as provided by section 290.01, subdivision 19a, clauses (5), (6), and (7);

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less the sum of the amounts determined under the following clauses (1) to ~~(3)~~ (4):

- (1) interest income as defined in section 290.01, subdivision 19b, clause (1);
- (2) an overpayment of state income tax as provided by section 290.01, subdivision 19b, clause (2), to the extent included in federal alternative minimum taxable income; and
- (3) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income; and
- (4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, clauses (11) and (12).

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

- (b) "Investment interest" means investment interest as defined in section 163(d)(3) of the Internal Revenue Code.
- (c) "Tentative minimum tax" equals seven percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.
- (d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter.
- (e) "Net minimum tax" means the minimum tax imposed by this section.
- (f) "Minnesota charitable contribution deduction" means a charitable contribution deduction under section 170 of the Internal Revenue Code to or for the use of an entity described in section 290.21, subdivision 3, clauses (a) to (e). When the federal deduction for charitable contributions is limited under section 170(b) of the Internal Revenue Code, the allowable contributions in the year of contribution are deemed to be first contributions to entities described in section 290.21, subdivision 3, clauses (a) to (e).

Sec. 13. Minnesota Statutes 1997 Supplement, section 290.091, subdivision 6, is amended to read:

Subd. 6. **CREDIT FOR PRIOR YEARS' LIABILITY.** (a) A credit is allowed against the tax imposed by this chapter on individuals, trusts, and estates equal to the minimum tax credit for the taxable year. The minimum tax credit equals the adjusted net minimum tax for taxable years beginning after December 31, 1988, reduced by the minimum tax credits allowed in a prior taxable year. The credit may not exceed the excess (if any) for the taxable year of

- (1) the regular tax, over
 - (2) the greater of (i) the tentative alternative minimum tax, or (ii) zero.
- (b) The adjusted net minimum tax for a taxable year equals the lesser of the net minimum tax or the excess (if any) of
- (1) the tentative minimum tax, over

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- (2) seven percent of the sum of
- (i) adjusted gross income as defined in section 62 of the Internal Revenue Code,
 - (ii) interest income as defined in section 290.01, subdivision 19a, clause (1),
 - (iii) the amount added to federal taxable income as provided by section 290.01, subdivision 19a, clauses (5), (6), and (7),
 - (iv) interest on specified private activity bonds, as defined in section 57(a)(5) of the Internal Revenue Code, to the extent not included under clause (ii),
 - ~~(iv)~~ (v) depletion as defined in section 57(a)(1), determined without regard to the last sentence of paragraph (1), of the Internal Revenue Code, less
 - ~~(v)~~ (vi) the deductions allowed in computing alternative minimum taxable income provided in subdivision 2, paragraph (a), clause (2) of the first series of clauses and clauses (1), (2), and (3), and (4) of the second series of clauses, and
 - ~~(vi)~~ (vii) the exemption amount determined under subdivision 3.

In the case of an individual who is not a Minnesota resident for the entire year, adjusted net minimum tax must be multiplied by the fraction defined in section 290.06, subdivision 2c, paragraph (e). In the case of a trust or estate, adjusted net minimum tax must be multiplied by the fraction defined under subdivision 4, paragraph (b).

Sec. 14. Minnesota Statutes 1996, section 290.10, is amended to read:

290.10 NONDEDUCTIBLE ITEMS.

Except as provided in section 290.17, subdivision 4, paragraph (i), in computing the net income of a ~~corporation~~ taxpayer no deduction shall in any case be allowed for expenses, interest and taxes connected with or allocable against the production or receipt of all income not included in the measure of the tax imposed by this chapter, except that for corporations engaged in the business of mining or producing iron ore, the mining of which is subject to the occupation tax imposed by section 298.01, subdivision 4, this shall not prevent the deduction of expenses and other items to the extent that the expenses and other items are allowable under this chapter and are not deductible, capitalizable, retainable in basis, or taken into account by allowance or otherwise in computing the occupation tax and do not exceed the amounts taken for federal income tax purposes for that year. Occupation taxes imposed under chapter 298, royalty taxes imposed under chapter 299, or depletion expenses may not be deducted under this clause.

Sec. 15. Minnesota Statutes 1996, section 290.21, subdivision 3, is amended to read:

Subd. 3. An amount for contribution or gifts made within the taxable year:

(a) to or for the use of the state of Minnesota, or any of its political subdivisions for exclusively public purposes,

(b) to or for the use of any community chest, corporation, organization, trust, fund, association, or foundation located in and carrying on substantially all of its activities within this state, organized and operating exclusively for religious, charitable, public cemetery, scientific, literary, artistic, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual,

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(c) to a fraternal society, order, or association, operating under the lodge system located in and carrying on substantially all of their activities within this state if such contributions or gifts are to be used exclusively for the purposes specified in clause (b), or for or to posts or organizations of war veterans or auxiliary units or societies of such posts or organizations, if they are within the state and no part of their net income inures to the benefit of any private shareholder or individual,

(d) to or for the use of the United States of America for exclusively public purposes if the contribution or gift consists of real property located in Minnesota,

(e) to or for the use of a foundation if the foundation is organized and operated exclusively for a purpose in clause (b), and has no part of its net earnings inuring to the benefit of a private shareholder or individual, but does not carry on substantially all of its activities within this state. The deduction under this clause equals the amount of the corporation's contributions or gifts to the foundation within the taxable year multiplied by a fraction equal to the ratio of the foundation's total expenditures during the taxable year for the benefit of organizations described in clause (b) to the foundation's total expenditures during the taxable year,

(f) the total deduction hereunder shall not exceed 15 percent of the taxpayer's taxable net income less the deductions allowable under this section other than those for contributions or gifts,

(g) in the case of a corporation reporting its taxable income on the accrual basis, if: (A) the board of directors authorizes a charitable contribution during any taxable year, and (B) payment of such contribution is made after the close of such taxable year and on or before the 15th day of the third month following the close of such taxable year; then the taxpayer may elect to treat such contribution as paid during such taxable year. The election may be made only at the time of the filing of the return for such taxable year, and shall be signified in such manner as the commissioner shall by rules prescribe.

For a contribution of ordinary income or capital gain property, the amount allowed as a deduction is limited to the amount deductible under section 170(e) of the Internal Revenue Code. The contribution must also qualify under the rules in clauses (a) to (g) to be deductible.

Sec. 16. Minnesota Statutes 1997 Supplement, section 290.371, subdivision 2, is amended to read:

Subd. 2. **EXEMPTIONS.** A corporation is not required to file a notice of business activities report if:

(1) by the end of an accounting period for which it was otherwise required to file a notice of business activities report under this section, it had received a certificate of authority to do business in this state;

(2) a timely return has been filed under section 289A.08;

(3) the corporation is exempt from taxation under this chapter pursuant to section 290.05; or

(4) the corporation's activities in Minnesota, or the interests in property which it owns, consist solely of activities or property exempted from jurisdiction to tax under section 290.015, subdivision 3, paragraph (b); ~~or~~

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(S) the corporation is an "S" corporation under section 290.9725.

Sec. 17. Laws 1995, chapter 255, article 3, section 2, subdivision 1, as amended by Laws 1996, chapter 464, article 4, section 1, and Laws 1997, chapter 231, article 5, section 16, is amended to read:

Subdivision 1. URBAN REVITALIZATION AND STABILIZATION ZONES.

(a) By September 1, 1995, the metropolitan council shall designate one or more urban revitalization and stabilization zones in the metropolitan area, as defined in section 473.121, subdivision 2. The designated zones must contain no more than 1,000 single family homes in total. In designating urban revitalization and stabilization zones, the council shall choose areas that are in transition toward blight and poverty. The council shall use indicators that evidence increasing neighborhood distress such as declining residential property values, declining resident incomes, declining rates of owner-occupancy, and other indicators of blight and poverty in determining which areas are to be urban revitalization and stabilization zones.

(b) An urban revitalization and stabilization zone is created in the geographic area composed entirely of parcels that are in whole or in part located within the 1996 65Ldn contour surrounding the Minneapolis-St. Paul International Airport, or within one mile of the boundaries of the 1996 65Ldn contour. For residents of the zone created under this paragraph, eligibility for the program as provided in subdivision 2 is limited to persons buying and occupying a residence in the zone after June 1, 1996, who have entered into purchase agreements related to those homes before July 1, 1997. Initial applications for the homesteading program in this paragraph shall not be accepted after December 31, 1998.

Sec. 18. Laws 1995, chapter 255, article 3, section 2, subdivision 4, as amended by Laws 1996, chapter 464, article 4, section 2, is amended to read:

Subd. 4. EXPIRATION. Initial applications for the urban homesteading program in the zones designated under subdivision 1, paragraph (a), shall not be accepted after July 1, 1997, for homes purchased and occupied before May 1, 1997. For homes purchased and occupied on or after May 1, 1997, but before July 1, 1998, initial applications shall not be accepted after June 30, 1998.

Sec. 19. PROHIBITION OF USE OF SOCIAL SECURITY NUMBERS.

No label, envelope, or other material printed by the department of revenue may include the social security number of the taxpayer in a place that will be visible when delivered or mailed to the taxpayer.

Sec. 20. REPEALER.

Minnesota Statutes 1996, section 289A.50, subdivision 6, is repealed.

Sec. 21. EFFECTIVE DATES.

Section 1 is effective for extensions received under Minnesota Statutes, section 289A.19, subdivision 2, for tax years beginning after December 31, 1996. Section 2 is effective retroactive to August 1, 1997. The change in section 3 made by clause (7) and section 12, paragraph (a), clause (2)(iii) of the first set of clauses, are effective for tax years beginning after December 31, 1996. The change in section 3 made by clause (8) is

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effective for tax years beginning after December 31, 1997. Sections 4, clauses (11) and (12); 5; 12, paragraph (a), clause (6) of the first set of clauses, and clause (4) of the second set of clauses; 10; 11; and 13 are effective for tax years beginning after December 31, 1996. Section 6 is effective for tax years beginning after December 31, 1996, except the change in denominator for Minnesota Statutes, section 290.01, subdivision 19b, clause (1), is effective for tax years beginning after December 31, 1997. Sections 7 and 8 are effective for tax years beginning after December 31, 1997. Section 9 is effective for tax years beginning after December 31, 1998. Section 4, clause (13); section 12, paragraph (a), clause (2)(iv) of the first set of clauses; and sections 14, 15, and 20 are effective for tax years beginning after December 31, 1997. Section 16 is effective for tax years beginning after December 31, 1998. Sections 17 and 18 are effective the day following final enactment.

ARTICLE 7

FEDERAL UPDATE

Section 1. Minnesota Statutes 1997 Supplement, section 289A.02, subdivision 7, is amended to read:

Subd. 7. **INTERNAL REVENUE CODE.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 1996, and includes the provisions of section 1(a) and (b) of Public Law Number 404-117 1997.

Sec. 2. Minnesota Statutes 1997 Supplement, section 290.01, subdivision 19, is amended to read:

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

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

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

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

(3) the deduction for dividends paid must also be applied in the amount of any undistributed capital gains which the regulated investment company elects to have treated as provided in section 852(b)(3)(D) of the Internal Revenue Code.

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

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

The Internal Revenue Code of 1986, as amended through December 31, 1986, shall be in effect for taxable years beginning after December 31, 1986. The provisions of sections 10104, 10202, 10203, 10204, 10206, 10212, 10221, 10222, 10223, 10226, 10227, 10228, 10611, 10631, 10632, and 10711 of the Omnibus Budget Reconciliation Act of 1987, Public Law Number 100-203, the provisions of sections 1001, 1002, 1003, 1004, 1005, 1006, 1008, 1009, 1010, 1011, 1011A, 1011B, 1012, 1013, 1014, 1015, 1018, 2004, 3041, 4009, 6007, 6026, 6032, 6137, 6277, and 6282 of the Technical and Miscellaneous Revenue Act of 1988, Public Law Number 100-647, the provisions of sections 7811, 7816, and 7831 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, and the provisions of sections 1305, 1704(r), and 1704(e)(1) of the Small Business Job Protection Act, Public Law Number 104-188, and the provisions of sections 975 and 1604(d)(2) and (e) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall be effective at the time they become effective for federal income tax purposes.

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

The Internal Revenue Code of 1986, as amended through December 31, 1988, shall be in effect for taxable years beginning after December 31, 1988. The provisions of sections 7101, 7102, 7104, 7105, 7201, 7202, 7203, 7204, 7205, 7206, 7207, 7210, 7211, 7301, 7302, 7303, 7304, 7601, 7621, 7622, 7641, 7642, 7645, 7647, 7651, and 7652 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, the provision of section 1401 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Public Law Number 101-73, the provisions of sections 11701 and 11703 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, and the provisions of sections 1702(g) and 1704(f)(2)(A) and (B) of the Small Business Job Protection Act, Public Law Number 104-188, shall become effective at the time they become effective for federal tax purposes.

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

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ber 103-66, shall become effective at the time they become effective for federal purposes.

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

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

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

The provisions of sections 1936 and 1937 of the Comprehensive National Energy Policy Act of 1992, Public Law Number 102-486, and the provisions of sections 13101, 13114, 13122, 13141, 13150, 13151, 13174, 13239, 13301, and 13442 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, and the provisions of section 1604(a)(1), (2), and (3) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.

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

The provisions of sections 13116, 13121, 13206, 13210, 13222, 13223, 13231, 13232, 13233, 13239, 13262, and 13321 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, and the provisions of sections 1703(a), 1703(d), 1703(i), 1703(l), and 1703(m) of the Small Business Job Protection Act, Public Law Number 104-188, and the provision of section 1604(c) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.

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

The provision of section 741 of Legislation to Implement Uruguay Round of General Agreement on Tariffs and Trade, Public Law Number 103-465, the provisions of sections 1, 2, and 3, of the Self-Employed Health Insurance Act of 1995, Public Law Number 104-7, the provision of section 501(b)(2) of the Health Insurance Portability and Accountability Act, Public Law Number 104-191, and the provisions of sections 1604 and 1704(p)(1) and (2) of the Small Business Job Protection Act, Public Law Number 104-188, and the provisions of sections 1011, 1211(b)(1), and 1602(f) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.

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

The provisions of sections 1119(a), 1120, 1121, 1202(a), 1444, 1449(b), 1602(a), 1610(a), 1613, and 1805 of the Small Business Job Protection Act, Public Law Number 104-188, and the provision of section 511 of the Health Insurance Portability and Accountability Act, Public Law Number 104-191, and the provisions of sections 1174 and 1601(i)(2) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.

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

The provisions of sections 1113(a), 1117, 1206(a), 1313(a), 1402(a), 1403(a), 1443, 1450, 1501(a), 1605, 1611(a), 1612, 1616, 1617, 1704(l), and 1704(m) of the Small Business Job Protection Act, Public Law Number 104-188, and the provisions of Public Law Number 104-117, and the provisions of sections 313(a) and (b)(1), 602(a), 913(b), 941, 961, 971, 1001(a) and (b), 1002, 1003, 1012, 1013, 1014, 1061, 1062, 1081, 1084(b), 1086, 1087, 1111(a), 1131(b) and (c), 1211(b), 1213, 1530(c)(2), 1601(f)(5) and (h), and 1604(d)(1) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1996, shall be in effect for taxable years beginning after December 31, 1996.

The provisions of sections 202(a) and (b), 221(a), 225, 312, 313, 913(a), 934, 962, 1004, 1005, 1052, 1063, 1084(a) and (c), 1089, 1112, 1171, 1204, 1271(a) and (b), 1305(a), 1306, 1307, 1308, 1309, 1501(b), 1502(b), 1504(a), 1505, 1527, 1528, 1530, 1601(d), (e), (f), and (i) and 1602(a), (b), (c), and (e) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1997, shall be in effect for taxable years beginning after December 31, 1997.

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

Sec. 3. Minnesota Statutes 1997 Supplement, section 290.01, subdivision 19a, is amended to read:

Subd. 19a. **ADDITIONS TO FEDERAL TAXABLE INCOME.** For individuals, estates, and trusts, there shall be added to federal taxable income:

(1)(i) interest income on obligations of any state other than Minnesota or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota exempt from federal income taxes under the Internal Revenue Code or any other federal statute, and

(ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, except the portion of the exempt-interest dividends derived from interest income on obligations of the state of Minnesota or its political or governmental subdivisions, municipalities, governmental agencies or instrumentalities, but only if the portion of the exempt-interest dividends from such Minnesota sources paid to all shareholders represents 95 percent or more of the exempt-interest dividends that are paid by the regulated investment company as defined in section 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as defined in section 851(h) of the Internal Revenue Code, making the payment; and

(iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal government described in section 7871(c) of the Internal Revenue Code shall be treated as interest income on obligations of the state in which the tribe is located;

New language is indicated by underline, deletions by strikeout.

(2) the amount of income taxes paid or accrued within the taxable year under this chapter and income taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income tax is the last itemized deduction disallowed;

(3) the capital gain amount of a lump sum distribution to which the special tax under section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law Number 99-514, applies;

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and income taxes paid to any other state or any province or territory of Canada, to the extent allowed as a deduction in determining federal adjusted gross income. For the purpose of this paragraph, income taxes do not include the taxes imposed by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

(5) the amount of loss or expense included in federal taxable income under section 1366 of the Internal Revenue Code flowing from a corporation that has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code, but which is not allowed to be an "S" corporation under section 290.9725; ~~and~~

(6) the amount of any distributions in cash or property made to a shareholder during the taxable year by a corporation that has a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code, but which is not allowed to be an "S" corporation under section 290.9725 to the extent not already included in federal taxable income under section 1368 of the Internal Revenue Code; ~~and~~

(7) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code.

Sec. 4. Minnesota Statutes 1997 Supplement, section 290.01, subdivision 19c, is amended to read:

Subd. 19c. **CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE INCOME.** For corporations, there shall be added to federal taxable income:

(1) the amount of any deduction taken for federal income tax purposes for income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or any foreign country or possession of the United States;

(2) interest not subject to federal tax upon obligations of: the United States, its possessions, its agencies, or its instrumentalities; the state of Minnesota or any other state, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities; the District of Columbia; or Indian tribal governments;

(3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal Revenue Code;

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(4) the amount of any net operating loss deduction taken for federal income tax purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss deduction under section 810 of the Internal Revenue Code;

(5) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 of the Internal Revenue Code;

(6) losses from the business of mining, as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota income tax;

(7) the amount of any capital losses deducted for federal income tax purposes under sections 1211 and 1212 of the Internal Revenue Code;

(8) the amount of any charitable contributions deducted for federal income tax purposes under section 170 of the Internal Revenue Code;

(9) the exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;

(10) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;

(11) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, the amount of the amortization deduction allowed in computing federal taxable income for those facilities;

(12) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g); and

(13) the amount of any environmental tax paid under section 59(a) of the Internal Revenue Code; and

(14) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code.

Sec. 5. Minnesota Statutes 1997 Supplement, section 290.01, subdivision 31, is amended to read:

Subd. 31. **INTERNAL REVENUE CODE.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 1996, and includes the provisions of section 1(a) and (b) of Public Law Number 104-117 1997.

Sec. 6. Minnesota Statutes 1996, section 290.06, subdivision 2c, is amended to read:

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

(1) On the first \$19,910, 6 percent;

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

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

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

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

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

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

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

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

(1) The numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code increased by the addition ~~additions~~ required for interest income from non-Minnesota state and municipal bonds under section 290.01, subdivision 19a, ~~clause~~ clauses (1) and (7), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, as amended through April 15, 1995, increased by the addition ~~addition~~ required for interest income from non-Minnesota state and municipal bonds amounts specified under section 290.01, subdivision 19a, ~~clause~~ clauses (1) and (7).

Sec. 7. Minnesota Statutes 1996, section 290.067, subdivision 2a, is amended to read:

Subd. 2a. **INCOME.** (a) For purposes of this section, "income" means the sum of the following:

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(1) federal adjusted gross income as defined in section 62 of the Internal Revenue Code; and

(2) the sum of the following amounts to the extent not included in clause (1):

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

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

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

(vii) workers' compensation;

(viii) nontaxable strike benefits;

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

(x) a lump sum distribution under section 402(e)(3) of the Internal Revenue Code;

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code; and

(xii) nontaxable scholarship or fellowship grants.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" means federal adjusted gross income reflected in the fiscal year ending in the next calendar year. Federal adjusted gross income may not be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(b) "Income" does not include:

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

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

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- (3) surplus food or other relief in kind supplied by a governmental agency;
- (4) relief granted under chapter 290A; and
- (5) child support payments received under a temporary or final decree of dissolution or legal separation.

Sec. 8. Minnesota Statutes 1996, section 290.0921, subdivision 3a, is amended to read:

Subd. 3a. **EXEMPTIONS.** The following entities are exempt from the tax imposed by this section:

- (1) cooperatives taxable under subchapter T of the Internal Revenue Code or organized under chapter 308 or a similar law of another state;
- (2) corporations subject to tax under section 60A.15, subdivision 1;
- (3) real estate investment trusts;
- (4) regulated investment companies or a fund thereof; and
- (5) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code; and
- (6) small corporations exempt from the federal alternative minimum tax under section 55(e) of the Internal Revenue Code.

Sec. 9. Minnesota Statutes 1996, section 290A.03, subdivision 3, is amended to read:

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

- (a) federal adjusted gross income as defined in the Internal Revenue Code; and
- (b) the sum of the following amounts to the extent not included in clause (a):
 - (i) all nontaxable income;
 - (ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;
 - (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;
 - (iv) cash public assistance and relief;
 - (v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, supplemental security income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;
 - (vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

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- (vii) workers' compensation;
- (viii) nontaxable strike benefits;

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

(x) a lump sum distribution under section 402(e)(3) of the Internal Revenue Code;

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code; and

(xii) nontaxable scholarship or fellowship grants.

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

(2) "Income" does not include

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

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

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

(d) relief granted under this chapter; or

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

(3) The sum of the following amounts may be subtracted from income:

(a) for the claimant's first dependent, the exemption amount multiplied by 1.4;

(b) for the claimant's second dependent, the exemption amount multiplied by 1.3;

(c) for the claimant's third dependent, the exemption amount multiplied by 1.2;

(d) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

(e) for the claimant's fifth dependent, the exemption amount; and

(f) if the claimant or claimant's spouse was disabled or attained the age of 65 on or before December 31 of the year for which the taxes were levied or rent paid, the exemption amount.

For purposes of this subdivision, the "exemption amount" means the exemption amount under section 151(d) of the Internal Revenue Code for the taxable year for which the income is reported.

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

Sec. 10. Minnesota Statutes 1997 Supplement, section 290A.03, subdivision 15, is amended to read:

Subd. 15. **INTERNAL REVENUE CODE.** "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 1996 1997.

Sec. 11. Minnesota Statutes 1997 Supplement, section 291.005, subdivision 1, is amended to read:

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

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

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

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

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

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

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

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

(8) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through December 31, 1996, and ~~includes the provisions of section 1(a)(4) of Public Law Number 104-117~~ 1997.

Sec. 12. **INSTRUCTION TO REVISOR.**

Each place in Minnesota Statutes that refers to section 851(h) or 851(q) of the Internal Revenue Code, the revisor in the next edition of Minnesota Statutes shall substitute "851(g)" for those references.

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

Sec. 13. EFFECTIVE DATES.

Sections 1, 3, 4, and 6 to 9 are effective for tax years beginning after December 31, 1997. Sections 5, 10, and 11 are effective at the same time federal changes made by the Taxpayer Relief Act of 1997, Public Law Number 105-34, which are incorporated into Minnesota Statutes, chapters 290, 290A, and 291 by these sections, become effective for federal tax purposes.

ARTICLE 8**SALES TAX**

Section 1. Minnesota Statutes 1996, section 297A.01, subdivision 8, is amended to read:

Subd. 8. "Sales price" means the total consideration valued in money, for a retail sale whether paid in money or otherwise, excluding therefrom any amount allowed as credit for tangible personal property taken in trade for resale, without deduction for the cost of the property sold, cost of materials used, labor or service cost, interest, or discount allowed after the sale is consummated, the cost of transportation incurred prior to the time of sale, any amount for which credit is given to the purchaser by the seller, or any other expense whatsoever. A deduction may be made for charges of up to 15 percent in lieu of tips, if the consideration for such charges is separately stated. No deduction shall be allowed for charges for services that are part of a sale. Except as otherwise provided in this subdivision, a deduction may also be made for interest, financing, or carrying charges, charges for labor or services used in installing or applying the property sold or transportation charges if the transportation occurs after the retail sale of the property only if the consideration for such charges is separately stated. "Sales price," for purposes of sales of ready-mixed concrete sold from a ready-mixed concrete truck, includes any transportation, delivery, or other service charges, and no deduction is allowed for those charges, whether or not the charges are separately stated. There shall not be included in "sales price" cash discounts allowed and taken on sales or the amount refunded either in cash or in credit for property returned by purchasers.

Sec. 2. Minnesota Statutes 1996, section 297A.01, subdivision 15, is amended to read:

Subd. 15. "Farm machinery" means new or used machinery, equipment, implements, accessories, and contrivances used directly and principally in the production for sale, but not including the processing, of livestock, dairy animals, dairy products, poultry and poultry products, fruits, vegetables, forage, grains and bees and apiary products. "Farm machinery" includes:

- (1) machinery for the preparation, seeding or cultivation of soil for growing agricultural crops and sod, harvesting and threshing of agricultural products, harvesting or mowing of sod, and certain machinery for dairy, livestock and poultry farms;
- (2) barn cleaners, milking systems, grain dryers, automatic feeding systems and similar installations, whether or not the equipment is installed by the seller and becomes part of the real property;

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(3) irrigation equipment sold for exclusively agricultural use, including pumps, pipe fittings, valves, sprinklers and other equipment necessary to the operation of an irrigation system when sold as part of an irrigation system, whether or not the equipment is installed by the seller and becomes part of the real property;

(4) logging equipment, including chain saws used for commercial logging;

(5) fencing used for the containment of farmed cervidae, as defined in section 17.451, subdivision 2; and

(6) primary and backup generator units used to generate electricity for the purpose of operating farm machinery, as defined in this subdivision, or providing light or space heating necessary for the production of livestock, dairy animals, dairy products, or poultry and poultry products; and

(7) aquaculture production equipment as defined in subdivision 19.

Repair or replacement parts for farm machinery shall not be included in the definition of farm machinery.

Tools, shop equipment, grain bins, feed bunks, fencing material except fencing material covered by clause (5), communication equipment and other farm supplies shall not be considered to be farm machinery. "Farm machinery" does not include motor vehicles taxed under chapter 297B, snowmobiles, snow blowers, lawn mowers except those used in the production of sod for sale, garden-type tractors or garden tillers and the repair and replacement parts for those vehicles and machines.

Sec. 3. Minnesota Statutes 1997 Supplement, section 297A.01, subdivision 16, is amended to read:

Subd. 16. **CAPITAL EQUIPMENT.** (a) Capital equipment means machinery and equipment purchased or leased for use in this state and used by the purchaser or lessee primarily for manufacturing, fabricating, mining, or refining tangible personal property to be sold ultimately at retail and for electronically transmitting results retrieved by a customer of an on-line computerized data retrieval system.

(b) Capital equipment includes all machinery and equipment that is essential to the integrated production process. Capital equipment includes, but is not limited to:

(1) machinery and equipment used or required to operate, control, or regulate the production equipment;

(2) machinery and equipment used for research and development, design, quality control, and testing activities;

(3) environmental control devices that are used to maintain conditions such as temperature, humidity, light, or air pressure when those conditions are essential to and are part of the production process;

(4) materials and supplies necessary to construct and install machinery or equipment;

(5) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to machinery or equipment;

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(6) materials used for foundations that support machinery or equipment; or

(7) materials used to construct and install special purpose buildings used in the production process; or

(8) ready-mixed concrete trucks in which the ready-mixed concrete is mixed as part of the delivery process.

(c) Capital equipment does not include the following:

(1) motor vehicles taxed under chapter 297B;

(2) machinery or equipment used to receive or store raw materials;

(3) building materials;

(4) machinery or equipment used for nonproduction purposes, including, but not limited to, the following: machinery and equipment used for plant security, fire prevention, first aid, and hospital stations; machinery and equipment used in support operations or for administrative purposes; machinery and equipment used solely for pollution control, prevention, or abatement; and machinery and equipment used in plant cleaning, disposal of scrap and waste, plant communications, space heating, lighting, or safety;

(5) "farm machinery" as defined by subdivision 15, and "aquaculture production equipment" as defined by subdivision 19; or

(6) any other item that is not essential to the integrated process of manufacturing, fabricating, mining, or refining.

(d) For purposes of this subdivision:

(1) "Equipment" means independent devices or tools separate from machinery but essential to an integrated production process, including computers and software, used in operating, controlling, or regulating machinery and equipment; and any subunit or assembly comprising a component of any machinery or accessory or attachment parts of machinery, such as tools, dies, jigs, patterns, and molds.

(2) "Fabricating" means to make, build, create, produce, or assemble components or property to work in a new or different manner.

(3) "Machinery" means mechanical, electronic, or electrical devices, including computers and software, that are purchased or constructed to be used for the activities set forth in paragraph (a), beginning with the removal of raw materials from inventory through the completion of the product, including packaging of the product.

(4) "Manufacturing" means an operation or series of operations where raw materials are changed in form, composition, or condition by machinery and equipment and which results in the production of a new article of tangible personal property. For purposes of this subdivision, "manufacturing" includes the generation of electricity or steam to be sold at retail.

(5) "Mining" means the extraction of minerals, ores, stone, and peat.

(6) "On-line data retrieval system" means a system whose cumulation of information is equally available and accessible to all its customers.

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(7) "Pollution control equipment" means machinery and equipment used to eliminate, prevent, or reduce pollution resulting from an activity described in paragraph (a).

(8) "Primarily" means machinery and equipment used 50 percent or more of the time in an activity described in paragraph (a).

(9) "Refining" means the process of converting a natural resource to a product, including the treatment of water to be sold at retail.

(e) For purposes of this subdivision the requirement that the machinery or equipment "must be used by the purchaser or lessee" means that the person who purchases or leases the machinery or equipment must be the one who uses it for the qualifying purpose. When a contractor buys and installs machinery or equipment as part of an improvement to real property, only the contractor is considered the purchaser.

Sec. 4. Minnesota Statutes 1996, section 297A.02, subdivision 2, is amended to read:

Subd. 2. MACHINERY AND EQUIPMENT. Notwithstanding the provisions of subdivision 1, the rate of the excise tax imposed upon sales of farm machinery and aquaculture production equipment is ~~2.5~~ 2.0 percent for sales after June 30, 1998, and before July 1, 1999, and 1.0 percent for sales after June 30, 1999, and before July 1, 2000.

Sec. 5. Minnesota Statutes 1996, section 297A.02, subdivision 4, is amended to read:

Subd. 4. MANUFACTURED HOUSING AND PARK TRAILERS. Notwithstanding the provisions of subdivision 1, for sales at retail of manufactured homes as defined in section 327.31, subdivision 6, that are used for residential purposes and new or used park trailers, as defined in section 168.011, subdivision 8, paragraph (b), the excise tax is imposed upon 65 percent of the sales price ~~dealer's cost of the home or, and for sales of new and used park trailers, as defined in section 168.011, subdivision 8, paragraph (b),~~ the excise tax is imposed upon 65 percent of the sales price of the park trailer.

Sec. 6. Minnesota Statutes 1996, section 297A.135, subdivision 4, as amended by Laws 1997, Third Special Session chapter 3, section 23, is amended to read:

Subd. 4. EXEMPTION EXEMPTIONS. (a) The tax and the fee imposed by this section do not apply to a lease or rental of (1) a vehicle to be used by the lessee to provide a licensed taxi service; (2) a hearse or limousine used in connection with a burial or funeral service; or (3) a van designed or adapted primarily for transporting property rather than passengers.

(b) The lessor may elect not to charge the fee imposed in subdivision 1a if in the previous calendar year the lessor had no more than 20 vehicles available for lease that would have been subject to tax under this section, or no more than \$50,000 in gross receipts that would have been subject to tax under this section.

Sec. 7. Minnesota Statutes 1996, section 297A.135, subdivision 5, as added by Laws 1997, Third Special Session chapter 3, section 23, is amended to read:

Subd. 5. PAYMENT OF EXCESS FEES. On the first sales tax return due following the end of a calendar year during which a lessor has imposed a fee under subdivision 1a, the lessor shall report to the commissioner of revenue, in the form required by the

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commissioner, the amount of the fee collected and the amount of motor vehicle registration taxes paid by the lessor under chapter 168 on vehicles subject to the fee under this section. If the amount of the fee collected during the previous year exceeds the amount of motor vehicle registration taxes paid under chapter 168 during the previous year, the lessor shall remit the excess to the commissioner of revenue at the time the report is submitted.

Sec. 8. Minnesota Statutes 1997 Supplement, 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, ketoprofen, naproxen, and other nonprescription analgesics that are approved by the United States Food and Drug Administration for internal use by human beings, or a combination thereof, are exempt.

Medical supplies purchased by a licensed health care facility or licensed health care professional to provide medical treatment to residents or patients are exempt. The exemption does not apply to medical equipment or components of medical equipment, laboratory supplies, radiological supplies, and other items used in providing medical services. For purposes of this subdivision, "medical supplies" means adhesive and nonadhesive bandages, gauze pads and strips, cotton applicators, antiseptics, nonprescription drugs, eye solution, and other similar supplies used directly on the resident or patient in providing medical services.

Sec. 9. Minnesota Statutes 1997 Supplement, 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 are exempt under this subdivision. Chemicals used

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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. Petroleum and special fuels used in producing or generating power for propelling ready-mixed concrete trucks on the public highways of this state are not included in this exemption.

Sec. 10. Minnesota Statutes 1997 Supplement, section 297A.25, subdivision 11, is amended to read:

Subd. 11. **SALES TO GOVERNMENT.** The gross receipts from all sales, including sales in which title is retained by a seller or a vendor or is assigned to a third party under an installment sale or lease purchase agreement under section 465.71, of tangible personal property to, and all storage, use or consumption of such property by, the United States and its agencies and instrumentalities, the University of Minnesota, state universities, community colleges, technical colleges, state academies, the Lola and Rudy Perpich Minnesota center for arts education, and an instrumentality of a political subdivision that is accredited as an optional/special function school by the North Central Association of Colleges and Schools, school districts, public libraries, public library systems, multi-county, multitype library systems as defined in section 134.001, county law libraries under chapter 134A, the state library under section 480.09, and the legislative reference library 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).

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

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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 to a town of gravel and of machinery, equipment, and accessories, except motor vehicles, used exclusively for road and bridge maintenance are exempt.

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

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

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

The tax imposed on sales to political subdivisions of the state under this section applies to all political subdivisions other than those explicitly exempted under this subdivision, notwithstanding section 115A.69, subdivision 6, 116A.25, 360.035, 458A.09, 458A.30, 458D.23, 469.101, subdivision 2, 469.127, 473.448, 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. 11. Minnesota Statutes 1997 Supplement, section 297A.25, subdivision 59, is amended to read:

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Subd. 59. **FARM MACHINERY.** The gross receipts from the sale of used farm machinery and, after June 30, 2000, the gross receipts from the sale of new farm machinery, are exempt.

Sec. 12. Minnesota Statutes 1996, section 297A.25, subdivision 60, is amended to read:

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

(1) the materials and supplies are used or consumed in constructing improvements to a state convention center located in a city located outside of the metropolitan area as defined in section 473.121, subdivision 2, and the center is governed by an 11-person board of which four are appointed by the governor; and

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

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

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

Subd. 73. **BIOSOLIDS PROCESSING EQUIPMENT.** The gross receipts from the sale of and the storage, use, or consumption of equipment designed to process, dewater, and recycle biosolids for wastewater treatment facilities of political subdivisions, and materials incidental to installation of that equipment, are exempt.

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

Subd. 74. **CONSTRUCTION MATERIALS; MINNEAPOLIS CONVENTION CENTER.** Purchases of materials, supplies, or equipment used or consumed in the construction, equipment, improvement, or expansion of the Minneapolis convention center are exempt from the tax imposed under this chapter and from any sales and use tax imposed by a local unit of government notwithstanding any ordinance or charter provision. This exemption applies regardless of whether the materials, supplies, or equipment are purchased by the city or by a construction manager or contractor.

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

Subd. 75. **CONSTRUCTION MATERIALS; RIVERCENTRE ARENA.** Purchases of materials, supplies, or equipment used or consumed in the construction, equipment, improvement, or expansion of the RiverCentre arena complex in the city of St. Paul are exempt from the tax imposed under this chapter and from any sales and use tax imposed by a local unit of government notwithstanding any ordinance or charter provision. This exemption applies regardless of whether the materials, supplies, or equipment are purchased by the city or by a construction manager or contractor.

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

Sec. 16. Minnesota Statutes 1997 Supplement, section 297A.25, is amended by adding a subdivision to read:

Subd. 76. CONSTRUCTION MATERIALS FOR AN ENVIRONMENTAL LEARNING CENTER. Construction materials and supplies are exempt from the tax imposed under this section, regardless of whether purchased by the owner or a contractor, subcontractor, or builder, if they are used or consumed in constructing or improving the Long Lake Conservation Center pursuant to the funding provided under Laws 1994, chapter 643, section 23, subdivision 28, as amended by Laws 1995, First Special Session chapter 2, article 1, section 48; and Laws 1996, chapter 463, section 7, subdivision 26. The tax shall be calculated and paid as if the rate in section 297A.02, subdivision 1, was in effect and a refund applied for in the manner prescribed in section 297A.15, subdivision 7.

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

Subd. 77. SOYBEAN OILSEED PROCESSING AND REFINING FACILITY. Purchases of construction materials and supplies are exempt from the sales and use taxes imposed under this chapter, regardless of whether purchased by the owner or a contractor, subcontractor, or builder, if:

(1) the materials and supplies are used or consumed in constructing a facility for soybean oilseed processing and refining;

(2) the total capital investment made in the facility is at least \$60,000,000; and

(3) the facility is constructed by a Minnesota-based cooperative, organized under chapter 308A.

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

Subd. 78. EARLE BROWN HERITAGE CENTER CONSTRUCTION MATERIALS. Purchases of materials and supplies used or consumed in and equipment incorporated into the construction, improvement, or expansion of the Earle Brown Heritage Center in Brooklyn Center are exempt from the tax imposed under this chapter, and from any sales and use tax imposed by a local unit of government notwithstanding any ordinance or charter provision. This exemption applies regardless of whether the materials, supplies, or equipment are purchased by the city or a contractor, subcontractor, or builder.

Sec. 19. Minnesota Statutes 1997 Supplement, 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.

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

(b) All sales made by an organization for fundraising purposes if that organization is a senior citizen group or association of groups that in general limits membership to persons age 55 or older and is organized and operated exclusively for pleasure, recreation and other nonprofit purposes and no part of the net earnings inure to the benefit of any private shareholders. This exemption shall apply only if the gross annual sales receipts of the organization from fundraising do not exceed \$10,000.

(c) The gross receipts from the sales of tangible personal property at, admission charges for, and sales of food, meals, or drinks at fundraising events sponsored by a nonprofit organization when the entire proceeds, except for the necessary expenses therewith, will be used solely and exclusively for charitable, religious, or educational purposes. This exemption does not apply to admission charges for events involving bingo or other gambling activities or to charges for use of amusement devices involving bingo or other gambling activities. For purposes of this 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 five 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. 20. Minnesota Statutes 1997 Supplement, section 297A.48, is amended by adding a subdivision to read:

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Subd. 9a. LOCAL RESOLUTION BEFORE APPLICATION FOR AUTHORITY. Before the governing body of a political subdivision requests legislative approval of a special law for a local sales tax that is administered under this section, it shall adopt a resolution indicating its approval of the tax. The resolution must include, at a minimum, information on the proposed tax rate, how the revenues will be used, the total revenue that will be raised before the tax expires, and the estimated length of time that the tax will be in effect.

Sec. 21. Minnesota Statutes 1997 Supplement, section 297B.03, is amended to read:

297B.03 EXEMPTIONS.

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

(1) Purchase or use, including use under a lease purchase agreement or installment sales contract made pursuant to section 465.71, of any motor vehicle by 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 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 144E.10.

(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.

(9) Purchase of a ready-mixed concrete truck.

(10) Purchase or use of a motor vehicle by a town for use exclusively for road maintenance, including snowplows and dump trucks, but not including automobiles, vans, or pickup trucks.

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

Sec. 22. Minnesota Statutes 1997 Supplement, section 297G.01, is amended by adding a subdivision to read:

Subd. 3a. CIDER. "Cider" means a product that contains not less than one-half of one percent nor more than seven percent alcohol by volume and is made from the alcoholic fermentation of the juice of apples. Cider includes, but is not limited to, flavored, sparkling, and carbonated cider.

Sec. 23. Minnesota Statutes 1997 Supplement, section 297G.03, subdivision 1, is amended to read:

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

	Standard	Metric
(a) Distilled spirits, liqueurs, cordials, and specialties regardless of alcohol content (excluding ethyl alcohol)	\$5.03 per gallon	\$1.33 per liter
(b) Wine containing 14 percent or less alcohol by volume (except cider as defined in section 297G.01, subdivision 3a)	\$.30 per gallon	\$.08 per liter
(c) Wine containing more than 14 percent but not more than 21 percent alcohol by volume	\$.95 per gallon	\$.25 per liter
(d) Wine containing more than 21 percent but not more than 24 percent alcohol by volume	\$1.82 per gallon	\$.48 per liter
(e) Wine containing more than 24 percent alcohol by volume	\$3.52 per gallon	\$.93 per liter
(f) Natural and artificial sparkling wines containing alcohol	\$1.82 per gallon	\$.48 per liter
(g) <u>Cider as defined in section 297G.01, subdivision 3a</u>	<u>\$.15 per gallon</u>	<u>\$.04 per liter</u>

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

Sec. 24. Minnesota Statutes 1996, section 475.58, subdivision 3, is amended to read:

Subd. 3. **YOUTHICE FACILITIES.** (a) A municipality may, without regard to the election requirement under subdivision 1 or under any other provision of law or a home

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rule charter, issue and sell obligations to finance acquisition, improvement, or construction of an indoor ice arena intended to be used predominantly for youth athletic activities if all the following conditions are met:

(1) the obligations are secured by a pledge of revenues from the facility;

(2) the facility and its financing are approved by resolutions of at least two of the following governing bodies of (i) the city in which the facility is located, (ii) the school district in which the facility is located, or (iii) the county in which the facility is located;

(3) the governing body of the municipality finds, based on analysis provided by a professional experienced in finance, that the facility's revenues and other available money will be sufficient to pay the obligations, without reliance on a property tax levy or the municipality's general purpose state aid; and

(4) no petition for an election has been timely filed under paragraph (b).

(b) At least 30 days before issuing obligations under this subdivision, the municipality must hold a public hearing on the issue. The municipality must publish or provide notice of the hearing in the same manner provided for its regular meetings. The obligations are not exempt from the election requirement under this subdivision, if:

(1) registered voters equal to ten percent of the votes cast in the last general election in the municipality sign a petition requesting a vote on the issue; and

(2) the petition is filed with the municipality within 20 days after the public hearing.

(c) This subdivision expires December 31, ~~1997~~ 1998.

Sec. 25. Laws 1980, chapter 511, section 1, subdivision 2, as amended by Laws 1991, chapter 291, article 8, section 22, is amended to read:

Subd. 2. Notwithstanding Minnesota Statutes, Section ~~477A.01, Subdivision 18 477A.016~~, or any other law, ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional sales tax of up to one and one-half percent on sales transactions which are described in Minnesota Statutes, Section 297A.01, Subdivision 3, Clause (c). When the city council determines that the taxes imposed under this subdivision and under section 26 at a rate of one-half of one percent have produced revenue sufficient to pay the debt service on bonds in a principal amount of \$8,000,000 since the imposition of the taxes at the rate of one and one-half percent, the rate of the tax under this subdivision is reduced to one percent. The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions.

Sec. 26. Laws 1980, chapter 511, section 2, is amended to read:

Sec. 2. CITY OF DULUTH; TAX ON RECEIPTS BY HOTELS AND MOTELS.

Notwithstanding Minnesota Statutes, Section ~~477A.01, Subdivision 18 477A.016~~, or any other law, or ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional tax of one and one-half percent upon the gross receipts from the sale of lodging for periods of less than 30 days in hotels and motels located in the city. When the city council determines that the taxes imposed under this section and section 25 at a rate of one-half of one percent have produced revenue sufficient

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to pay the debt service on bonds in a principal amount of \$8,000,000 since the imposition of the taxes at the rate of one and one-half percent, the rate of the tax under this section is reduced to one percent. The tax shall be collected in the same manner as the tax set forth in the Duluth city charter, section 54(d), paragraph one. The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions.

Sec. 27. Laws 1980, chapter 511, section 3, is amended to read:

Sec. 3. ALLOCATION OF REVENUES.

Revenues received from the taxes authorized by section 1, subdivision 2, and section 2 shall be used to pay for activities conducted by the city or by other organizations which promote tourism in the city of Duluth, including capital improvements of tourism facilities, and to subsidize the Duluth Arena-Auditorium and the Spirit Mountain recreation authority. Distribution of the revenues derived from these taxes shall be approved by the Duluth city council at least once annually, may include pledging such revenues to pay principal of and interest on city of Duluth bonds issued to finance such tourism facilities, and shall be made in accordance with the policy set forth in this section.

Sec. 28. Laws 1991, chapter 291, article 8, section 27, subdivision 3, is amended to read:

Subd. 3. USE OF REVENUES. Revenues received from taxes authorized by subdivisions 1 and 2 shall be used by the city to pay the cost of collecting the tax and to pay all or a portion of the expenses of constructing and operating facilities as part of an urban revitalization project in downtown Mankato known as Riverfront 2000. Authorized expenses include, but are not limited to, acquiring property and paying relocation expenses related to the development of Riverfront 2000 and related facilities, and securing or paying debt service on bonds or other obligations issued to finance the construction of Riverfront 2000 and related facilities. For purposes of this section, "Riverfront 2000 and related facilities" means a civic-convention center, an arena, a riverfront park, a technology center and related educational facilities, and all publicly owned real or personal property that the governing body of the city determines will be necessary to facilitate the use of these facilities, including but not limited to parking, skyways, pedestrian bridges, lighting, and landscaping.

Sec. 29. Laws 1992, chapter 511, article 8, section 33, subdivision 5, is amended to read:

Subd. 5. TERMINATION OF TAXES. The taxes imposed pursuant to subdivisions 1 and 2 shall terminate at the later of (1) December 31, 1998, or (2) on the first day of the second month next succeeding a determination by the city council that sufficient funds have been received from the taxes to finance capital and administrative costs of \$28,760,000 for improvements for fire station, city hall, and public library facilities and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the improvements. Any funds remaining after completion of the improvements and retirement or redemption of the bonds may be placed in the general fund of the city.

Sec. 30. Laws 1993, chapter 375, article 9, section 46, subdivision 2, is amended to read:

Subd. 2. USE OF REVENUES. Revenues received from the tax authorized by subdivision 1 may only be used by the city to pay the cost of collecting the tax, and to pay for

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the following projects or to secure or pay any principal, premium, or interest on bonds issued in accordance with subdivision 3 for the following projects.

(a) To pay all or a portion of the capital expenses of construction, equipment and acquisition costs for the expansion and remodeling of the St. Paul Civic Center complex, including the demolition of the existing arena and the construction and equipping of a new arena.

(b) The remainder of the funds must be spent for capital projects to further residential, cultural, commercial, and economic development in both downtown St. Paul and St. Paul neighborhoods. The amount apportioned under this paragraph shall be no less than 60 percent of the revenues derived from the tax each year, except to the extent that a portion of that amount is required to pay debt service on (1) bonds issued for the purposes of paragraph (a) prior to March 1, 1998; or (2) bonds issued for the purposes of paragraph (a) after March 1, 1998, but only if the city council determines that 40 percent of the revenues derived from the tax together with other revenues pledged to the payment of the bonds, including the proceeds of definitive bonds, is expected to exceed the annual debt service on the bonds.

(c) If in any year more than 40 percent of the revenue derived from the tax authorized by subdivision 1 is used to pay debt service on the bonds issued for the purposes of paragraph (a) and to fund a reserve for the bonds, the amount of the debt service payment that exceeds 40 percent of the revenue must be determined for that year. In any year when 40 percent of the revenue produced by the sales tax exceeds the amount required to pay debt service on the bonds and to fund a reserve for the bonds under paragraph (a), the amount of the excess must be made available for capital projects to further residential, cultural, commercial, and economic development in the neighborhoods and downtown until the cumulative amounts determined for all years under the preceding sentence have been made available under this sentence. The amount made available as reimbursement in the preceding sentence is not included in the 60 percent determined under paragraph (b).

(d) By January 15 of each odd-numbered year, the mayor and the city council must report to the legislature on the use of sales tax revenues during the preceding two-year period.

Sec. 31. Laws 1993, chapter 375, article 9, section 46, subdivision 3, is amended to read:

Subd. 3. BONDS. The city may issue general obligation bonds of the city or special revenue bonds to finance all or a portion of the cost for projects authorized in subdivision 2, paragraph (a). The debt represented by the bonds shall not be included in computing any debt limitations applicable to the city. The bonds may be paid from or secured by any funds available to the city, including the tax authorized under subdivision 1, any revenues derived from the project, tax increments from the tax increment district that includes the project, and revenue from any lodging tax imposed under Laws 1982, chapter 523, article 25, section 1. The bonds may be issued in one or more series and sold without election on the question of issuance of the bonds or a property tax to pay them. Except as otherwise provided in this section, the bonds must be issued, sold, and secured in the manner provided in Minnesota Statutes, chapter 475. The aggregate principal amount of bonds issued under this subdivision may not exceed \$65 million, provided that the city may issue additional bonds under this subdivision as long as the total principal amount of the addi-

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tional bonds together with the outstanding principal amount of the bonds previously issued under this subdivision does not exceed \$130 million. The bonds authorized by this subdivision shall not be included in local general obligation debt as defined in Laws 1971, chapter 773, as amended, including Laws 1992, chapter 511, and shall not affect the amount of capital improvement bonds authorized to be issued by the city of St. Paul.

Sec. 32. Laws 1993, chapter 375, article 9, section 46, subdivision 5, is amended to read:

Subd. 5. **EXPIRATION OF TAXING AUTHORITY.** The authority granted by subdivision 1 to the city to impose a sales tax shall expire ~~when the principal and interest on any bonds or other obligations issued to finance projects authorized in subdivision 2, paragraph (a) have been paid on December 31, 2030, or at an earlier time as the city shall, by ordinance, determine.~~ Any funds remaining after completion of projects approved under subdivision 2, paragraph (a) and retirement or redemption of any bonds or other obligations may be placed in the general fund of the city.

Sec. 33. Laws 1995, chapter 264, article 2, section 44, as amended by Laws 1996, chapter 471, article 2, section 27, is amended to read:

Sec. 44. **EFFECTIVE DATE.**

Section 1 is effective the day following final enactment.

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

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

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

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

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

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

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

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

Section 32 is effective for sales made after June 30, 1995, and before July 1, ~~1998~~ 1999.

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

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

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

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

Sec. 34. Laws 1997, chapter 231, article 7, section 47, is amended to read:

Sec. 47. **EFFECTIVE DATES.**

Section 1 is effective for refund claims filed after June 30, 1997.

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Sections 2, 6, 7, 9, 13, 15, 16, 17, 18, 20, 21, 25, 31, and 32 are effective for purchases, sales, storage, use, or consumption occurring after June 30, 1997.

Section 3 is effective on July 1, 1997, or upon adoption of the corresponding rules, whichever occurs earlier.

Section 4, paragraph (i), clause (iv), is effective for purchases and sales occurring after September 30, 1987; the remainder of section 4 is effective for purchases and sales occurring after June 30, 1997.

Section 5, paragraph (h), is effective for purchases and sales occurring after June 30, 1997, and paragraph (i) is effective for purchases and sales occurring after December 31, 1992.

Sections 8 and 46 are effective July 1, 1998.

Sections 10 and 22 are effective for purchases, sales, storage, use, or consumption occurring after August 31, 1996.

Sections 11, 12, 33, 34, and 35 are effective July 1, 1997.

Sections 14 and 19 are effective for purchases and sales after June 30, 1999.

Section 20 is effective for sales and purchases occurring after December 31, 1995.

Section 23 is effective January 1, 1997.

Section 24 is effective for purchases, sales, storage, use, or consumption occurring after April 30, 1997.

Sections 26 and 45 are effective for purchases, sales, storage, use, or consumption occurring after July 31, 1997, and before August 1, 2003.

Section 27 is effective for purchases, sales, storage, use, or consumption occurring after May 31, 1997.

Section 28 is effective for sales made after December 31, 1989, and before January 1, 1997. The provisions of Minnesota Statutes, section 289A.50, apply to refunds claimed under section 28. Refunds claimed under section 28 must be filed by the later of December 31, 1997, or the time limit under Minnesota Statutes, section 289A.40, subdivision 1.

Section 29 is effective for sales or first use after May 31, 1997, and before June 1, 1998.

Sections 30, 42, and 43 are effective the day following final enactment.

Sections 36 to 39 are effective the day after compliance by the governing body of Cook county with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 35. TRANSFER OF TRAVEL TRAILERS EXEMPTED.

Notwithstanding the provisions of Minnesota Statutes, chapter 297B, any transfer of title of a travel trailer from the Federal Emergency Management Agency to the state of Minnesota and any subsequent transfer of title of the trailer to a political subdivision of the state shall be exempt from the tax imposed under Minnesota Statutes, chapter 297B.

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Sec. 36. CITY OF ST. PAUL; USE OF SALES TAX REVENUES.

The revenue derived from the sales tax imposed by the city of St. Paul under Laws 1993, chapter 375, article 9, section 46, as amended by Laws 1997, chapter 231, article 7, section 40, that is distributed to the city's cultural STAR program must be awarded through a grant or loan review process as provided in this section. Eighty percent of the revenue must be annually awarded to nonprofit arts organizations, libraries, and museums that are located in the designated cultural district of downtown St. Paul, and the remaining 20 percent may be awarded to businesses in the cultural district for projects which enhance visitor enjoyment of the district, or to nonprofit arts organizations, libraries, and museums located in St. Paul but outside of the cultural district. Grants or loans may be used for capital improvements. The restrictions in this section apply to all STAR cultural funds expended for projects approved after June 30, 1998.

Sec. 37. ST. PAUL NEIGHBORHOOD INVESTMENT SALES TAX EXPENDITURES; CITIZEN REVIEW PROCESS.

Subdivision 1. REQUIREMENT. Expenditures of revenues from the sales tax imposed by the city of St. Paul that are dedicated to neighborhood investments may be made only after review of the proposals for expenditures by the citizen review panel described in this section. The panel must evaluate the proposals and provide a report to the city council that makes recommendations regarding the proposed expenditures in rank order.

Subd. 2. APPOINTMENT OF MEMBERS. The citizen review panel must consist of 17 members, each of whom represents one of the district councils. The mayor must appoint the members, and the appointments are subject to confirmation by a majority vote of the city council. Members serve for a term of four years. Elected officials and employees of the city are ineligible to serve as members of the panel.

Sec. 38. CITY OF BEMIDJI.

Subdivision 1. SALES AND USE TAX AUTHORIZED. Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the city voters at a general election held within one year of the date of final enactment of this act, the city of Bemidji may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.48, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. EXCISE TAX AUTHORIZED. Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if a sales and use tax is imposed under subdivision 1, the city of Bemidji may impose by ordinance, for the purpose specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. USE OF REVENUES. Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay all or part of the capital and administrative cost of acquiring and constructing facilities as part of a regional convention center in Bemidji. Authorized expenses include, but are not limited to, acquiring property and paying construction expenses related to the development of a convention center which is an arena for sporting events, concerts, trade shows,

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conventions, meeting rooms, and other compatible uses including, but not limited to, parking, lighting, and landscaping.

Subd. 4. BONDING AUTHORITY. (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects. An election to approve the bonds under Minnesota Statutes, section 475.58, may be held in combination with the election to authorize imposition of the tax under subdivision 1. Whether to permit imposition of the tax and issuance of bonds may be posed to the voters as a single question. The question must state that the sales tax revenues are pledged to pay the bonds, but that the bonds are general obligations and will be guaranteed by the city's property taxes.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60.

(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

The aggregate principal amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements, may not exceed \$25,000,000, plus an amount equal to the costs related to issuance of the bonds.

(d) The taxes may be pledged to and used for the payment of the bonds and any bonds issued to refund them only if the bonds and any refunding bonds are general obligations of the city.

Subd. 5. TERMINATION OF TAXES. The taxes imposed under subdivisions 1 and 2 expire when the city council determines that sufficient funds have been received from taxes to finance the capital and administrative costs for acquisition and construction of a convention center and related facilities to repay or retire at maturity the principal, interest, and premium due on any bonds issued for the project under subdivision 4. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

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

Sec. 39. CITY OF DETROIT LAKES.

Subdivision 1. SALES AND USE TAX AUTHORIZED. Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, if approved by the city voters at a general election held within one year of the date of final enactment of this act, the city of Detroit Lakes may, by ordinance, impose an additional sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.48, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. EXCISE TAX AUTHORIZED. Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, the

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city of Detroit Lakes may impose, by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. USE OF REVENUES. Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the costs of collecting the taxes and to pay all or part of the capital and administrative costs, up to \$6,000,000, for constructing a community center. Authorized expenses include, but are not limited to, acquiring property and paying construction and operating expenses related to the development of the community center and paying debt service on bonds or other obligations issued to finance the construction of the community center.

Subd. 4. BONDING AUTHORITY. (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects. An election to approve the bonds under Minnesota Statutes, section 475.58, may be held in combination with the election to authorize imposition of the tax under subdivision 1. Whether to permit imposition of the tax and issuance of bonds may be posed to the voters as a single question. The question must state that the sales tax revenues are pledged to pay the bonds, but that the bonds are general obligations and will be guaranteed by the city's property taxes.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60.

(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

The aggregate principal amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements may not exceed \$6,000,000, plus an amount equal to the costs related to issuance of the bonds.

(d) The taxes may be pledged to and used for the payment of the bonds and any bonds issued to refund them, only if the bonds and any refunding bonds are general obligations of the city.

Subd. 5. TERMINATION OF TAXES. The taxes imposed under subdivisions 1 and 2 expire when the city council determines that sufficient funds have been received from the taxes to finance the capital and administrative costs for constructing the community center and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the construction. Any funds remaining after completion of the project or retirement or redemption of the bonds may be placed in the general fund of the city.

Subd. 6. EFFECTIVE DATE. This section is effective the day after compliance by the governing body of the city of Detroit Lakes with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 40. CITY OF FERGUS FALLS.

Subdivision 1. SALES AND USE TAX AUTHORIZED. Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city char-

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ter, if approved by the city voters at a general election held within one year of the date of final enactment of this act, the city of Fergus Falls may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.48, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision, except that the sales and use taxes shall not apply to farm machinery.

Subd. 2. **EXCISE TAX AUTHORIZED.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if a sales and use tax is imposed under subdivision 1, the city of Fergus Falls may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. **USE OF REVENUES.** Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the costs of collecting the taxes and to pay all or part of the capital and administrative costs of constructing facilities as part of a regional conference center, community center, recreational and tourism project in Fergus Falls known as Project Reach Out. Authorized expenses include, but are not limited to, acquiring property and paying construction and operating expenses related to the development of Project Reach Out and related facilities, and paying debt service on bonds or other obligations issued to finance the construction of Project Reach Out and related facilities.

For purposes of this section, "Project Reach Out and related facilities" means a regional conference center, community center, regional park and recreational facilities, and all publicly owned real or personal property that the governing body of the city determines are necessary to facilitate the use of these facilities, including but not limited to, parking, pedestrian bridges, lighting, and landscaping.

Subd. 4. **BONDING AUTHORITY.** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects. An election to approve the bonds under Minnesota Statutes, section 475.58, may be held in combination with the election to authorize imposition of the tax under subdivision 1. Whether to permit imposition of the tax and issuance of bonds may be posed to the voters as a single question. The question must state that the sales tax revenues are pledged to pay the bonds, but that the bonds are general obligations and will be guaranteed by the city's property taxes.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60.

(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

The aggregate principal amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements may not exceed \$9,000,000, plus an amount equal to the costs related to issuance of the bonds.

(d) The taxes may be pledged to and used for the payment of the bonds and any bonds issued to refund them, only if the bonds and any refunding bonds are general obligations of the city.

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Subd. 5. TERMINATION OF TAXES. The taxes imposed under subdivisions 1 and 2 expire when the city determines that sufficient funds have been received from the taxes to finance the capital and administrative costs for acquisition, construction, improvement, and operation of Project Reach Out and related facilities and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the project under subdivision 4. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

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

Sec. 41. CITY OF HUTCHINSON; TAXES AUTHORIZED.

Subdivision 1. SALES AND USE TAX. Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the city voters at a general election or special election held within one year of final enactment of this act, the city of Hutchinson may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.48, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. EXCISE TAX AUTHORIZED. Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Hutchinson may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. USE OF REVENUES. Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for construction and improvement of a civic and community center and recreational facilities to serve seniors and youth. Authorized expenses include, but are not limited to, acquiring property, paying construction and operating expenses related to the development of an authorized facility, and paying debt service on bonds or other obligations issued to finance the construction or expansion of an authorized facility. The capital expenses for all projects authorized under this paragraph that may be paid with these taxes is limited to \$5,000,000, plus an amount equal to the costs related to issuance of the bonds.

Subd. 4. BONDING AUTHORITY. (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects. An election to approve the bonds under Minnesota Statutes, section 475.58, may be held in combination with the election to authorize imposition of the tax under subdivision 1. Whether to permit imposition of the tax and issuance of bonds may be posed to the voters as a single question. The question must state that the sales tax revenues are pledged to pay the bonds, but that the bonds are general obligations and will be guaranteed by the city's property taxes.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60.

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(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

The aggregate principal amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements may not exceed \$5,000,000, plus an amount equal to the costs related to issuance of the bonds.

(d) The taxes may be pledged to and used for the payment of the bonds and any bonds issued to refund them, only if the bonds and any refunding bonds are general obligations of the city.

Subd. 5. **TERMINATION OF TAXES.** The taxes imposed under subdivisions 1 and 2 expire when the city council determines that sufficient funds have been received from the taxes to finance the capital and administrative costs for the acquisition, construction, and improvement of facilities described in subdivision 3, and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the facilities under subdivision 5. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

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

Sec. 42. CITY OF OWATONNA; SALES AND USE TAX.

Subdivision 1. **SALES AND USE TAX AUTHORIZED.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the city voters at a general election held within one year of the date of final enactment of this act, the city of Owatonna may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.48, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **EXCISE TAX AUTHORIZED.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if a sales and use tax is imposed under subdivision 1, the city of Owatonna may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. **USE OF REVENUES.** Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the costs of collecting the taxes and to pay all or part of the capital and administrative costs of constructing and improving infrastructure and facilities as part of Owatonna Economic Development 2000 and related facilities. Authorized expenses include, but are not limited to, acquiring property and paying construction and operating expenses related to the development of Owatonna Economic Development 2000 and related facilities, and paying debt service on bonds or other obligations issued to finance the construction of Owatonna Economic Development 2000 and related facilities.

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For purposes of this section, "Owatonna Economic Development 2000 and related facilities" means the improvement of the Owatonna regional airport and infrastructure improvements, including roads and the extension of water and sewer services, for an economic and tourism project.

Subd. 4. BONDING AUTHORITY. (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects. An election to approve the bonds under Minnesota Statutes, section 475.58, may be held in combination with the election to authorize imposition of the tax under subdivision 1. Whether to permit imposition of the tax and issuance of bonds may be posed to the voters as a single question. The question must state that the sales tax revenues are pledged to pay the bonds, but that the bonds are general obligations and will be guaranteed by the city's property taxes.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60.

(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

The aggregate principal amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements may not exceed \$5,000,000, plus an amount equal to the costs related to issuance of the bonds.

(d) The taxes may be pledged to and used for the payment of the bonds and any bonds issued to refund them, only if the bonds and any refunding bonds are general obligations of the city.

Subd. 5. TERMINATION OF TAXES. The taxes imposed under subdivisions 1 and 2 expire when the city council determines that sufficient funds have been received from the taxes to finance the capital and administrative costs for acquisition, construction, and improvement of Owatonna Economic Development 2000 and related facilities and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the project under subdivision 4. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

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

Sec. 43. CITY OF ROCHESTER; TAXES.

Subdivision 1. SALES AND USE TAXES AUTHORIZED. Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, upon termination of the taxes authorized under Laws 1992, chapter 511, article 8, section 33, subdivision 1, and if approved by the voters of the city at a general or special election held within one year of the date of final enactment of this act, the city of Rochester may, by ordinance, impose an additional sales and use tax of up to one-half of one percent. The provisions of Minnesota Statutes, section 297A.48, govern the imposi-

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tion, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. EXCISE TAX AUTHORIZED. Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, upon termination of the tax authorized under Laws 1992, chapter 511, article 8, section 33, subdivision 2, the city of Rochester may, by ordinance, impose an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. USE OF REVENUES. Revenues received from the taxes authorized by subdivisions 1 and 2 must be used by the city to pay for the cost of collecting and administering the taxes and to pay for the following projects:

(1) transportation infrastructure improvements including both highway and airport improvements;

(2) improvements to the civic center complex;

(3) a municipal water, sewer, and storm sewer project necessary to improve regional ground water quality; and

(4) construction of a regional recreation and sports center and associated facilities available for both community and student use, located at or adjacent to the Rochester center.

The total amount of capital expenditures or bonds for these projects that may be paid from the revenues raised from the taxes authorized in this section may not exceed \$71,500,000. The total amount of capital expenditures or bonds for the project in clause (4) that may be paid from the revenues raised from the taxes authorized in this section may not exceed \$20,000,000.

Subd. 4. BONDING AUTHORITY. (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects. An election to approve the bonds under Minnesota Statutes, section 475.58, may be held in combination with the election to authorize imposition of the tax under subdivision 1. Whether to permit imposition of the tax and issuance of bonds may be posed to the voters as a single question. The question must state that the sales tax revenues are pledged to pay the bonds, but that the bonds are general obligations and will be guaranteed by the city's property taxes.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60.

(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

The aggregate principal amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements may not exceed \$71,500,000, plus an amount equal to the costs related to issuance of the bonds.

(d) The taxes may be pledged to and used for the payment of the bonds and any bonds issued to refund them, only if the bonds and any refunding bonds are general obligations of the city.

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Subd. 5. TERMINATION OF TAXES. The taxes imposed under subdivisions 1 and 2 expire when the city council determines that sufficient funds have been received from the taxes to finance the projects and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the projects under subdivision 4. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

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

Sec. 44. CENTRAL MINNESOTA EVENTS CENTER; LOCAL OPTION TAXES.

Subdivision 1. SALES AND USE TAX AUTHORIZED. Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the cities of St. Cloud, Sauk Rapids, Sartell, Waite Park, and St. Joseph may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. This tax, and the taxes described in subdivisions 2 to 4, may be imposed in any of these cities only if approved by the voters of the city at a general election held within one year of the date of final enactment of this act, or at an election held on the first Tuesday in November of 1999. The provisions of Minnesota Statutes, section 297A.48, govern the imposition, administration, collection, and enforcement of the taxes authorized under this subdivision.

Subd. 2. EXCISE TAX AUTHORIZED. Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the cities identified in subdivision 1 may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. FOOD AND BEVERAGE TAX AUTHORIZED. Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the cities identified in subdivision 1 may each impose by ordinance, for the purposes specified in subdivision 5, a tax of up to one percent on the gross receipts from the on-sales of intoxicating liquor and fermented malt beverages and the sale of food and beverages sold at restaurants and places of refreshment within the city. The city shall define "restaurant" and "place of refreshment" as part of the ordinance.

Subd. 4. LODGING TAX AUTHORIZED. Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the cities identified in subdivision 1 may each impose by ordinance, for the purposes specified in subdivision 5, a tax of up to one percent on the gross receipts from the furnishing for a consideration of lodging and related services by a hotel, rooming house, tourist court, motel, or trailer camp, other than the renting or leasing of it for a continuous period of 30 days or more. This tax is in addition to the tax authorized in Minnesota Statutes, section 469.190, and is not included in calculating the tax rate subject to the limit imposed on lodging taxes in Minnesota Statutes, section 469.190, subdivision 2.

Subd. 5. USE OF REVENUES. (a) Revenues received from the taxes authorized by subdivisions 1 to 4 must be used to pay for the cost of collecting the taxes; to pay all or

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part of the capital or administrative cost of the acquisition, construction, and improvement of the Central Minnesota Events Center and related on-site and off-site improvements; and to pay for the operating deficit, if any, in the first five years of operation of the facility. Authorized expenses related to acquisition, construction, and improvement of the center include, but are not limited to, acquiring property, paying construction and operating expenses related to the development of the facility, and securing and paying debt service on bonds or other obligations issued to finance construction or improvement of the authorized facility.

(b) In addition, if the revenues collected from a tax imposed in subdivisions 1 to 4 are greater than the amount needed to meet obligations under paragraph (a) in any year, the surplus may be returned to the cities in a manner agreed upon by the participating cities under this section, to be used by the cities for projects of regional significance, limited to the acquisition and improvement of park land and open space; the purchase, renovation, and construction of public buildings and land primarily used for the arts, libraries, and community centers; and for debt service on bonds issued for these purposes. The amount of surplus revenues raised by a tax will be determined either as provided for by an applicable joint powers agreement or by a governing entity in charge of administering the project in paragraph (a).

Subd. 6. BONDING AUTHORITY. (a) The cities named in subdivision 1 may issue bonds under Minnesota Statutes, chapter 475, to finance the acquisition, construction, and improvement of the Central Minnesota Events Center. An election to approve the bonds under Minnesota Statutes, section 475.58, may be held in combination with the election to authorize imposition of the tax under subdivision 1. Whether to permit imposition of the tax and issuance of bonds may be posed to the voters as a single question. The question must state that the sales tax revenues are pledged to pay the bonds, but that the bonds are general obligations and will be guaranteed by the city's property taxes.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60.

(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

The aggregate principal amount of bonds issued by all cities named in subdivision 1, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements may not exceed \$50,000,000, plus an amount equal to the costs related to issuance of the bonds, less any amount made available to the cities for the project described in subdivision 5 under the capital expenditure legislation adopted during the 1998 session of the legislature.

(d) The taxes may be pledged to and used for the payment of the bonds and any bonds issued to refund them, only if the bonds and any refunding bonds are general obligations of the city.

Subd. 7. TERMINATION OF TAXES. The taxes imposed by each city under subdivisions 1 to 4 expire when sufficient funds have been received from the taxes to finance the obligations under subdivision 3, and to prepay or retire at maturity the principal, interest, and premium due on the original bonds issued for the initial acquisition, construction,

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and improvement of the Central Minnesota Events Center as determined under an applicable joint powers agreement or by a governing entity in charge of administering the project. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general funds of the cities imposing the taxes. The taxes imposed by a city under this section may expire at an earlier time by city ordinance, if authorized under the applicable joint powers agreement or by the governing entity in charge of administering the project.

If the cities that pass a referendum required under subdivision 6 determine that the revenues raised from the sum of all the taxes authorized by referendum under this subdivision will not be sufficient to fund the project in subdivision 5, none of the authorized taxes may be imposed.

Subd. 8. EFFECTIVE DATE. This section is effective August 1, 1998, with respect to any city listed in subdivision 1 upon compliance of the governing body of that city with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 45. CITY OF TWO HARBORS; TAXES AUTHORIZED.

Subdivision 1. SALES AND USE TAXES. Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters of the city at the next general election held after the date of final enactment of this act, the city of Two Harbors may impose by ordinance, a sales and use tax at a rate of up to one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.48, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. EXCISE TAX AUTHORIZED. Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Two Harbors may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. USE OF REVENUES. Revenues received from the taxes authorized under subdivision 1 must be used for sanitary sewer separation, wastewater treatment, and harbor refuge development projects.

Subd. 4. BONDING AUTHORITY. (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects. An election to approve the bonds under Minnesota Statutes, section 475.58, may be held in combination with the election to authorize imposition of the tax under subdivision 1. Whether to permit imposition of the tax and issuance of bonds may be posed to the voters as a single question. The question must state that the sales tax revenues are pledged to pay the bonds, but that the bonds are general obligations and will be guaranteed by the city's property taxes.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60.

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(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

The aggregate principal amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements may not exceed \$20,000,000, plus an amount equal to the costs related to issuance of the bonds.

(d) The taxes may be pledged to and used for the payment of the bonds and any bonds issued to refund them, only if the bonds and any refunding bonds are general obligations of the city.

Subd. 5. **TERMINATION OF TAXES.** The authority granted under subdivision 1 to the city of Two Harbors to impose sales and use taxes expires when the costs of the projects described in subdivision 3 have been paid.

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

Sec. 46. CITY OF WINONA; TAXES AUTHORIZED.

Subdivision 1. **SALES AND USE TAX AUTHORIZED.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the city voters at a general election held within one year of the date of final enactment of this act, the city of Winona may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.48, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **EXCISE TAX AUTHORIZED.** Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Winona may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. **USE OF REVENUES.** Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the costs of collecting the taxes and to pay all or a part of the capital and administrative costs of the dredging of Lake Winona, including paying debt service on bonds or other obligations issued to finance the project under subdivision 4.

Subd. 4. **BONDING AUTHORITY.** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects. An election to approve the bonds under Minnesota Statutes, section 475.58, may be held in combination with the election to authorize imposition of the tax under subdivision 1. Whether to permit imposition of the tax and issuance of bonds may be posed to the voters as a single question. The question must state that the sales tax revenues are pledged to pay the bonds, but that the bonds are general obligations and will be guaranteed by the city's property taxes.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60.

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(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

The aggregate principal amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements may not exceed \$4,000,000, plus an amount equal to the costs related to issuance of the bonds.

(d) The taxes may be pledged to and used for the payment of the bonds and any bonds issued to refund them, only if the bonds and any refunding bonds are general obligations of the city.

Subd. 5. TERMINATION OF TAXES. The taxes imposed under subdivisions 1 and 2 expire when the city council determines that sufficient funds have been received from the taxes to finance the dredging of Lake Winona and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the project under subdivision 4. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

Subd. 6. EFFECTIVE DATE. This section is effective upon compliance by the governing body of the city of Winona with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 47. REPEALER.

Minnesota Statutes 1996, section 297A.02, subdivision 2, is repealed.

Sec. 48. EFFECTIVE DATE.

Sections 1, 3, 8, 9, 19, and 21 are effective for sales and purchases made after June 30, 1998. Sections 2 and 47 are effective for sales made after June 30, 2000. Sections 5, 13, and 17 are effective for sales made after June 30, 1998. Sections 6 and 7 are effective for rentals after June 30, 1998. Section 10 is effective for purchases made after June 30, 1998. Sections 12, 14, 15, and 34 are effective the day following final enactment. Section 16 is effective for purchases made after December 1, 1997. Section 18 is effective for purchases made after June 30, 1998, and before July 1, 2003. Section 20 is effective for local laws enacted after June 30, 1998. Sections 22 and 23 are effective July 1, 1998. Section 24 is effective December 31, 1997. Sections 25 to 27 are effective upon approval by the governing body of the city of Duluth and compliance with Minnesota Statutes, section 645.021, subdivision 3. Section 28 is effective upon approval by the governing body of the city of Mankato and compliance with Minnesota Statutes, section 645.021, subdivision 3. Section 29 is effective upon approval by the governing body of the city of Rochester and compliance with Minnesota Statutes, section 645.021, subdivision 3. Sections 30 to 32, 36, and 37 are effective the day after the governing body of the city of St. Paul complies with Minnesota Statutes, section 645.021. Section 35 is effective for transfers after November 30, 1997, and before January 1, 1999.

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ARTICLE 9

BUDGET RESERVES

Section 1. Minnesota Statutes 1997 Supplement, section 16A.152, subdivision 2, is amended to read:

Subd. 2. **ADDITIONAL REVENUES; PRIORITY.** If on the basis of a forecast of general fund revenues and expenditures after November 1 in an odd-numbered year, the commissioner of finance determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium, the commissioner of finance must allocate money as follows:

(a) first, to the budget reserve until the total amount in the account equals ~~\$522,000,000~~ \$622,000,000; then

(b) 60 percent to the property tax reform account established in section 16A.1521; and

(c) 40 percent is an unrestricted balance in the general fund.

The amounts necessary to meet the requirements of this section are appropriated from the general fund within two weeks after the forecast is released.

Sec. 2. **EXCESS REVENUE; TO REDUCE BORROWING.**

Subdivision 1. TAX REFORM AND REDUCTION ACCOUNT. A tax reform and reduction account is established in the general fund. Amounts in the account are available only to provide tax reform and reduction, as enacted by law. The governor shall make recommendations to the legislature regarding uses of the money in the account to reduce taxes and to reform the Minnesota tax system.

Subd. 2. PRIORITIES. If on the basis of a forecast of general fund revenues and expenditures after November 1 in 1998, the commissioner of finance determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium, the commissioner of finance must allocate money as follows:

(1) first, to the budget reserve until the total amount in that account equals \$622,000,000; then

(2) second, to the tax reduction and reform account until the amount allocated equals \$200,000,000; and

(3) third, to reduce the need to borrow money to finance state building projects as provided in subdivision 3.

Subd. 3. CANCELLATION OF BOND APPROPRIATIONS AND AUTHORIZATIONS. The commissioner of finance shall reduce appropriations from the bond proceeds fund and the state transportation fund in 1998 H.F. No. 3843, if enacted, for which bonds have not yet been sold as authorized by that law, by the amount of general fund revenue made available for this purpose under subdivision 2, and the amount reduced is appropriated from the general fund for the same purposes as the appropriations reduced. The commissioner of finance shall reduce the bond sale authorizations in 1998 H.F. No. 3843 accordingly.

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Sec. 3. APPROPRIATION.

On July 1, 1998, \$100,000,000 is appropriated from the general fund to the commissioner of finance to transfer to the budget reserve account under Minnesota Statutes, section 16A.152, subdivision 1a.

ARTICLE 10**TACONITE TAXES**

Section 1. Minnesota Statutes 1997 Supplement, section 124.918, subdivision 8, is amended to read:

Subd. 8. TACONITE PAYMENT AND OTHER REDUCTIONS. (1) Reductions in levies pursuant to section 124.918, subdivision 1, and section 273.138, shall be made prior to the reductions in clause (2).

(2) Notwithstanding any other law to the contrary, districts which received payments pursuant to sections 298.018; 298.23 to 298.28, except an amount distributed under section 298.28, subdivision 4, paragraph (c), clause (ii); 298.34 to 298.39; 298.391 to 298.396; 298.405; and any law imposing a tax upon severed mineral values, or recognized revenue pursuant to section 477A.15; shall not include a portion of these aids in their permissible levies pursuant to those sections, but instead shall reduce the permissible levies authorized by this chapter and chapter 124A by the greater of the following:

(a) an amount equal to 50 percent of the total dollar amount of the payments received pursuant to those sections or revenue recognized pursuant to section 477A.15 in the previous fiscal year; or

(b) an amount equal to the total dollar amount of the payments received pursuant to those sections or revenue recognized pursuant to section 477A.15 in the previous fiscal year less the product of the same dollar amount of payments or revenue times the ratio of the maximum levy allowed the district under Minnesota Statutes 1986, sections 124A.03, subdivision 2, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, and 124A.14, subdivision 5a, to the total levy allowed the district under this section and Minnesota Statutes 1986, sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, 124A.14, subdivision 5a, and 124A.20, subdivision 2, for levies certified in 1986 five percent.

(3) No reduction pursuant to this subdivision shall reduce the levy made by the district pursuant to section 124A.23, to an amount less than the amount raised by a levy of a net tax rate of 6.82 percent times the adjusted net tax capacity for taxes payable in 1990 and thereafter of that district for the preceding year as determined by the commissioner. The amount of any increased levy authorized by referendum pursuant to section 124A.03, subdivision 2, shall not be reduced pursuant to this subdivision. The amount of any levy authorized by section 124.912, subdivision 1, to make payments for bonds issued and for interest thereon, shall not be reduced pursuant to this subdivision.

(4) Before computing the reduction pursuant to this subdivision of the health and safety levy authorized by sections 124.83 and 124.91, subdivision 6, the commissioner

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shall ascertain from each affected school district the amount it proposes to levy under each section or subdivision. The reduction shall be computed on the basis of the amount so ascertained.

(5) Notwithstanding any law to the contrary, any amounts received by districts in any fiscal year pursuant to sections 298.018; 298.23 to 298.28; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values; and not deducted from general education aid pursuant to section 124A.035, subdivision 5, clause (2), and not applied to reduce levies pursuant to this subdivision shall be paid by the district to the St. Louis county auditor in the following amount by March 15 of each year, the amount required to be subtracted from the previous fiscal year's general education aid pursuant to section 124A.035, subdivision 5, which is in excess of the general education aid earned for that fiscal year. The county auditor shall deposit any amounts received pursuant to this clause in the St. Louis county treasury for purposes of paying the taconite homestead credit as provided in section 273.135.

Sec. 2. Minnesota Statutes 1996, section 273.135, subdivision 2, is amended to read:

Subd. 2. The amount of the reduction authorized by subdivision 1 shall be:

(a) In the case of property located within the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 66 percent of the tax, provided that the reduction shall not exceed the maximum amounts specified in clause (c), and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction for each homestead resulting from this credit be less than \$10.

(b) In the case of property located within the boundaries of a school district which qualifies as a tax relief area but which is outside the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 57 percent of the tax, provided that the reduction shall not exceed the maximum amounts specified in clause (c), and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction for each homestead resulting from this credit be less than \$10.

(c) The maximum reduction of the tax is ~~\$225.40~~ \$315.10 on property described in clause (a) and ~~\$200.10~~ \$289.80 on property described in clause (b), for taxes payable in 1985. These maximum amounts shall increase by \$15 times the quantity one minus the homestead credit equivalency percentage per year for taxes payable in 1986 and subsequent years.

For the purposes of this subdivision, "homestead credit equivalency percentage" means one minus the ratio of the net class rate to the gross class rate applicable to the first \$72,000 of the market value of residential homesteads, "effective tax rate" means tax divided by the market value of a property, and the "base year effective tax rate" means the payable 1988 tax on a property with an identical market value to that of the property receiving the credit in the current year after the application of the credits payable under Minnesota Statutes 1988, section 273.13, subdivisions 22 and 23, and this section, divided by the market value of the property.

Sec. 3. Minnesota Statutes 1996, section 273.1391, subdivision 2, is amended to read:

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Subd. 2. The amount of the reduction authorized by subdivision 1 shall be:

(a) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a county with a population of less than 100,000 in which taconite is mined or quarried and wherein a school district is located which does meet the qualifications of a tax relief area, and provided that at least 90 percent of the area of the school district which does not meet the qualifications of section 273.134 lies within such county, 57 percent of the tax on qualified property located in the school district that does not meet the qualifications of section 273.134, provided that the amount of said reduction shall not exceed the maximum amounts specified in clause (c); and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to the product of 95 percent of the base year effective tax rate multiplied by the ratio of the current year's tax rate to the payable 1989 tax rate. In no case will the reduction for each homestead resulting from this credit be less than \$10. The reduction provided by this clause shall only be applicable to property located within the boundaries of the county described therein.

(b) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a school district in a county containing a city of the first class and a qualifying municipality, but not in a school district containing a city of the first class or adjacent to a school district containing a city of the first class unless the school district so adjacent contains a qualifying municipality, 57 percent of the tax, but not to exceed the maximums specified in clause (c); and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to the product of 95 percent of the base year effective tax rate multiplied by the ratio of the current year's tax rate to the payable 1989 tax rate. In no case will the reduction for each homestead resulting from this credit be less than \$10.

(c) The maximum reduction of the tax is \$200.10 for taxes payable in 1985. This maximum amount shall increase by \$15 multiplied by the quantity one minus the homestead credit equivalency percentage per year for taxes payable in 1986 and subsequent years \$289.80.

For the purposes of this subdivision, "homestead credit equivalency percentage" means one minus the ratio of the net class rate to the gross class rate applicable to the first \$72,000 of the market value of residential homesteads, and "effective tax rate" means tax divided by the market value of a property, and the "base year effective tax rate" means the payable 1988 tax on a property with an identical market value to that of the property receiving the credit in the current year after application of the credits payable under Minnesota Statutes 1988, section 273.13, subdivisions 22 and 23, and this section, divided by the market value of the property.

Sec. 4. [298.001] DEFINITIONS.

Subdivision 1. GENERALLY. As used in this chapter, the terms defined in this section have the meanings given in this section.

Subd. 2. CITY. "City" includes any home rule charter city, statutory city, or any city however organized.

Subd. 3. PERSON. "Person" means individuals, fiduciaries, estates, trusts, partnerships, companies, joint stock companies, corporations, and all associations.

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Subd. 4. **TACONITE.** "Taconite" means ferruginous chert or ferruginous slate in the form of compact, siliceous rock, in which the iron oxide is so finely disseminated that substantially all of the iron-bearing particles of merchantable grade are smaller than 20 mesh and which is not merchantable as iron ore in its natural state, and which cannot be made merchantable by simple methods of beneficiation involving only crushing, screening, washing, jigging, drying, or any combination thereof.

Subd. 5. **IRON SULPHIDES.** "Iron sulphides" means chemical combinations of iron and sulphur (mineralogically known as pyrrhotite, pyrites, or marcasite), in relatively impure condition, which are not merchantable as iron ore and which cannot be made merchantable by the simple methods of beneficiation above described.

Subd. 6. **SEMITACONITE.** "Semitaconite" means altered iron formation, altered taconite, ferruginous chert, or ferruginous slate which has been oxidized and partially leached and in which the iron oxide is so finely disseminated that substantially all of the iron-bearing particles of merchantable grade are smaller than 20 mesh and which is not merchantable as iron ore in its natural state, and which cannot be made merchantable by simple methods of beneficiation involving only crushing, screening, washing, jigging, heavy media separation, spirals, cyclones, drying, or any combination thereof.

Subd. 7. **AGGLOMERATES.** "Agglomerates" means the merchantable iron ore aggregates which are produced by agglomeration.

Subd. 8. **COMMISSIONER.** "Commissioner" means the commissioner of revenue of the state of Minnesota.

Sec. 5. Minnesota Statutes 1996, section 298.22, subdivision 2, is amended to read:

Subd. 2. There is hereby created the iron range resources and rehabilitation board, consisting of 11 members, five of whom shall be state senators appointed by the subcommittee on committees of the rules committee of the senate, and five of whom shall be representatives, appointed by the speaker of the house of representatives, their terms of office to commence on May 1, 1943, and continue until January 3rd, 1945, or until their successors are appointed and qualified. ~~Their successors~~ The members shall be appointed each two years in the same manner as the original members were appointed, in January of every ~~second~~ odd-numbered year, commencing in January, 1945. The 11th member of ~~said the board shall be~~ the commissioner of natural resources of the state of Minnesota. Vacancies on the board shall be filled in the same manner as the original members were chosen. At least a majority of the legislative members of the board shall be elected from state senatorial or legislative districts in which over 50 percent of the residents reside within a tax relief area as defined in section 273.134. All expenditures and projects made by the commissioner of iron range resources and rehabilitation shall first be submitted to ~~said the iron range resources and rehabilitation board~~ for approval by at least eight board members of expenditures and projects for rehabilitation purposes as provided by this section, and the method, manner, and time of payment of all ~~said~~ funds proposed to be disbursed shall be first approved or disapproved by ~~said the~~ board. The board shall biennially make its report to the governor and the legislature on or before November 15 of each even-numbered year. The expenses of ~~said the~~ board shall be paid by the state of Minnesota from the funds raised pursuant to this section.

Sec. 6. Minnesota Statutes 1996, section 298.221, is amended to read:

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298.221 RECEIPTS FROM CONTRACTS; APPROPRIATION.

(a) All moneys money paid to the state of Minnesota pursuant to the terms of any contract entered into by the state under authority of Laws 1941, chapter 544, section 4, or of said section as amended section 298.22 and any fees which may, in the discretion of the commissioner of iron range resources and rehabilitation, be charged in connection with any project pursuant to that section as amended, shall be deposited in the state treasury to the credit of the iron range resources and rehabilitation board account in the special revenue fund and are hereby appropriated for the purposes of section 298.22.

(b) Notwithstanding section 7.09, merchandise may be accepted by the commissioner of the iron range resources and rehabilitation board for payment of advertising contracts if the commissioner determines that the merchandise can be used for special event prizes or mementos at facilities operated by the board. Nothing in this paragraph authorizes the commissioner or a member of the board to receive merchandise for personal use.

Sec. 7. Minnesota Statutes 1996, section 298.2213, subdivision 4, is amended to read:

Subd. 4. **PROJECT APPROVAL.** The board shall by August 1, 1987, and each year thereafter prepare a list of projects to be funded from the money appropriated in this section with necessary supporting information including descriptions of the projects, plans, and cost estimates. A project must not be approved by the board unless it finds that:

- (1) the project will materially assist, directly or indirectly, the creation of additional long-term employment opportunities;
- (2) the prospective benefits of the expenditure exceed the anticipated costs; and
- (3) in the case of assistance to private enterprise, the project will serve a sound business purpose.

To be proposed by the board, a project must be approved by at least eight iron range resources and rehabilitation board members and the commissioner of iron range resources and rehabilitation. The list of projects must be submitted to the governor, who shall, by November 15 of each year, approve, disapprove, or return for further consideration, each project. The money for a project may be spent only upon approval of the project by the governor. The board may submit supplemental projects for approval at any time.

Sec. 8. Minnesota Statutes 1996, section 298.225, subdivision 1, is amended to read:

Subdivision 1. ~~For distribution of taconite production tax in 1987 and thereafter with respect to production in 1986 and thereafter,~~ The distribution of the taconite production tax as provided in section 298.28, subdivisions 2 to 5, 6, paragraphs paragraph (b) and (c), 7, and 8, shall equal the lesser of the following amounts:

- (1) the amount distributed pursuant to this section and section 298.28, with respect to 1983 production if the production for the year prior to the distribution year is no less than 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the amount of the distributions shall be reduced proportionately at the rate of two percent for each 1,000,000 tons, or part of 1,000,000 tons by which the production is less than 42,000,000 tons; or

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(2)(i) for the distributions made pursuant to section 298.28, subdivisions 4, paragraphs (b) and (c), and 6, paragraph (c), ~~50~~ 40.5 percent of the amount distributed pursuant to this section and section 298.28, with respect to 1983 production.

(ii) for the distributions made pursuant to section 298.28, subdivision 5, paragraphs (b) and (d), 75 percent of the amount distributed pursuant to this section and section 298.28, with respect to 1983 production.

Sec. 9. Minnesota Statutes 1997 Supplement, section 298.24, subdivision 1, is amended to read:

Subdivision 1. (a) For concentrate produced in ~~1992, 1993, 1994, and 1995~~ 1997 and 1998, there is imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, a tax of ~~\$2.054~~ \$2.141 per gross ton of merchantable iron ore concentrate produced therefrom.

(b) ~~On concentrates produced in 1997 and thereafter, an additional tax is imposed equal to three cents per gross ton of merchantable iron ore concentrate for each one percent that the iron content of the product exceeds 72 percent, when dried at 212 degrees Fahrenheit.~~

(c) ~~For concentrates produced in 1996 1999 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year, provided that, for concentrates produced in 1996 only, the increase in the rate of tax imposed under this section over the rate imposed for the previous year may not exceed four cents per ton. "Implicit price deflator" for the gross national product means the implicit price deflator prepared by the bureau of economic analysis of the United States Department of Commerce.~~

(c) On concentrates produced in 1997 and thereafter, an additional tax is imposed equal to three cents per gross ton of merchantable iron ore concentrate for each one percent that the iron content of the product exceeds 72 percent, when dried at 212 degrees Fahrenheit.

(d) The tax shall be imposed on the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable.

(e) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of ~~\$2.054~~ \$2.141 per gross ton of merchantable iron ore concentrate produced shall be imposed.

(f) Consistent with the intent of this subdivision to impose a tax based upon the weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly determine the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite, olivine, or other basic flux additives are combined with merchantable iron ore con-

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concentrate. No subtraction from the weight of the pellets shall be allowed for binders, mineral and chemical additives other than basic flux additives, or moisture.

(g)(1) Notwithstanding any other provision of this subdivision, for the first two years of a plant's production of direct reduced ore, no tax is imposed under this section. As used in this paragraph, "direct reduced ore" is ore that results in a product that has an iron content of at least 75 percent. For the third year of a plant's production of direct reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate otherwise determined under this subdivision. For the fourth such production year, the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth such production year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for all subsequent production years, the full rate is imposed.

(2) Subject to clause (1), production of direct reduced ore in this state is subject to the tax imposed by this section, but if that production is not produced by a producer of taconite or iron sulfides, the production of taconite or iron sulfides consumed in the production of direct reduced iron in this state is not subject to the tax imposed by this section on taconite or iron sulfides.

Sec. 10. Minnesota Statutes 1996, section 298.28, subdivision 2, is amended to read:

Subd. 2. **CITY OR TOWN WHERE QUARRIED OR PRODUCED.** (a) 4.5 cents per gross ton of merchantable iron ore concentrate, hereinafter referred to as "taxable ton," must be allocated to the city or town in the county in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. If the mining, quarrying, and concentration, or different steps in either thereof are carried on in more than one taxing district, the commissioner shall apportion equitably the proceeds of the part of the tax going to cities and towns among such subdivisions upon the basis of attributing 40 percent of the proceeds of the tax to the operation of mining or quarrying the taconite, and the remainder to the concentrating plant and to the processes of concentration, and with respect to each thereof giving due consideration to the relative extent of such operations performed in each such taxing district. The commissioner's order making such apportionment shall be subject to review by the tax court at the instance of any of the interested taxing districts, in the same manner as other orders of the commissioner.

(b) Four cents per taxable ton shall be allocated to cities and organized townships affected by mining because their boundaries are within three miles of a taconite mine pit that has been actively mined in at least one of the prior three years. If a city or town is located near more than one mine meeting these criteria, the city or town is eligible to receive aid calculated from only the mine producing the largest taxable tonnage. When more than one municipality qualifies for aid based on one company's production, the aid must be apportioned among the municipalities in proportion to their populations. Of the amounts distributed under this paragraph to each municipality, one-half must be used for infrastructure improvement projects, and one-half must be used for projects in which two or more municipalities cooperate. Each municipality that receives a distribution under this paragraph must report annually to the iron range resources and rehabilitation board and the commissioner of iron range resources and rehabilitation on the projects involving cooperation with other municipalities.

New language is indicated by underline, deletions by strikeout.

Sec. 11. Minnesota Statutes 1996, section 298.28, subdivision 3, is amended to read:

Subd. 3. **CITIES; TOWNS.** (a) 12.5 cents per taxable ton, less any amount distributed under subdivision 8, and paragraph (b), must be allocated to the taconite municipal aid account to be distributed as provided in section 298.282.

(b) An amount must be allocated to towns or cities that is annually certified by the county auditor of a county containing a taconite tax relief area within which there is (1) an organized township if, as of January 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron ore or (2) a city if, as of January 2, 1980, more than 75 percent of the assessed valuation of the city consists of iron ore.

(c) The amount allocated under paragraph (b) will be the portion of a township's or city's certified levy equal to the proportion of (1) the difference between 50 percent of January 2, 1982, assessed value in the case of a township and 50 percent of the January 2, 1980, assessed value in the case of a city and its current assessed value to (2) the sum of its current assessed value plus the difference determined in (1), provided that the amount distributed shall not exceed \$55 per capita in the case of a township or \$75 per capita in the case of a city. For purposes of this limitation, population will be determined according to the 1980 decennial census conducted by the United States Bureau of the Census. If the current assessed value of the township exceeds 50 percent of the township's January 2, 1982, assessed value, or if the current assessed value of the city exceeds 50 percent of the city's January 2, 1980, assessed value, this paragraph shall not apply. For purposes of this paragraph, "assessed value," when used in reference to years other than 1980 or 1982, means, ~~for distributions for production year 1989, production taxes payable in 1990, the appropriate net tax capacities multiplied by 8.2 and for distributions for production year 1990 and thereafter, production taxes payable in 1991 and thereafter, the appropriate net tax capacities multiplied by 10.2.~~

Sec. 12. Minnesota Statutes 1996, section 298.28, subdivision 4, is amended to read:

Subd. 4. **SCHOOL DISTRICTS.** (a) ~~27.5~~ 22.28 cents per taxable ton plus the increase provided in paragraph (d) must be allocated to qualifying school districts to be distributed, based upon the certification of the commissioner of revenue, under paragraphs (b) and (c).

(b) ~~5.5~~ 4.46 cents per taxable ton must be distributed to the school districts in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. The distribution must be based on the apportionment formula prescribed in subdivision 2.

(c)(i) ~~22~~ 17.82 cents per taxable ton, less any amount distributed under paragraph (e), shall be distributed to a group of school districts comprised of those school districts in which the taconite was mined or quarried or the concentrate produced or in which there is a qualifying municipality as defined by section 273.134 in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 124.17 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapter 124A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions.

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

(ii) Notwithstanding clause (i), each school district that receives a distribution under sections 298.018; 298.23 to 298.28, exclusive of any amount received under this clause; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values that is less than the amount of its levy reduction under section 124.918, subdivision 8, for the second year prior to the year of the distribution shall receive a distribution equal to the difference; the amount necessary to make this payment shall be derived from proportionate reductions in the initial distribution to other school districts under clause (i).

(d) Any school district described in paragraph (c) where a levy increase pursuant to section 124A.03, subdivision 2, is authorized by referendum, shall receive a distribution according to the following formula. In 1994, the amount distributed per ton shall be equal to the amount per ton distributed in 1991 under this paragraph increased in the same proportion as the increase between the fourth quarter of 1989 and the fourth quarter of 1992 in the implicit price deflator as defined in section 298.24, subdivision 1 from a fund that receives a distribution in 1998 of 21.3 cents per ton. On July 15, 1995, and subsequent years of 1999, and each year thereafter, the increase over the amount established for the prior year shall be determined according to the increase in the implicit price deflator as provided in section 298.24, subdivision 1. Each district shall receive the product of:

(i) \$175 times the pupil units identified in section 124.17, subdivision 1, enrolled in the second previous year or the 1983–1984 school year, whichever is greater, less the product of 1.8 percent times the district's taxable net tax capacity in the second previous year; times

(ii) the lesser of:

(A) one, or

(B) the ratio of the sum of the amount certified pursuant to section 124A.03, subdivision 1g, in the previous year, plus the amount certified pursuant to section 124A.03, subdivision 1i, in the previous year, plus the referendum aid according to section 124A.03, subdivision 1h, for the current year, plus an amount equal to the reduction under section 124A.03, subdivision 3b, to the product of 1.8 percent times the district's taxable net tax capacity in the second previous year.

If the total amount provided by paragraph (d) is insufficient to make the payments herein required then the entitlement of \$175 per pupil unit shall be reduced uniformly so as not to exceed the funds available. Any amounts received by a qualifying school district in any fiscal year pursuant to paragraph (d) shall not be applied to reduce general education aid which the district receives pursuant to section 124A.23 or the permissible levies of the district. Any amount remaining after the payments provided in this paragraph shall be paid to the commissioner of iron range resources and rehabilitation who shall deposit the same in the taconite environmental protection fund and the northeast Minnesota economic protection trust fund as provided in subdivision 11.

Each district receiving money according to this paragraph shall reserve \$25 times the number of pupil units in the district. It may use the money for early childhood programs or for outcome-based learning programs that enhance the academic quality of the district's curriculum. The outcome-based learning programs must be approved by the commissioner of children, families, and learning.

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(e) There shall be distributed to any school district the amount which the school district was entitled to receive under section 298.32 in 1975.

Sec. 13. Minnesota Statutes 1996, section 298.28, subdivision 6, is amended to read:

Subd. 6. **PROPERTY TAX RELIEF.** (a) ~~Fifteen~~ In 1999, 38.81 cents per taxable ton, less any amount required to be distributed under paragraphs (b) and (c), and less any amount required to be deducted under paragraph (d), must be allocated to St. Louis county acting as the counties' fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

(b) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, .1875 cent per taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county.

(c) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a school district other than a school district in which the mining and concentrating processes are conducted, ~~.5625~~ .7282 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to the school district.

(d) Two cents per taxable ton must be deducted from the amount allocated to the St. Louis county auditor under paragraph (a).

Sec. 14. Minnesota Statutes 1996, section 298.28, subdivision 7, is amended to read:

Subd. 7. **IRON RANGE RESOURCES AND REHABILITATION BOARD.** ~~Three~~ For the 1998 distribution, 6.5 cents per taxable ton shall be paid to the iron range resources and rehabilitation board for the purposes of section 298.22. ~~The amount determined in this subdivision shall be increased in 1981 and subsequent years prior to 1988 in the same proportion as the increase in the steel mill products index as provided in section 298.24, subdivision 1, and shall be increased in 1989, 1990, and 1991 according to the increase in the implicit price deflator as provided in section 298.24, subdivision 1. In 1992 and 1993, the amount distributed per ton shall be the same as the amount distributed per ton in 1991. In 1994, the amount distributed shall be the distribution per ton for 1991 increased in the same proportion as the increase between the fourth quarter of 1989 and the fourth quarter of 1992 in the implicit price deflator as defined in section 298.24, subdivision 1. That amount shall be increased in 1995 1999 and subsequent years in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. The amount distributed in 1988 shall be increased according to the increase that would have occurred in the rate of tax under section 298.24 if the rate had been adjusted according to the implicit price deflator for 1987 production. The amount distributed pursuant to this subdivision shall be expended within or for the benefit of a tax relief area defined in section 273.134. No part of the fund provided in this subdivision may be used to provide loans for the operation of private business unless the loan is approved by the governor.~~

Sec. 15. Minnesota Statutes 1996, section 298.28, subdivision 9, is amended to read:

Subd. 9. **MINNESOTA ECONOMIC PROTECTION TRUST FUND.** ~~1.5~~ In 1999, 3.35 cents per taxable ton shall be paid to the northeast Minnesota economic protection trust fund.

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

Sec. 16. Minnesota Statutes 1997 Supplement, section 298.28, subdivision 9a, is amended to read:

Subd. 9a. **TACONITE ECONOMIC DEVELOPMENT FUND.** (a) 15.4 cents per ton for distributions in 1996, 1998, and 1999, and 2000 and 20.4 cents per ton for distributions in 1997 shall be paid to the taconite economic development fund. No distribution shall be made under this paragraph in any year in which total industry production falls below 30 million tons.

(b) An amount equal to 50 percent of the tax under section 298.24 for concentrate sold in the form of pellet chips and fines not exceeding 5/16 inch in size and not including crushed pellets shall be paid to the taconite economic development fund. The amount paid shall not exceed \$700,000 annually for all companies. If the initial amount to be paid to the fund exceeds this amount, each company's payment shall be prorated so the total does not exceed \$700,000.

Sec. 17. Minnesota Statutes 1997 Supplement, section 298.28, subdivision 9b, is amended to read:

Subd. 9b. **TACONITE ENVIRONMENTAL FUND.** Five cents per ton for distributions in 1998 and 1999, and 2000 shall be paid to the taconite environmental fund for use under section 298.2961. No distribution may be made under this paragraph in any year in which total industry production falls below 30,000,000 tons.

Sec. 18. Minnesota Statutes 1996, section 298.28, subdivision 10, is amended to read:

Subd. 10. **INCREASE.** Beginning with distributions in 2000, the amounts determined under subdivisions 6, paragraph (a), and 9 shall be increased in 1979 and subsequent years prior to 1988 in the same proportion as the increase in the steel mill products index as provided in section 298.24, subdivision 1. The amount distributed in 1988 shall be increased according to the increase that would have occurred in the rate of tax under section 298.24 if the rate had been adjusted according to the implicit price deflator for 1987 production. Those amounts shall be increased in 1989, 1990, and 1991 in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. In 1992 and 1993, the amounts determined under subdivisions 6, paragraph (a), and 9, shall be the distribution per ton determined for distribution in 1991. In 1994, the amounts determined under subdivisions 6, paragraph (a), and 9, shall be the distribution per ton determined for distribution in 1991 increased in the same proportion as the increase between the fourth quarter of 1989 and the fourth quarter of 1992 in the implicit price deflator as defined in section 298.24, subdivision 1. Those amounts shall be increased in 1995 and subsequent years in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1.

The distributions per ton determined under subdivisions 5, paragraphs (b) and (d), and 6, paragraphs paragraph (b) and (e) for distribution in 1988 and subsequent years shall be the distribution per ton determined for distribution in 1987. The distribution per ton under subdivision 6, paragraph (c), for distribution in 2000 and subsequent years shall be 81 percent of the distribution per ton determined for distribution in 1987.

New language is indicated by underline, deletions by strikeout.

Sec. 19. Minnesota Statutes 1996, section 298.28, subdivision 11, is amended to read:

Subd. 11. **REMAINDER.** (a) The proceeds of the tax imposed by section 298.24 which remain after the distributions and payments in subdivisions 2 to 10a, as certified by the commissioner of revenue, and paragraphs (b) ~~and~~, (c), and (d) have been made, together with interest earned on all money distributed under this section prior to distribution, shall be divided between the taconite environmental protection fund created in section 298.223 and the northeast Minnesota economic protection trust fund created in section 298.292 as follows: Two-thirds to the taconite environmental protection fund and one-third to the northeast Minnesota economic protection trust fund. The proceeds shall be placed in the respective special accounts.

(b) There shall be distributed to each city, town, ~~school district~~, and county the amount that it received under section 294.26 in calendar year 1977; provided, however, that the amount distributed in 1981 to the unorganized territory number 2 of Lake county and the town of Beaver Bay based on the between-terminal trackage of Erie Mining Company will be distributed in 1982 and subsequent years to the unorganized territory number 2 of Lake county and the towns of Beaver Bay and Stony River based on the miles of track of Erie Mining Company in each taxing district.

(c) There shall be distributed to the iron range resources and rehabilitation board the amounts it received in 1977 under section 298.22. The amount distributed under this paragraph shall be expended within or for the benefit of the tax relief area defined in section 273.134.

(d) There shall be distributed to each school district 81 percent of the amount that it received under section 294.26 in calendar year 1977.

Sec. 20. Minnesota Statutes 1997 Supplement, section 298.296, subdivision 4, is amended to read:

Subd. 4. **TEMPORARY LOAN AUTHORITY.** (a) The board may recommend that up to \$7,500,000 from the corpus of the trust may be used for loans as provided in this subdivision. The money would be available for loans for construction and equipping of facilities constituting (1) a value added iron products plant, which may be either a new plant or a facility incorporated into an existing plant that produces iron upgraded to a minimum of 75 percent iron content or any iron alloy with a total minimum metallic content of 90 percent; or (2) a new mine or minerals processing plant for any mineral subject to the net proceeds tax imposed under section 298.015. A loan under this paragraph may not exceed \$5,000,000 for any facility.

(b) Additionally, the board must reserve the first \$2,000,000 of the net interest, dividends, and earnings arising from the investment of the trust after June 30, 1996, to be used for additional grants for the purposes set forth in paragraph (a). This amount must be reserved until it is used for the grants or until June 30, ~~1998~~ 1999, whichever is earlier.

(c) Additionally, the board may recommend that up to \$5,500,000 from the corpus of the trust may be used for additional grants for the purposes set forth in paragraph (a).

(d) The board may require that it receive an equity percentage in any project to which it contributes under this section.

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

(e) The authority to make loans and grants under this subdivision terminates June 30, ~~1998~~ 1999.

Sec. 21. Minnesota Statutes 1996, section 298.48, subdivision 1, is amended to read:

Subdivision 1. **ANNUAL FILING.** By April 1 each year, every owner or lessee of mineral rights who, in respect thereto, has engaged in any exploration for or mining of taconite, semitaconite, or iron-sulphide shall, within six months of June 3, 1977, file with the commissioner of revenue all data of the following kinds in the possession or under the control of the owner or lessee which was acquired prior to January 1, 1977 during the preceding calendar year:

(a) Maps and other records indicating the location, character and extent of exploration for taconite, semitaconite, or iron-sulphides;

(b) Logs, notes and other records indicating the nature of minerals encountered during the course of exploration;

(c) The results of any analyses of metallurgical tests or samples taken in connection with exploration;

(d) The ultimate pit layout and the supporting cross sections; and

(e) Any other data which the commissioner of revenue may determine to be relevant to the determination of the location, nature, extent, quality or quantity of unmined ores of said minerals. The commissioner of revenue ~~shall have the power to may~~ compel submission of the data. The court administrator of any court of record, upon demand of the commissioner, shall issue a subpoena for the production of any data before the commissioner. Disobedience of subpoenas issued under this section shall be punished by the district court of the district in which the subpoena is issued as for a contempt of the district court. ~~By April 1 of each succeeding year every owner or lessee of mineral rights shall file with the commissioner of revenue all such data acquired during the preceding calendar year.~~

Sec. 22. **USE OF PRODUCTION TAX PROCEEDS.**

An amount equal to the amount distributed under Laws 1997, chapter 231, article 8, section 16, shall be used by the iron range resources and rehabilitation board to make equal grants to the cities of Chisholm and Hibbing to be used for the establishment of an industrial park located at the Chisholm/Hibbing airport.

Sec. 23. **REPEALER.**

Minnesota Statutes 1996, sections 298.012; 298.21; 298.23; 298.34, subdivisions 1 and 4; and 298.391, subdivisions 2 and 5, are repealed.

Sec. 24. **EFFECTIVE DATE.**

Section 1 is effective for taxes levied in 2000. Sections 2 and 3 are effective for taxes payable in 1999. Sections 8; 10; 12, other than paragraph (d); 13, paragraph (c); 18; and 19 are effective for distributions in 2000 and subsequent years. Sections 13, paragraph (a); and 22 are effective for production year 1998, distributions made in 1999.

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ARTICLE 11

TAX INCREMENT FINANCING AND DEVELOPMENT

Section 1. Minnesota Statutes 1996, section 469.174, is amended by adding a subdivision to read:

Subd. 28. DECERTIFY OR DECERTIFICATION. "Decertify" or "decertification" means the termination of a tax increment financing district which occurs when the county auditor removes all remaining parcels from the district.

Sec. 2. Minnesota Statutes 1996, section 469.175, subdivision 5, is amended to read:

Subd. 5. ANNUAL DISCLOSURE. (a) ~~For all tax increment financing districts, whether created prior or subsequent to August 1, 1979, on or before July 1 of each year, The authority shall annually submit to the county board, the county auditor, the school board, state auditor and, if the authority is other than the municipality, the governing body of the municipality, a report of the status of the district. The report shall include the following information: the amount and the source of revenue in the account, the amount and purpose of expenditures from the account, the amount of any pledge of revenues, including principal and interest on any outstanding bonded indebtedness, the original net tax capacity of the district and any subdistrict, the captured net tax capacity retained by the authority, the captured net tax capacity shared with other taxing districts, the tax increment received, and any additional information necessary to demonstrate compliance with any applicable tax increment financing plan. The authority must submit the annual report for a year on or before August 1 of the next year.~~

(b) ~~An annual statement showing the tax increment received and expended in that year, the original net tax capacity, captured net tax capacity, amount of outstanding bonded indebtedness, the amount of the district's and any subdistrict's increments paid to other governmental bodies, the amount paid for administrative costs, the sum of increments paid, directly or indirectly, for activities and improvements located outside of the district, and any additional information the authority deems necessary shall be published in a newspaper of general circulation in the municipality. If the fiscal disparities contribution under chapter 276A or 473F for the district is computed under section 469.177, subdivision 3, paragraph (a), the annual statement must disclose that fact and indicate the amount of increased property tax imposed on other properties in the municipality as a result of the fiscal disparities contribution. The commissioner of revenue shall prescribe the form of this statement and the method for calculating the increased property taxes. The authority must publish the annual statement for a year no later than July 1 August 15 of the next year. The authority must identify the newspaper of general circulation in the municipality to which the annual statement has been or will be submitted for publication and provide a copy of the annual statement to the state auditor by the time it submits it for publication on or before August 1 of the year in which the statement must be published.~~

(c) ~~The disclosure and reporting requirements imposed by this subdivision apply to districts certified before, on, or after August 1, 1979.~~

Sec. 3. Minnesota Statutes 1996, section 469.175, subdivision 6, is amended to read:

Subd. 6. FINANCIAL REPORTING. (a) The state auditor shall develop a uniform system of accounting and financial reporting for tax increment financing districts. The system of accounting and financial reporting shall, as nearly as possible:

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- (1) provide for full disclosure of the sources and uses of public funds in the district;
- (2) permit comparison and reconciliation with the affected local government's accounts and financial reports;
- (3) permit auditing of the funds expended on behalf of a district, including a single district that is part of a multidistrict project or that is funded in part or whole through the use of a development account funded with tax increments from other districts or with other public money;
- (4) be consistent with generally accepted accounting principles.

(b) The authority must annually submit to the state auditor, ~~on or before July 1,~~ a financial report in compliance with paragraph (a). Copies of the report must also be provided to the county and school district boards and to the governing body of the municipality, if the authority is not the municipality. To the extent necessary to permit compliance with the requirement of financial reporting, the county and any other appropriate local government unit or private entity must provide the necessary records or information to the authority or the state auditor as provided by the system of accounting and financial reporting developed pursuant to paragraph (a). The authority must submit the annual report for a year on or before August 1 of the next year.

(c) The annual financial report must also include the following items:

- (1) the original net tax capacity of the district and any subdistrict;
 - (2) the captured net tax capacity of the district, including the amount of any captured net tax capacity shared with other taxing districts;
 - (3) for the reporting period and for the duration of the district, the amount budgeted under the tax increment financing plan, and the actual amount expended for, at least, the following categories:
 - (i) acquisition of land and buildings through condemnation or purchase;
 - (ii) site improvements or preparation costs;
 - (iii) installation of public utilities, parking facilities, streets, roads, sidewalks, or other similar public improvements;
 - (iv) administrative costs, including the allocated cost of the authority;
 - (v) public park facilities, facilities for social, recreational, or conference purposes, or other similar public improvements;
 - (4) for properties sold to developers, the total cost of the property to the authority and the price paid by the developer; and
 - (5) the amount of increments rebated or paid to developers or property owners for privately financed improvements or other qualifying costs.
- (d) The reporting requirements imposed by this subdivision apply to districts certified before, on, and after August 1, 1979.

Sec. 4. Minnesota Statutes 1996, section 469.175, subdivision 6a, is amended to read:

Subd. 6a. **REPORTING REQUIREMENTS.** (a) The municipality must annually report to the state auditor the following amounts for the entire municipality:

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(1) the total principal amount of nondefeased tax increment financing bonds that are outstanding at the end of the previous calendar year; and

(2) the total annual amount of principal and interest payments that are due for the current calendar year on (i) general obligation tax increment financing bonds, and (ii) other tax increment financing bonds.

(b) The municipality must annually report to the state auditor the following amounts for each tax increment financing district located in the municipality:

(1) the type of district, whether economic development, redevelopment, housing, soils condition, mined underground space, or hazardous substance site;

(2) the date on which the district is required to be decertified;

(3) the amount of any payments and the value of in-kind benefits, such as physical improvements and the use of building space, that are financed with revenues derived from increments and are provided to another governmental unit (other than the municipality) during the preceding calendar year;

(4) the tax increment revenues for taxes payable in the current calendar year;

(5) whether the tax increment financing plan or other governing document permits increment revenues to be expended (i) to pay bonds, the proceeds of which were or may be expended on activities located outside of the district, (ii) for deposit into a common fund from which money may be expended on activities located outside of the district, or (iii) to otherwise finance activities located outside of the tax increment financing district; and

(6) any additional information that the state auditor may require.

(c) ~~The report required by this subdivision must be filed with the state auditor on or before July 1 of each year. The municipality must submit the annual report for a year required by this subdivision on or before August 1 of the next year.~~

(d) The state auditor may provide for combining the reports required by this subdivision and subdivisions 5 and 6 so that only one report is made for each year to the auditor.

(e) This section applies to districts certified before, on, and after August 1, 1979.

Sec. 5. Minnesota Statutes 1996, section 469.175, is amended by adding a subdivision to read:

Subd. 6b. DURATION OF DISCLOSURE AND REPORTING REQUIREMENTS. The disclosure and reporting requirements imposed by subdivisions 5, 6, and 6a apply with respect to a tax increment financing district beginning with the annual disclosure and reports for the year in which the original net tax capacity of the district was certified and ending with the annual disclosure and reports for the year in which both of the following events have occurred:

(1) decertification of the district; and

(2) expenditure or return to the county auditor of all remaining revenues derived from tax increments paid by properties in the district.

Sec. 6. Minnesota Statutes 1996, section 469.176, subdivision 7, is amended to read:

Subd. 7. PARCELS NOT INCLUDABLE IN DISTRICTS. (a) The authority may request inclusion in a tax increment financing district and the county auditor may

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certify the original tax capacity of a parcel or a part of a parcel that qualified under the provisions of section 273.111 or 273.112 or chapter 473H for taxes payable in any of the five calendar years before the filing of the request for certification only for

(1) a district in which 85 percent or more of the planned buildings and facilities (determined on the basis of square footage) are for a qualified manufacturing or production of tangible personal property, including processing resulting in the change in condition of the property facility or a qualified distribution facility or a combination of both; or

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

(b) (1) A distribution facility means buildings and other improvements to real property that are used to conduct activities in at least each of the following categories:

(i) to store or warehouse tangible personal property;

(ii) to take orders for shipment, mailing, or delivery;

(iii) to prepare personal property for shipment, mailing, or delivery; and

(iv) to ship, mail, or deliver property.

(2) A manufacturing facility includes space used for manufacturing or producing tangible personal property, including processing resulting in the change in condition of the property, and space necessary for and related to the manufacturing activities.

(3) To be a qualified facility, the owner or operator of a manufacturing or distribution facility must agree to pay and pay 90 percent or more of the employees of the facility at a rate equal to or greater than 160 percent of the federal minimum wage for individuals over the age of 20.

Sec. 7. Minnesota Statutes 1996, section 469.177, is amended by adding a subdivision to read:

Subd. 12. DECERTIFICATION OF TAX INCREMENT FINANCING DISTRICT. The county auditor shall decertify a tax increment financing district when the earliest of the following times is reached:

(1) the applicable maximum duration limit under section 469.176, subdivisions 1a to 1g;

(2) the maximum duration limit, if any, provided by the municipality pursuant to section 469.176, subdivision 1;

(3) the time of decertification specified in section 469.1761, subdivision 4, if the commissioner of revenue issues an order of noncompliance and the maximum duration limit for economic development districts has been exceeded;

(4) upon completion of the required actions to allow decertification under section 469.1763, subdivision 4; or

(5) upon receipt by the county auditor of a written request for decertification from the authority that requested certification of the original net tax capacity of the district or its successor.

Sec. 8. Minnesota Statutes 1996, section 469.1771, is amended by adding a subdivision to read:

Subd. 2a. SUSPENSION OF DISTRIBUTION OF TAX INCREMENT. (a) If an authority fails to make a disclosure or to submit a report containing the information

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required by section 469.175, subdivisions 5 and 6, regarding a tax increment financing district within the time provided in section 469.175, subdivisions 5 and 6, or if a municipality fails to submit a report containing the information required of section 469.175, subdivision 6a, regarding a tax increment financing district within the time provided in section 469.175, subdivision 6a, the state auditor shall mail to the authority a written notice that it or the municipality has failed to make the required disclosure or to submit a required report with respect to a particular district. The state auditor shall mail the notice on or before the third Tuesday of August of the year in which the disclosure or report was required to be made or submitted. The notice must describe the consequences of failing to disclose or submit a report as provided in paragraph (b). If the state auditor has not received a copy of a disclosure or a report described in this paragraph on or before the third Tuesday of November of the year in which the disclosure or report was required to be made or submitted, the state auditor shall mail a written notice to the county auditor to hold the distribution of tax increment from a particular district.

(b) Upon receiving written notice from the state auditor to hold the distribution of tax increment, the county auditor shall hold:

(1) 25 percent of the amount of tax increment that otherwise would be distributed, if the distribution is made after the third Friday in November but during the year in which the disclosure or report was required to be made or submitted; or

(2) 100 percent of the amount of tax increment that otherwise would be distributed, if the distribution is made after December 31 of the year in which the disclosure or report was required to be made or submitted.

(c) Upon receiving the copy of the disclosure and all of the reports described in paragraph (a) with respect to a district regarding which the state auditor has mailed to the county auditor a written notice to hold distribution of tax increment, the state auditor shall mail to the county auditor a written notice lifting the hold and authorizing the county auditor to distribute to the authority or municipality any tax increment that the county auditor had held pursuant to paragraph (b). The state auditor shall mail the written notice required by this paragraph within five working days after receiving the last outstanding item. The county auditor shall distribute the tax increment to the authority or municipality within 15 working days after receiving the written notice required by this paragraph.

(d) Notwithstanding any law to the contrary, any interest that accrues on tax increment while it is being held by the county auditor pursuant to paragraph (b) is not tax increment and may be retained by the county.

(e) For purposes of sections 469.176, subdivisions 1a to 1g, and 469.177, subdivision 11, tax increment being held by the county auditor pursuant to paragraph (b) is considered distributed to or received by the authority or municipality as of the time that it would have been distributed or received but for paragraph (b).

Sec. 9. Minnesota Statutes 1996, section 469.1771, subdivision 5, is amended to read:

Subd. 5. **DISPOSITION OF PAYMENTS.** If the authority does not have sufficient increments or other available money to make a payment required by this section, the municipality that approved the district must use any available money to make the payment including the levying of property taxes. Money received by the county auditor under this

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section must be distributed as excess increments under section 469.176, subdivision 2, paragraph (a), clause (4), except that if the county auditor receives the payment after (1) 60 days from a municipality's receipt of the state auditor's notification under subdivision 1, paragraph (c), of noncompliance requiring the payment, or (2) the commencement of an action by the county attorney to compel the payment, then no distributions may be made to the municipality that approved the tax increment financing district.

Sec. 10. [469.1791] TAX INCREMENT FINANCING SPECIAL TAXING DISTRICT.

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

(b) "City" means a city containing a tax increment financing district, the request for certification of which was made before June 2, 1997.

(c) "Enabling ordinance" means an ordinance adopted by a city council establishing a special taxing district.

(d) "Special taxing district" means all or any portion of the property located within a tax increment financing district, the request for certification of which was made before June 2, 1997.

(e) "Development or redevelopment services" has the meaning given in the city's enabling ordinance, and may include any services or expenditures the city or its economic development authority or housing and redevelopment authority or port authority may provide or incur under sections 469.001 to 469.1081 and 469.124 to 469.134, including, without limitation, amounts necessary to pay the principal of or interest on bonds issued by the city or its economic development authority or housing and redevelopment authority or port authority under section 469.178, for the tax increment financing districts contained within the special taxing district or projects to be funded with increments from tax increment financing districts contained within the special taxing district.

(f) "Preexisting obligations" means bonds issued and sold before June 2, 1997, and binding contracts entered into before June 2, 1997, to the extent that the bonds and contracts are secured by a pledge of increments from the tax increment financing district contained within the special taxing district.

Subd. 2. **ESTABLISHMENT OF SPECIAL TAXING DISTRICT.** The governing body of a city may adopt an ordinance establishing a special taxing district, if the conditions under subdivision 3 are satisfied. The ordinance must describe with particularity the property to be included in the district and the development or redevelopment services to be provided in the district. Only property that is subject to an assessment agreement or development agreement with the city or its economic development authority, housing and redevelopment authority, or port authority, as of the date of adoption of the ordinance, may be included within the special taxing district and be subject to the tax imposed by the city on the district. The ordinance may not be adopted until after a public hearing has been held on the question. Notice of the hearing must include the time and place of the hearing, a map showing the boundaries of the proposed district, and a statement that all persons owning property in the proposed district that would be subject to a special tax will be given the opportunity to be heard at the hearing. Within 30 days after adoption of the ordinance under this subdivision, the governing body shall send a copy of the ordinance to the commissioner of revenue.

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Subd. 3. PRECONDITIONS TO ESTABLISH DISTRICT. (a) A city may establish a special taxing district within a tax increment financing district under this section only if the conditions under paragraphs (b) and (c) are met or if the city elects to exercise the authority under paragraph (d).

(b) The city has determined that:

(1) total tax increments from the district, including unspent increments from previous years and increments transferred under paragraph (c), will be insufficient to pay the amounts due in a year on preexisting obligations; and

(2) this insufficiency of increments resulted from the reduction in property tax class rates enacted in the 1997 and 1998 legislative sessions.

(c) The city has agreed to transfer any available increments from other tax increment financing districts in the city to pay the preexisting obligations of the district. This requirement does not apply to any available increments of a qualified housing district, as defined in section 273.1399, subdivision 1. Notwithstanding any law to the contrary, the city may require a development authority to transfer available increments for any of its tax increment financing districts in the city to make up an insufficiency in another district in the city, regardless of whether the district was established by the development authority or another development authority. Notwithstanding any law to the contrary, increments transferred under this authority must be spent to pay preexisting obligations. "Development authority" for this purpose means any authority as defined in section 469.174, subdivision 2.

(d) If a tax increment financing district does not qualify under paragraphs (b) and (c), the governing body may elect to establish a special taxing district under this section. If the city elects to exercise this authority, increments from the tax increment financing district and the proceeds of the tax imposed under this section may only be used to pay preexisting obligations and reasonable administrative expenses of the authority for the tax increment financing district. The tax increment financing district must be decertified when all preexisting obligations have been paid.

Subd. 4. NOTICE; HEARING. Notice of the hearing must be given by publication in the official newspaper of the city at least ten but not more than 30 days prior to the hearing. Not less than ten days before the hearing, notice must also be mailed to the owner of each parcel within the area proposed to be included within the district. For the purpose of giving mailed notice, owners are those shown on the records of the county auditor. At the public hearing a person affected by the proposed district may testify on any issues relevant to the proposed district. The hearing may be adjourned from time to time and the ordinance establishing the district may be adopted at any time within six months after the date of the conclusion of the hearing by a vote of the majority of the governing body of the city.

Subd. 5. BENEFIT; OBJECTION. Before the ordinance is adopted or at the hearing at which it is to be adopted, any affected landowner may file a written objection with the city clerk asserting that the landowner's property should not be included in the district or should not be subject to a special tax and objecting to:

(1) the fact that the landowner's property is not subject to an assessment agreement or development agreement; or

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(2) the fact that neither the landowner's property nor its use is benefited by the development or redevelopment services provided.

The governing body shall make a determination on the objection within 30 days of its filing. Pending its determination, the governing body may delay adoption of the ordinance or it may adopt the ordinance with a reservation that the landowner's property may be excluded from the district or district special taxes when a determination is made.

Subd. 6. APPEAL TO DISTRICT COURT. Within 30 days after the determination of the objection, any person aggrieved may appeal to the district court by serving a notice upon the mayor or city clerk. No appeal may be filed if the aggrieved person failed to timely file a written objection with the city clerk under subdivision 5, and the failure was not due to reasonable cause. The notice must be filed with the court administrator of the district court within ten days after its service. The city clerk shall furnish the appellant a certified copy of the findings and determination of the governing body. The court may affirm the action objected to or, if the appellant's objections have merit, modify or cancel it. If the appellant does not prevail upon the appeal, the costs incurred are taxed to the appellant by the court and judgment entered for them. All objections are deemed waived unless presented on appeal.

Subd. 7. MODIFICATION OF SPECIAL TAXING DISTRICT. The boundaries of the special taxing district may be enlarged or reduced under the procedures for establishment of the district under subdivision 2. Property added to the district is subject to the special tax imposed within the district after the property becomes a part of the district.

Subd. 8. SPECIAL TAX AUTHORITY. A city may impose a special tax within a special taxing district that is reasonably related to the development or redevelopment services provided. The tax may be imposed at a rate or amount sufficient to produce the revenues required to provide the development or redevelopment services within the project area subject to limits under subdivision 9. The special tax is payable only in a year in which the assessment or development agreement for the property subject to the tax remains in effect for that taxes payable year.

Subd. 9. LIMITS ON TAX. (a) The maximum levy for any year may not exceed the least of:

- (1) the amount specified in the assessment agreement or development agreement;
- (2) the amount needed to pay preexisting obligations, less available increments including increments transferred from other districts; and
- (3) the amount of the general ad valorem tax that would have been paid by the captured net tax capacity of the tax increment financing district, if the property tax class rates for taxes payable in 1997 were in effect, less the amount of the general ad valorem tax imposed for the payable year on the captured net tax capacity.

(b) If the city uses the proceeds of a tax imposed under this section to pay preexisting obligations secured by increments from more than one tax increment financing district, the city must establish a special taxing district in each of the districts and impose a uniform rate upon all the districts. The maximum limits under paragraph (a) must be calculated in aggregate for all of the affected districts.

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(c) If neither the assessment agreement nor the development agreement specify a tax amount but state an agreed market value for the property, the amount specified for purposes of paragraph (a), clause (1), is the market value of the property under the agreement multiplied by the class rate for taxes payable in 1997 and multiplied by the sum of the ad valorem tax rates for all the taxing jurisdictions.

Subd. 10. LIMITS UNDER OTHER LAW. The tax imposed under this section is not included in the calculation of levies or limits imposed under law or charter. Section 275.065 does not apply to any tax imposed under this section. The tax proceeds are subject to the restrictions imposed by law on revenues derived from tax increments and may only be spent for the purposes for which increments may be spent.

Subd. 11. COLLECTION AND ADMINISTRATION. The special tax must be imposed on the net tax capacity of the taxable property located in the geographic area described in the ordinance. Taxable net tax capacity must be determined without regard to captured or original net tax capacity under section 469.177 or to the distribution or contribution value under section 473F.08. The city shall compute the amount of the tax for each parcel subject to tax and certify the amount to the county auditor by the date provided in section 429.061, subdivision 3, for the annual certification of special assessment installments. The special tax is payable and must be collected at the same time and in the same manner as provided for payment and collection of ad valorem taxes. Special taxes not paid on or before the applicable due date are subject to the same penalty and interest as ad valorem tax amounts not paid by the respective due date. The due date for the special tax is the due date for the real property tax for the property on which the special tax is imposed.

Sec. 11. Laws 1965, chapter 326, section 1, subdivision 5, as amended by Laws 1975, chapter 110, section 1, and Laws 1985, chapter 87, section 3, is amended to read:

Subd. 5. PROMOTION OF TOURIST, AGRICULTURAL AND INDUSTRIAL DEVELOPMENT. The amount to be spent annually for the purposes of this subdivision shall not exceed \$1 \$4 per capita of the county's population.

Sec. 12. Laws 1967, chapter 170, section 1, subdivision 5, as amended by Laws 1985, chapter 87, section 6, is amended to read:

Subd. 5. Promotion of tourist, agricultural and industrial developments. The amount to be spent annually for the purposes of this subdivision shall not exceed \$1 \$4 per capita of the county's population.

Sec. 13. Laws 1997, chapter 231, article 10, section 24, is amended to read:

Sec. 24. TASK FORCE; ~~THE~~ TAX INCREMENT FINANCING RECODIFICATION.

(a) A legislative task force is established on tax increment financing and local economic development powers. The task force consists of 12 members as follows:

(1) six members of the house of representatives, at least two of whom are members of the minority caucus, appointed by the speaker; and

(2) six members of the senate, at least two of whom are members of the minority caucus, appointed by the committee on committees.

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(b) The task force shall prepare a bill for the ~~1998~~ 1999 legislative session that reconfirms the Tax Increment Financing Act and combines the statutes providing local economic development powers into one law providing a uniform set of powers relative to the use of tax increment financing.

(c) In preparing the bill under this section, the task force shall consult with and seek comments from and participation by representatives of the affected local governments.

(d) The revisor of statutes and house and senate legislative staff shall staff the task force.

(e) This section expires on ~~March 1, 1998~~ May 1, 1999.

Sec. 14. **GOLDEN VALLEY; TAX INCREMENT FINANCING.**

Subdivision 1. DISTRICT EXTENSION. (a) Notwithstanding Minnesota Statutes, section 469.176, subdivision 1c, tax increments from the Valley Square tax increment financing district shall be paid to the housing and redevelopment authority of the city of Golden Valley for property taxes payable in 2001 through 2010 for the following parcels in the district, identified by their property tax identification numbers:

- (1) 31-118-21-14-0001;
- (2) 31-118-21-14-0006;
- (3) 31-118-21-14-0018 through 31-118-21-14-0022;
- (4) 31-118-21-14-0029 through 31-118-21-14-0032; and
- (5) 31-118-21-41-0001.

(b) Increments permitted to be paid to the authority by paragraph (a) may only be used to pay or defease bonds issued to fund public redevelopment costs within the redevelopment project or bonds issued to refund the bonds.

(c) Collection or receipt of increments by the housing and redevelopment authority under paragraph (a) does not reduce or affect the amount of increments that the authority may receive after April 1, 2001, for the district to pay bonds issued before April 1, 1990.

(d) Any housing financed or assisted, directly or indirectly, with increments from the district during the extension period permitted by this section must meet the requirements of Minnesota Statutes, section 469.1761.

Subd. 2. EFFECTIVE DATE. This section is effective the day after compliance with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 15. **CITY OF BROWERVILLE; TAX INCREMENT FINANCING.**

Subdivision 1. EXPENDITURE OUTSIDE DISTRICT. Notwithstanding the provisions of Minnesota Statutes, section 469.1763, the city of Browerville may expend tax increments from tax increment district No. 2 for eligible activities outside tax increment district No. 2 but within development district No. 1. The limitations contained in Minnesota Statutes, section 469.1763, subdivision 2, do not apply if the expenditures are used to finance improvements to provide sewer and water service to the tax increment financing district.

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Subd. 2. EFFECTIVE DATE. This section is effective only after its approval by the governing body of the city of Browerville and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 16. CITY OF DEEPHAVEN; TAX INCREMENT FINANCING.

Subdivision 1. AUTHORIZATION OF EXPENDITURES. Notwithstanding any law to the contrary, the city of Deephaven may expend revenues derived from tax increment financing district number 1-1 that are available and unencumbered on the date of enactment of this act to finance a public improvement located outside of the district under the conditions in subdivision 2. The public improvement must be included in the tax increment plan prior to January 1, 1997.

Subd. 2. CONDITIONS ON USE. The authority under subdivision 1 to spend increments outside of the tax increment financing district number 1-1 is subject to the following conditions:

(1) The city must request decertification of district number 1-1 by no later than December 31, 1998.

(2) The city transfers no more than \$800,000 of increments from district number 1-1 to a separate account on the city's books and records. The interest earned on this account is not tax increment for purposes of Minnesota Statutes, sections 469.174 to 469.179.

(3) Any unspent increments from district number 1-1 after the transfer under clause (2) are excess increments that must be distributed under Minnesota Statutes, section 469.176, subdivision 2, clause (4).

(4) Money in the account established under clause (2) may only be spent to pay for the improvement of the Minnetonka boulevard-Carsons Bay bridge project in the city. If matching funds are not available for the project by December 31, 2002, the balance in the account must be distributed as excess increments under Minnesota Statutes, section 469.176, subdivision 2, clause (4). Any unspent amounts after completion of the project must be distributed as excess increments under Minnesota Statutes, section 469.176, subdivision 2, clause (4).

(5) The authority to spend increments from district number 1-1 other than money transferred to the account under clause (2) expires upon the day following final enactment of this act.

Subd. 3. EFFECTIVE DATE. This section is effective the day upon approval by the governing body of the city of Deephaven and compliance with Minnesota Statutes, section 645.021, subdivision 3, and applies to revenues expended after the date of final enactment.

Sec. 17. CITY OF BURNSVILLE; ADMISSIONS TAX.

Subdivision 1. IMPOSITION. Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law or ordinance, the governing body of the city of Burnsville may by ordinance impose a tax on admissions to an amphitheater to be constructed within the city.

Subd. 2. RATE. The tax may be imposed at a rate not to exceed \$2 per paid admission. The governing body of the city may by ordinance change the rate imposed, subject to the limitation in this subdivision.

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

Subd. 3. COLLECTION. The method of collection of the tax must be specified in the ordinance imposing the tax. The tax is exempt from the rules under Minnesota Statutes, section 297A.48. The commissioner of revenue and the city may enter into agreements for the collection and administration of the tax by the state on behalf of the city. The commissioner may charge the city a reasonable fee for its services from the proceeds of the tax. The tax is subject to the same interest, penalties, and enforcement provisions as the tax imposed under Minnesota Statutes, chapter 297A.

Subd. 4. USE OF PROCEEDS. The city must pay money received from the tax imposed under this section into a separate fund or account to be used only to pay:

(1) the costs of imposing and collecting the tax; and

(2) for parking lots or ramps, and other public improvements as defined by Minnesota Statutes, section 429.021, within the boundaries of the tax increment financing district established under section 18, or that serve the area within the district.

Subd. 5. EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 18. CITY OF BURNSVILLE; TAX INCREMENT FINANCING DISTRICT.

Subdivision 1. AUTHORIZATION. The governing body of the city of Burnsville may create a soils condition tax increment financing district, as provided in this section, for an amphitheater and related infrastructure improvements. Except as otherwise provided in this section, the provisions of Minnesota Statutes, sections 469.174 to 469.179, apply to the district. The city or its economic development authority may be the "authority" for the purposes of Minnesota Statutes, sections 469.174 to 469.179.

Subd. 2. SPECIAL RULES. (a) The district established under subdivision 1 is subject to the provisions of Minnesota Statutes, sections 469.174 to 469.179, except as provided in this subdivision.

(b) The district may consist of all or any portion of the parcels designated by the city of Burnsville as development district No. 2 as of April 26, 1990.

(c) Minnesota Statutes, sections 469.174, subdivision 19, and 469.176, subdivision 4b, do not apply to the district.

(d) Upon approval of the tax increment financing plan, the governing body of the city of Burnsville must find that the present value of the projected cost of closure of the former solid waste landfill within the district equals or exceeds the present value of the projected tax increments for the maximum duration of the district permitted by the plan.

(e) Notwithstanding the provisions of Minnesota Statutes, section 469.1763, increments from the district established under this section may only be expended on improvements and activities within or directly in aid of the district and on administrative expenses.

(f) Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, no tax increment may be paid to the authority after 18 years after receipt by the authority of the first increment for the district.

New language is indicated by underline, deletions by strikeout.

Subd. 3. DISTRICT NO. 2-1. Upon approval of the tax increment financing plan for the district created under subdivision 1, the city shall request decertification of tax increment financing district No. 2-1. The balance of the tax increments derived from tax increment financing district No. 2-1 may be expended under the tax increment financing plan for the district created under subdivision 1. Minnesota Statutes, section 469.176, subdivision 4c, does not apply to the expenditures. Minnesota Statutes, section 469.1782, subdivision 1, does not apply to tax increment financing district No. 2-1 or the district created under subdivision 1.

Subd. 4. EFFECTIVE DATE. This section is effective upon compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 2.

Sec. 19. REDEVELOPMENT DISTRICT FOR LAKE STREET PROJECT.

Subdivision 1. AUTHORIZATION. Upon approval of the governing body of the city of Minneapolis by resolution, the Minneapolis community development agency may establish for the Lake Street project a redevelopment tax increment financing district with phased redevelopment. The district is subject to Minnesota Statutes, sections 469.174 to 469.179, as amended, except as provided in this section.

Subd. 2. ORIGINAL NET TAX CAPACITY. Notwithstanding Minnesota Statutes, section 469.174, subdivision 7, the original net tax capacity of the district, as of the date the authority certifies to the county auditor that the authority has entered into a redevelopment or other agreement for rehabilitation of the site or remediation of hazardous substances, is zero.

Subd. 3. DURATION OF DISTRICT. Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, no tax increment may be paid to the authority after 18 years from the date of receipt by the authority of the first increment generated from the final phase of redevelopment. In no case may increments be paid to the authority after 30 years from approval of the tax increment plan. "Final phase of redevelopment" means that phase of redevelopment activity which completes the rehabilitation of the Lake Street site.

Subd. 4. REMOVAL OF HAZARDOUS SUBSTANCES. For purposes of the three-year activity rule under Minnesota Statutes, section 469.176, subdivision 1a, and the four-year action requirement under Minnesota Statutes, section 469.176, subdivision 6, the removal of hazardous substances from the site shall constitute a qualifying activity.

Subd. 5. FIVE-YEAR RULE. The five-year period under Minnesota Statutes, section 469.1763, subdivision 3, is extended to ten years.

Subd. 6. NO POOLING AUTHORITY. Notwithstanding the provisions of Minnesota Statutes, section 469.1763, increments from the district established under this section may only be expended on improvements and activities within or directly in aid of the district and on administrative expenses related to the district.

Subd. 7. EFFECTIVE DATE. This section is effective upon compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 2.

Sec. 20. CITY OF WEST ST. PAUL; DAKOTA COUNTY HOUSING AND REDEVELOPMENT AUTHORITY; EXCEPTION TO TAX INCREMENT FINANCING REQUIREMENTS.

New language is indicated by underline, deletions by strikeout.

Subdivision 1. **GENERALLY.** The city of West St. Paul and the Dakota county housing and redevelopment authority may operate the Signal Hills redevelopment tax increment financing district (Dakota county housing and redevelopment authority tax increment financing district No. 10) under the provisions of this section.

Subd. 2. **TIME LIMITS FOR INITIATING ACTION.** The time limits for initiation of activity in the district and reporting the initiation to the county auditor under Minnesota Statutes, section 469.176, subdivision 6, are extended to five and six years, respectively.

Subd. 3. **FIVE-YEAR RULE.** The district is subject to the requirement of Minnesota Statutes, section 469.1763, subdivision 3, except that the five-year period is extended to a nine-year period.

Subd. 4. **THREE-YEAR RULE; EXCEPTION.** The district is subject to the provisions of Minnesota Statutes, section 469.176, subdivision 1a, except that any references to three years in that subdivision are five years for purposes of this section.

Subd. 5. **POOLING EXCEPTION.** The city and the Dakota county housing and redevelopment authority may elect to increase the limit on the percentage of increments under Minnesota Statutes, section 469.1763, subdivision 2, that may be spent outside of the district to 40 percent, if all the amounts spent outside of the district, other than administrative expenses, are for improvements and activities within or directly in aid of the South Robert Street redevelopment tax increment financing district (Dakota county housing and redevelopment authority tax increment financing district No. 4).

Subd. 6. **EFFECTIVE DATE.** This section is effective upon approval by the governing bodies of the city of West St. Paul and Dakota county and upon compliance by the city with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 21. **CITY OF RENVILLE; TAX INCREMENT FINANCING DISTRICT.**

Subdivision 1. **CERTIFICATION DATE.** Except as otherwise provided in this section, for purposes of Minnesota Statutes, section 273.1399, and chapter 469, the certification date of the addition of the following described property to tax increment financing district No. 1 in the city of Renville is deemed to be November 1, 1994: Lots 5, 6, 7, 8, and 9, Block 32, O'Connor's Addition.

Subd. 2. **ORIGINAL NET TAX CAPACITY; ORIGINAL LOCAL TAX RATE.** The original net tax capacity of property in subdivision 1 is \$432.

Subd. 3. **EXPENDITURE OF INCREMENT.** Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, the city of Renville may collect and expend tax increment generated by the lots cited in subdivision 1, in tax increment financing district No. 1 in the city of Renville, until December 31, 2003.

Subd. 4. **STATE AID OFFSET.** Minnesota Statutes, section 469.1782, subdivision 1, does not apply to the extension allowed by this section.

Subd. 5. **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 22. **CITY OF FOLEY; TAX INCREMENT FINANCING.**

Subdivision 1. **EXPENDITURE AUTHORITY.** Notwithstanding any law to the contrary, expenditures by the city of Foley before January 1, 1998, of revenue derived

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from tax increment financing district number 1 to finance a wastewater treatment facility located outside of the district are authorized expenditures of that revenue.

Subd. 2. **CONDITIONS.** The authority to spend increment under subdivision 1 on the wastewater treatment facility is subject to the following conditions:

(1) the city must request decertification of tax increment financing district number 1 by no later than December 31, 1998; and

(2) any unspent increments and any increments collected after December 31, 1997, must be distributed under Minnesota Statutes, section 469.176, subdivision 2, clause (4).

Subd. 3. **EFFECTIVE DATE.** This section is effective upon local approval by the governing body of the city of Foley and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 23. GARRISON; TAX INCREMENT FINANCING.

The reduction in state aid under Minnesota Statutes, section 273.1399, for the city of Garrison as a result of tax increment financing district number 1 does not apply for aids paid in fiscal years 1999 and 2000. The aid reduction for fiscal years 1999 and 2000 must be deducted from aid payable to the city in the year or years after the remainder of the aid reduction for tax increment financing district number 1 has been made.

Sec. 24. NEW BRIGHTON; TAX INCREMENT FINANCING.

Subdivision 1. **SPECIAL RULES.** (a) If the city elects upon the adoption of the tax increment financing plan for the district, the rules under this section apply to redevelopment or soils condition tax increment financing districts established by the city of New Brighton or a development authority of the city in the area bounded on the north by the south boundary line of tax increment district number 8 extended to Long Lake regional park, on the east by interstate highway 35W, on the south by interstate highway 694, and on the west by Long Lake regional park.

(b) The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, is extended to nine years for the district.

(c) The limitations on spending increment outside of the district under Minnesota Statutes, section 469.1763, subdivision 2, do not apply, but increments may only be expended on improvements or activities within the area defined in paragraph (a).

Subd. 2. **EXPIRATION.** (a) The exception from the limitations of Minnesota Statutes, section 469.1763, subdivision 2, expires 18 years after the receipt of the first increment from a district to which the city has elected that this section applies.

(b) The authority to approve tax increment financing plans to establish a tax increment financing district under this section expires on December 31, 2008.

Subd. 3. **EFFECTIVE DATE.** This section is effective upon approval by the governing bodies of the city of New Brighton and Ramsey county and upon compliance by the city with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 25. MEEKER COUNTY; ECONOMIC DEVELOPMENT AUTHORITY; ESTABLISHMENT AND POWERS.

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Subdivision 1. ESTABLISHMENT. The board of county commissioners of Meeker county may establish an economic development authority in the manner provided in Minnesota Statutes, sections 469.090 to 469.1081, and may impose limits on the authority enumerated in Minnesota Statutes, section 469.092. The economic development authority has all of the powers and duties granted to or imposed upon economic development authorities under Minnesota Statutes, sections 469.090 to 469.1081. The county economic development authority may create and define the boundaries of economic development districts at any place or places within the county, provided that a project as recommended by the county authority that is to be located within the corporate limits of a city may not be commenced without the approval of the governing body of the city. Minnesota Statutes, section 469.174, subdivision 10, and the contiguity requirement specified under Minnesota Statutes, section 469.101, subdivision 1, do not apply to limit the areas that may be designated as county economic development districts.

Subd. 2. POWERS. If an economic development authority is established as provided in subdivision 1, the county may exercise all of the powers relating to an economic development authority granted to a city under Minnesota Statutes, sections 469.090 to 469.1081, or other law, including the power to levy a tax to support the activities of the authority.

Subd. 3. EFFECTIVE DATE. This section is effective the day after the Meeker county board's approval is filed as provided in Minnesota Statutes, section 645.021, subdivision 3.

Sec. 26. KITTSON COUNTY; ECONOMIC DEVELOPMENT AUTHORITY; ESTABLISHMENT AND POWERS.

Subdivision 1. ESTABLISHMENT. The board of county commissioners of Kittson county may establish an economic development authority in the manner provided in Minnesota Statutes, sections 469.090 to 469.1081, and may impose limits on the authority enumerated in Minnesota Statutes, section 469.092. The economic development authority has all of the powers and duties granted to or imposed upon economic development authorities under Minnesota Statutes, sections 469.090 to 469.1081. The county economic development authority may create and define the boundaries of economic development districts at any place or places within the county, provided that a project as recommended by the county authority that is to be located within the corporate limits of a city may not be commenced without the approval of the governing body of the city. Minnesota Statutes, section 469.174, subdivision 10, and the contiguity requirement specified under Minnesota Statutes, section 469.101, subdivision 1, do not apply to limit the areas that may be designated as county economic development districts.

Subd. 2. POWERS. If an economic development authority is established as provided in subdivision 1, the county may exercise all of the powers relating to an economic development authority granted to a city under Minnesota Statutes, sections 469.090 to 469.1081, or other law, including the power to levy a tax to support the activities of the authority.

Subd. 3. EFFECTIVE DATE. This section is effective the day after the Kittson county board's approval is filed as provided in Minnesota Statutes, section 645.021, subdivision 3.

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Sec. 27. BLUE EARTH COUNTY; ECONOMIC DEVELOPMENT AUTHORITY; ESTABLISHMENT AND POWERS.

Subdivision 1. ESTABLISHMENT. The board of county commissioners of Blue Earth county may establish an economic development authority in the manner provided in Minnesota Statutes, sections 469.090 to 469.1081, and may impose limits on the authority enumerated in Minnesota Statutes, section 469.092. The economic development authority has all of the powers and duties granted to or imposed upon economic development authorities under Minnesota Statutes, sections 469.090 to 469.1081. The county economic development authority may create and define the boundaries of economic development districts at any place or places within the county, provided that a project as recommended by the county authority that is to be located within the corporate limits of a city may not be commenced without the approval of the governing body of the city. Minnesota Statutes, section 469.174, subdivision 10, and the contiguity requirement specified under Minnesota Statutes, section 469.101, subdivision 1, do not apply to limit the areas that may be designated as county economic development districts.

Subd. 2. POWERS. If an economic development authority is established as provided in subdivision 1, the county may exercise all of the powers relating to an economic development authority granted to a city under Minnesota Statutes, sections 469.090 to 469.1081, or other law, including the power to levy a tax to support the activities of the authority.

Subd. 3. HOUSING PROGRAMS. The Blue Earth county economic development authority may exercise its authority for purposes of consolidating housing programs with the city of Mankato.

Subd. 4. EFFECTIVE DATE. This section is effective the day after the Blue Earth county board's approval is filed as provided in Minnesota Statutes, section 645.021, subdivision 3.

Sec. 28. SPECIAL TAXING AUTHORITY; BROOKLYN CENTER.

Subdivision 1. AUTHORITY. The city of Brooklyn Center may establish a special taxing district and impose a tax under Minnesota Statutes, section 469.1791, for the following described property within tax increment financing district No. 3 in the city:

All that property that is located within the area bounded by a continuous line beginning at a point at the intersection of county road No. 10 and trunk highway No. 100 and going southwesterly along the center line of trunk highway No. 100 to its intersection with Brooklyn Boulevard; thence northerly along the center line of Brooklyn Boulevard to a point 476.52 feet northerly of the intersection of Brooklyn Boulevard and county road No. 10; thence easterly from that point along a straight line to the center line of Shingle Creek; thence southerly along the center line of Shingle Creek to its intersection with the north right-of-way line of county road No. 10; thence easterly along the north right-of-way line of county road No. 10 to the east right-of-way line of Shingle Creek Parkway; thence northerly along the west property line of lot 2, block 2, Brookdale square addition 165.43 feet; thence northeasterly along the northwest property line of lot 2, block 2, Brookdale square addition 297.73 feet; thence easterly along the north property line of lot 2, block 2, Brookdale square addition 914.34 feet; thence southerly 517.9 feet along the easterly property line of lot 2, block 2, Brookdale square addition extended

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to the center line of county road No. 10; thence easterly along the center line of county road No. 10 to the point of the beginning.

Subd. 2. EXCEPTIONS FROM GENERAL LAW. The following requirements under general law do not apply to a special taxing district created under this section:

(1) the preconditions for establishing a special taxing district under Minnesota Statutes, section 469.1791, subdivision 3;

(2) the authority to file written objections under Minnesota Statutes, section 469.1791, subdivision 5, and to appeal to the district court under Minnesota Statutes, section 469.1791, subdivision 6; and

(3) the limits on the maximum levy and the use of the proceeds under Minnesota Statutes, section 469.1791, subdivision 9.

Subd. 3. RESTRICTIONS. The authority to impose the tax under this section is limited to property that is subject to an assessment agreement with the city or its economic development authority under Minnesota Statutes, section 469.177, subdivision 8, as of the date of adoption of the enabling ordinance. The maximum levy may not exceed the amount specified in the assessment agreement.

Subd. 4. EFFECTIVE DATE. This section is effective upon compliance by the city of Brooklyn Center with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 29. EFFECTIVE DATE.

Sections 1, 5, and 7 apply to tax increment financing districts certified on, before, and after August 1, 1979.

Sections 2, 3, 4, and 8 are effective for disclosures required to be made and reports required to be submitted beginning in 1999.

Section 6 is effective for tax increment financing districts for which the request for certification is made after April 30, 1998.

Section 9 is effective the day following final enactment and applies to tax increment financing districts certified on, before, and after August 1, 1979.

Section 10 is effective beginning for taxes payable in 1999.

Section 11 is effective upon compliance by Itasca county with Minnesota Statutes, section 645.021, subdivision 3.

Section 12 is effective upon compliance by Koochiching county with Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 12

BORDER CITY ZONES

Section 1. [272.0212] BORDER DEVELOPMENT ZONE PROPERTY.

Subdivision 1. EXEMPTION. All qualified property in a zone is exempt to the extent and for the duration provided by the zone designation and under sections 469.1731 to 469.1735.

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Subd. 2. LIMITS ON EXEMPTION. Property in a zone is not exempt under this section from the following:

(1) special assessments;

(2) ad valorem property taxes specifically levied for the payment of principal and interest on debt obligations; and

(3) all taxes levied by a school district, except equalized school levies as defined in section 273.1398, subdivision 1, paragraph (e).

Subd. 3. STATE AID. Property exempt under this section is included in the net tax capacity for purposes of computing aids under chapter 477A.

Subd. 4. DEFINITIONS. (a) For purposes of this section, the following terms have the meanings given.

(b) "Qualified property" means class 3 and class 5 property as defined in section 273.13 that is located in a zone and is newly constructed after the zone was designated, including the land that contains the improvements.

(c) "Zone" means a border city development zone designated under the provisions of section 469.1731.

Subd. 5. FINDING REQUIRED. The exemption under this section is available to a parcel only if the municipality determines that the granting of the tax exemption is necessary to enable a business to expand within a zone or to attract a business to a zone.

Sec. 2. Minnesota Statutes 1997 Supplement, section 469.169, subdivision 11, is amended to read:

Subd. 11. ADDITIONAL BORDER CITY ALLOCATIONS. In addition to tax reductions authorized in subdivisions 7, 8, 9, and 10, the commissioner may allocate \$1,500,000 for tax reductions to border city enterprise zones in cities located on the western border of the state. The commissioner shall make allocations to zones in cities on the western border on a per capita basis. Allocations made under this subdivision may be used for tax reductions as provided in section 469.171, or other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary in order to retain a business within or attract a business to the zone. Limitations on allocations under section 469.169, subdivision 7, do not apply to this allocation. ~~Enterprise zones that receive allocations under this subdivision may continue in effect for purposes of those allocations through December 31, 1998.~~

Sec. 3. Minnesota Statutes 1996, section 469.169, is amended by adding a subdivision to read:

Subd. 12. ADDITIONAL ZONE ALLOCATIONS. In addition to tax reductions authorized in subdivisions 7, 8, 9, 10, and 11, the commissioner shall allocate tax reductions to border city enterprise zones located on the western border of the state. The cumulative total amount of tax reductions for all years of the program under sections 469.1731 to 469.1735, is limited to:

(1) for the city of Breckenridge, \$394,000;

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- (2) for the city of Dilworth, \$118,200;
- (3) for the city of East Grand Forks, \$788,000;
- (4) for the city of Moorhead, \$591,000; and
- (5) for the city of Ortonville, \$78,800.

Allocations made under this subdivision may be used for tax reductions provided in section 469.1732 or 469.1734 or for reimbursements under section 469.1735, subdivision 3, but only if the municipality determines that the granting of the tax reduction or offset is necessary to enable a business to expand within a city or to attract a business to a city. Limitations on allocations under subdivision 7 do not apply to this allocation.

Sec. 4. Minnesota Statutes 1996, section 469.170, is amended by adding a subdivision to read:

Subd. 5e. LIMITS ON MULTIYEAR PLANS. The requirements for a multiyear enterprise zone tax credit distribution plan under subdivisions 5a to 5d apply only for:

- (1) each business that will receive more than \$25,000 in credits in a year; or
- (2) tax reductions under section 469.171, subdivision 1, for businesses in areas designated under section 469.171, subdivision 5.

Sec. 5. Minnesota Statutes 1996, section 469.171, subdivision 9, is amended to read:

Subd. 9. RECAPTURE. Any business that (1) receives tax reductions authorized by subdivisions 1 to 8, classification as employment property pursuant to section 469.170, or an alternative local contribution under section 469.169, subdivision 5; and (2) ceases to operate its facility located within the enterprise zone within two years after the expiration of the tax reductions shall repay the amount of the tax reduction or local contribution pursuant to the following schedule:

Termination of operations	Repayment Portion
Less than 6 months	100 percent
6 months or more but less than 12 months	75 percent
12 months or more but less than 18 months	50 percent
18 months or more but less than 24 months	25 percent

received during the two years immediately before it ceased to operate in the zone.

The repayment must be paid to the state to the extent it represents a tax reduction under subdivisions 1 to 8 and to the municipality to the extent it represents a property tax reduction or other local contribution. Any amount repaid to the state must be credited to the amount certified as available for tax reductions in the zone pursuant to section 469.169, subdivision 7. Any amount repaid to the municipality must be used by the municipality for economic development purposes. The commissioner of revenue may seek repayment of tax credits from a business ceasing to operate within an enterprise zone by utilizing any remedies available for the collection of tax.

Sec. 6. **[469.1731] BORDER CITY DEVELOPMENT ZONES.**

Subdivision 1. DESIGNATION. To encourage economic development, to revitalize the designated areas, to expand tax base and economic activity, and to provide job

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creation, growth, and retention, the following border cities may designate, by resolution, areas of the city as development zones after a public hearing upon 30-day notice.

(a) The city of Breckenridge may designate all or any part of the city as a zone.

(b) The city of Dilworth may designate between one and six areas of the city as zones containing not more than 100 acres in the aggregate.

(c) The city of East Grand Forks may designate all or any part of the city as a zone.

(d) The city of Moorhead may designate between one and six areas of the city as zones containing not more than 100 acres in the aggregate.

(e) The city of Ortonville may designate between one and six areas of the city as zones containing not more than 100 acres in the aggregate.

Subd. 2. DEVELOPMENT PLAN. (a) Before designating a development zone, the city must adopt a written development plan that addresses:

(1) evidence of adverse economic conditions within the area resulting from competition with the bordering state or the 1997 floods or both;

(2) the viability of the development plan;

(3) public and private commitment to and other resources available for the area;

(4) how designation would relate to a development and revitalization plan for the city as a whole; and

(5) how the local regulatory burden will be eased for businesses operating in the area.

(b) The development plan must include:

(1) a map of the proposed zone that indicates the geographic boundaries, the total area, and the present use and conditions generally of land and structures within the area;

(2) evidence of community support and commitment from business interests;

(3) a description of the methods proposed to increase economic opportunity and expansion, facilitate infrastructure improvement, and identify job opportunities; and

(4) the duration of the zone designation, not to exceed 15 years.

Subd. 3. FILING. The city must file a copy of the resolution and development plan with the commissioner of trade and economic development. The designation takes effect for the first calendar year that begins more than 90 days after the filing.

Sec. 7. [469.1732] TAX INCENTIVES WITHIN DEVELOPMENT ZONES.

Subdivision 1. AUTHORITY. A business that conducts business activity within a border city development zone designated under section 469.1731 may qualify for the property tax exemption under section 272.0212, the corporate franchise tax credit under subdivision 2, and the sales tax exemption under section 469.1734, subdivision 6.

Subd. 2. BORDER CITY ZONE CREDIT. (a) A corporation may claim a credit against the tax imposed by sections 290.02, 290.0921, and 290.0922, subdivision 1, para-

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graph (a). The commissioner of revenue shall prescribe the method in which the credit may be claimed. This may include allowing the credit only as a separately processed claim for refund. The allowable credit is based on the tax liability attributable to business conducted within a zone, and may be equal to all or a portion of that liability, as determined by the city.

(b) "Tax liability" means the tax liability under sections 290.02, 290.0921, and 290.0922, subdivision 1, paragraph (a), after any other credits.

(c) The tax liability attributable to business conducted within a zone means the taxpayer's tax liability multiplied by a fraction:

(1) the numerator of which is:

(i) the ratio of the taxpayer's property factor under section 290.191 located in the border city development zone, for the taxable year over the property factor denominator determined under section 290.191, plus

(ii) the ratio of the taxpayer's payroll factor under section 290.191 located in the border city development zone, for the taxable year over the payroll factor denominator determined under section 290.191; and

(2) the denominator of which is two.

(d) Any portion of the taxpayer's tax liability that is attributable to illegal activity conducted in the zone must not be used to calculate a credit under this subdivision.

(e) The credit allowed under this subdivision continues through the taxable year in which the zone designation expires.

(f) To be eligible for a credit under this subdivision, the taxpayer must file an annual return under chapter 290.

(g) The credit allowed under this subdivision may not exceed the lesser of:

(1) the tax liability of the taxpayer for the taxable year; or

(2) the amount of the tax credit certificates received by the taxpayer from the city, less any tax credit certificates used under section 469.1734, subdivisions 4, 5, and 6.

Subd. 3. PHASEOUT AT END OF ZONE DURATION. During the last three years of the duration of a border city development zone, the available exemptions, subtractions, or credits are reduced by the following percentages for the taxes payable year or the taxable years that begin during:

(1) the calendar year that is two years before the final year of designation as a development zone, 25 percent;

(2) the calendar year that is immediately before the final year of designation as a development zone, 50 percent; and

(3) for the final calendar year of designation as a development zone, 75 percent.

Sec. 8. [469.1733] DISQUALIFIED TAXPAYERS.

Subdivision 1. DELINQUENT TAXPAYERS. An individual or a business is not eligible for the exemptions or credits available under section 272.0212, 469.1732, or

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469.1734, if the individual or business owes delinquent amounts under chapter 290, 296, 297, 297A, 297B, or 297C or if the individual or business owns property located in the city or county in which the zone is located on which the property taxes are delinquent. Delinquency is determined as of the date of the application for a certificate under section 469.1735, subdivision 1. As a condition of receiving a certificate, the individual or business must authorize the department of revenue to disclose information necessary to make the determination under this subdivision notwithstanding any provision of chapter 270B or other law to the contrary.

Subd. 2. **RELOCATION WITHIN COUNTY.** If a business located in the county in which the border city development zone is located relocates from outside a zone into a zone, the business is not eligible for the exemptions or credits available in the border city development zone, unless the governing body of the city, for a business located in an incorporated area, or the county, for a business located outside of an incorporated area, approves the relocation of the business.

Subd. 3. **RELOCATION FROM OUTSIDE COUNTY.** (a) If a business relocates more than 25 full-time equivalent jobs from a location in Minnesota outside of the county in which the zone is located, the business must notify the commissioner of trade and economic development and the city and county governments from which the jobs are being relocated. A business may satisfy the notification requirement by notifying the commissioner of trade and economic development, the city, and county of its intent to transfer jobs to a zone before actually doing so. The business is not eligible for the exemptions and credits available in the border city development zone, if the governing body of the city or county from which the jobs are being relocated adopts a resolution objecting to the relocation within 60 days after its receipt of the notice.

(b) The business becomes eligible for the exemptions and credits available in the zone when each city and county that objected to the relocation rescinds its objection by resolution.

(c) A city or county that objects to the relocation of jobs must file a copy of the resolution with the commissioner of trade and economic development and the city that created the border city development zone into which the jobs were or intend to be transferred.

Sec. 9. [469.1734] TAX INCENTIVES OUTSIDE ZONES.

Subdivision 1. **AUTHORITY.** A city with authority to establish a border city development zone under section 469.1731 may grant the tax incentives provided by this section. This authority applies only to projects located outside of a zone, except as provided in subdivision 6.

Subd. 2. **DEFINITIONS.** For purposes of this section, "qualifying business" means the business conducted by a corporation, partnership, or individual doing business from a fixed location within the border city but located outside of the border city development zone.

Subd. 3. **PROPERTY TAX.** (a) A city may grant a partial or complete exemption from property taxation of all buildings, structures, fixtures, and improvements used in or necessary to a qualifying business for a period not exceeding five tax years. A partial exemption must be stated as a percentage of the total ad valorem taxes assessed against the property.

New language is indicated by underline, deletions by strikeout.

(b) In addition to, or in lieu of, a property tax exemption under paragraph (a), a city may establish an amount due as payments in lieu of ad valorem taxes on buildings, structures, fixtures, and improvements used by the qualifying business. The city council shall designate the amount of the payments for each year and the beginning year and the concluding year for payments in lieu of taxes. The option to make payments in lieu of taxes under this section is limited to 20 consecutive taxes payable years for any qualifying business. To establish the amount of payments in lieu of taxes, the city council may use actual or estimated levels of assessment and taxation or may designate different amounts of payments in lieu of other taxes in different years to recognize future expansion plans of a qualifying business or other considerations. The payments in lieu shall be collected and distributed in the same manner as ad valorem taxes.

(c) The city council must determine whether granting the exemption or payments in lieu of taxes, or both, is necessary to enable a business to expand in the city or to attract a business to the city and is in the best interest of the city. If it so determines, the city must give its approval.

Subd. 4. INCOME TAX. (a) Upon application by the qualifying business to the city, and approval of the city, a qualifying business shall receive a credit against taxes imposed under chapter 290, other than the tax imposed under section 290.92, based on the taxable net income of the qualified business attributable to the border city, but outside the border city development zone, multiplied by 9.8 percent in the case of a taxpayer under section 290.02, and 8.5 percent in the case of a taxpayer taxable under section 290.06, subdivision 2c. The attributable net income of a qualified business in the border city is determined by multiplying the taxable net income of the business entity, determined as if the business were a C corporation, by a fraction:

(1) the numerator of which is:

(i) the ratio of the taxpayer's property factor under section 290.191 located in the border city, but outside of the border city development zone, for the taxable year over the property factor denominator determined under section 290.191, plus

(ii) the ratio of the taxpayer's payroll factor under section 290.191 located in the border city, but outside of the border city development zone, for the taxable year over the payroll factor denominator determined under section 290.191; and

(2) the denominator of which is two.

(b) The credit under this subdivision applies after any credit allowed under subdivision 5.

(c) After any notice period required by subdivision 7, the city council must determine whether granting the credit is in the best interest of the city, and if it so determines, must approve the granting of the credit and determine its amount.

(d) The credit under this subdivision may not exceed the amount of the tax credit certificates received by the taxpayer from the city, less any tax credit certificates used under section 469.1732, subdivision 2, and subdivisions 5 and 6.

(e) No taxpayer may receive the credit under this subdivision for more than five taxable years.

New language is indicated by underline, deletions by strikeout.

Subd. 5. BORDER CITY NEW INDUSTRY CREDIT. (a) To provide a tax incentive for new industry in border cities, a corporation may be allowed a credit against the tax imposed by section 290.02. The commissioner shall prescribe the method in which the credit may be claimed. This may include allowing the credit only as a separately processed claim for refund.

(b) The credit equals one percent of the wages and salaries paid by the taxpayer during the taxable year for employees whose principal place of work is located in a border city but outside of a zone designated under section 469.1731. The credit applies for the first three taxable years of the operation of the corporation in the border city. In the fourth and fifth taxable years of the operation of the corporation in the border city, the credit equals 0.5 percent of the wages and salaries. After the fifth year, no credit is allowed. The city shall determine the amount of wages that qualify for the credit and issue tax credit certificates in the correct amount.

(c) The credit under this subdivision applies only to a corporate enterprise engaged in assembling, fabricating, manufacturing, mixing, or processing of any agricultural, mineral, or manufactured product or combinations of them.

(d) The credit allowed under this subdivision may not exceed the lesser of:

(1) the tax liability of the taxpayer for the taxable year; or

(2) the amount of the tax credit certificates received by the taxpayer from the city, less any tax credit certificates used under subdivisions 4 and 6, and section 469.1732, subdivision 2.

Subd. 6. SALES TAX EXEMPTION; EQUIPMENT; CONSTRUCTION MATERIALS. (a) The gross receipts from the sale of machinery and equipment and repair parts are exempt from taxation under chapter 297A, if the machinery and equipment:

(1) are used in connection with a trade or business;

(2) are placed in service in a city that is authorized to designate a zone under section 469.1731, regardless of whether the machinery and equipment are used in a zone; and

(3) have a useful life of 12 months or more.

(b) The gross receipts from the sale of construction materials are exempt, if they are used to construct a facility for use in a trade or business located in a city that is authorized to designate a zone under section 469.1731, regardless of whether the facility is located in a zone. The exemptions under this paragraph apply regardless of whether the purchase is made by the owner, the user, or a contractor.

(c) A purchaser may claim an exemption under this subdivision for tax on the purchases up to, but not exceeding:

(1) the amount of the tax credit certificates received from the city, less

(2) any tax credit certificates used under the provisions of subdivisions 4 and 5, and 469.1732, subdivision 2.

(d) The tax on sales of items exempted under this subdivision shall be imposed and collected as if the applicable rate under section 297A.02 applied. Upon application by the purchaser, on forms prescribed by the commissioner, a refund equal to the tax paid shall

New language is indicated by underline, deletions by strikeout.

be paid to the purchaser. The application must include sufficient information to permit the commissioner to verify the sales tax paid and the eligibility of the claimant to receive the credit. No more than two applications for refunds may be filed under this subdivision in a calendar year. The provisions of section 289A.40 apply to the refunds payable under this subdivision. There is annually appropriated to the commissioner of revenue the amount required to make the refunds, which must be deducted from the amount of the city's allocation under section 469.169, subdivision 12, that remains available and its limitation under section 469.1735. The amount to be refunded shall bear interest at the rate in section 270.76 from the date the refund claim is filed with the commissioner.

Subd. 7. NOTICE TO COMPETITORS. (a) Before an exemption or other concession is granted under subdivision 3 or 4, the procedure under this subdivision applies.

(b) Unless the city council determines that no existing business within the city would be a potential competitor of the project, the project operator shall publish two notices to competitors of the application of the tax exemption or payments in lieu in the official newspaper of the city. The city shall prescribe the form of the notice. The two notices must be published at least one week apart. The publications must be completed not less than 15 days nor more than 30 days before the city council approves the tax exemption or payments in lieu of taxes.

Sec. 10. [469.1735] LIMIT ON TAX REDUCTIONS; APPLICATIONS REQUIRED.

Subdivision 1. BUSINESSES MUST APPLY. To claim a tax credit under section 469.1732, subdivision 2, or 469.1734, subdivision 4 or 5, or an exemption from sales tax under section 469.1734, subdivision 6, a business must apply to the city for a tax credit certificate. As a condition of its application, the business must agree to furnish information to the city that is sufficient to verify the eligibility for any credits or other tax reductions claimed. The total amount of the state tax reductions allowed for the specified period may not exceed the amount of the tax credit certificates provided by the city to the business. The city must verify the amount of tax reduction or credits for which each business is eligible.

Subd. 2. CITY LIMITATIONS. (a) Each city may provide tax credit certificates to businesses that apply and meet the requirements for the tax credit and exemption. The certificates that each city may provide for the period covered by this section is limited to the amount specified in this subdivision.

(b) The maximum amount of tax credit certificates each city may issue over the duration of the program equals the amount of the allocation to the city under section 469.169, subdivision 12.

Subd. 3. TRANSFER AUTHORITY FOR PROPERTY TAX. (a) A city may elect to use all or part of its allocation under subdivision 2 to reimburse the city or county or both for property tax reductions under section 272.0212. To elect this option, the city must notify the commissioner of revenue by October 1 of each calendar year of the amount of the property tax reductions it seeks reimbursements for taxes payable during the following year and the governmental units to which the amounts will be paid. The commissioner may require the city to provide information substantiating the amount of the reductions granted or any other information necessary to administer this provision. The commissioner shall pay the reimbursements by December 26. Any amount trans-

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ferred under this authority reduces the amount of tax credit certificates available under subdivisions 1 and 2.

(b) The amount elected by the city under paragraph (a) is appropriated to the commissioner of revenue from the general fund to reimburse the city or county for tax reductions under section 272.0212. The amount appropriated may not exceed the maximum amounts allocated to a city under subdivision 2, paragraph (b), less the amount of certificates issued by the city under subdivision 1, and is available until expended.

Sec. 11. **EFFECTIVE DATE.**

Sections 1, 2, and 6 to 10 are effective the day following final enactment, provided that sections 7, subdivision 2, and 9, subdivisions 4 and 5, are effective for taxable years beginning after December 31, 1998.

Section 4 is effective for plans required to be filed after the day following final enactment, regardless of whether the business received a credit and was required to file a plan in a prior year.

Section 5 is effective for tax reductions received beginning in the first calendar year after the day following final enactment.

ARTICLE 13

GAMING TAXES

Section 1. Minnesota Statutes 1996, section 240.15, subdivision 1, is amended to read:

Subdivision 1. TAXES IMPOSED. (a) From July 1, 1996, until July 1, 1999, There is imposed a tax at the rate of six percent of the amount in excess of \$12,000,000 annually withheld from all pari-mutuel pools by the licensee, including breakage and amounts withheld under section 240.13, subdivision 4. After June 30, 1999, the tax is imposed on the total amount withheld from all pari-mutuel pools. For the purpose of this subdivision, "annually" is the period from July 1 to June 30 of the next year.

In addition to the above tax, the licensee must designate and pay to the commission a tax of one percent of the total amount bet on each racing day, for deposit in the Minnesota breeders fund.

The taxes imposed by this clause must be paid from the amounts permitted to be withheld by a licensee under section 240.13, subdivision 4.

(b) The commission may impose an admissions tax of not more than ten cents on each paid admission at a licensed racetrack on a racing day if:

- (1) the tax is requested by a local unit of government within whose borders the track is located;
- (2) a public hearing is held on the request; and
- (3) the commission finds that the local unit of government requesting the tax is in need of its revenue to meet extraordinary expenses caused by the racetrack.

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

Sec. 2. Minnesota Statutes 1996, section 240.15, subdivision 5, is amended to read:

Subd. 5. **UNREDEEMED TICKETS.** (a) Notwithstanding any provision to the contrary in chapter 345, unredeemed pari-mutuel tickets shall not be considered unclaimed funds and shall be handled in accordance with the provisions of this subdivision.

(b) ~~Until the end of calendar year 1999,~~ Any person claiming to be entitled to the proceeds of any unredeemed ticket may within one year after the conclusion of each race meet file with the licensee a verified claim for such proceeds on such form as the licensee prescribes along with the pari-mutuel ticket. Unless the claimant satisfactorily establishes the right to the proceeds, the claim shall be rejected. If the claim is allowed, the licensee shall pay the proceeds without interest to the claimant.

(c) ~~Beginning January 1, 2000, not later than 100 days after the end of a race meet a licensee who sells pari-mutuel tickets must remit to the commission or its representative an amount equal to the total value of unredeemed tickets from the race meet. The remittance must be accompanied by a detailed statement of the money on a form the commission prescribes. Any person claiming to be entitled to the proceeds of any unredeemed ticket who fails to claim said proceeds prior to their being remitted to the commission, may within one year after the date of remittance to the commission file with the commission a verified claim for such proceeds on such form as the commission prescribes along with the pari-mutuel ticket. Unless the claimant satisfactorily establishes the right to the proceeds, the claim shall be rejected. If the claim is allowed, the commission shall pay the proceeds without interest to the claimant. There is hereby appropriated from the general fund to the commission an amount sufficient to make payment to persons entitled to such proceeds.~~

Sec. 3. Minnesota Statutes 1996, section 297E.02, subdivision 1, is amended to read:

Subdivision 1. **IMPOSITION.** A tax is imposed on all lawful gambling other than (1) pull-tabs purchased and placed into inventory after January 1, 1987, and (2) tipboards purchased and placed into inventory after June 30, 1988, at the rate of ~~ten~~ 9.5 percent on the gross receipts as defined in section 297E.01, subdivision 8, less prizes actually paid. The tax imposed by this subdivision is in lieu of the tax imposed by section 297A.02 and all local taxes and license fees except a fee authorized under section 349.16, subdivision 8, or a tax authorized under subdivision 5.

The tax imposed under this subdivision is payable by the organization or party conducting, directly or indirectly, the gambling.

Sec. 4. Minnesota Statutes 1996, section 297E.02, subdivision 4, is amended to read:

Subd. 4. **PULL-TAB AND TIPBOARD TAX.** (a) A tax is imposed on the sale of each deal of pull-tabs and tipboards sold by a distributor. The rate of the tax is ~~two~~ 1.9 percent of the ideal gross of the pull-tab or tipboard deal. The sales tax imposed by chapter 297A on the sale of the pull-tabs and tipboards by the distributor is imposed on the retail sales price less the tax imposed by this subdivision. The retail sale of pull-tabs or tipboards by the organization is exempt from taxes imposed by chapter 297A and is exempt from all local taxes and license fees except a fee authorized under section 349.16, subdivision 8.

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

(b) The liability for the tax imposed by this section is incurred when the pull-tabs and tipboards are delivered by the distributor to the customer or to a common or contract carrier for delivery to the customer, or when received by the customer's authorized representative at the distributor's place of business, regardless of the distributor's method of accounting or the terms of the sale.

The tax imposed by this subdivision is imposed on all sales of pull-tabs and tipboards, except the following:

(1) sales to the governing body of an Indian tribal organization for use on an Indian reservation;

(2) sales to distributors licensed under the laws of another state or of a province of Canada, as long as all statutory and regulatory requirements are met in the other state or province;

(3) sales of promotional tickets as defined in section 349.12; and

(4) pull-tabs and tipboards sold to an organization that sells pull-tabs and tipboards under the exemption from licensing in section 349.166, subdivision 2. A distributor shall require an organization conducting exempt gambling to show proof of its exempt status before making a tax-exempt sale of pull-tabs or tipboards to the organization. A distributor shall identify, on all reports submitted to the commissioner, all sales of pull-tabs and tipboards that are exempt from tax under this subdivision.

(c) A distributor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities in the subsequent calendar year by a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the tax is due. If the date the tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the tax is due.

(d) Any customer who purchases deals of pull-tabs or tipboards from a distributor may file an annual claim for a refund or credit of taxes paid pursuant to this subdivision for unsold pull-tab and tipboard tickets. The claim must be filed with the commissioner on a form prescribed by the commissioner by March 20 of the year following the calendar year for which the refund is claimed. The refund must be filed as part of the customer's February monthly return. The refund or credit is equal to two 1.9 percent of the face value of the unsold pull-tab or tipboard tickets, provided that the refund or credit will be 1.95 percent of the face value of the unsold pull-tab or tipboard tickets for claims for a refund or credit of taxes filed on the February 1999 monthly return. The refund claimed will be applied as a credit against tax owing under this chapter on the February monthly return. If the refund claimed exceeds the tax owing on the February monthly return, that amount will be refunded. The amount refunded will bear interest pursuant to section 270.76 from 90 days after the claim is filed.

Sec. 5. Minnesota Statutes 1996, section 297E.02, subdivision 6, is amended to read:

Subd. 6. **COMBINED RECEIPTS TAX.** In addition to the taxes imposed under subdivisions 1 and 4, a tax is imposed on the combined receipts of the organization. As used in this section, "combined receipts" is the sum of the organization's gross receipts

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from lawful gambling less gross receipts directly derived from the conduct of bingo, raffles, and paddlewheels, as defined in section 297E.01, subdivision 8, for the fiscal year. The combined receipts of an organization are subject to a tax computed according to the following schedule:

If the combined receipts for the fiscal year are:	The tax is:
Not over \$500,000	zero
Over \$500,000, but not over \$700,000	two <u>1.9</u> percent of the amount over \$500,000, but not over \$700,000
Over \$700,000, but not over \$900,000	\$4,000 <u>\$3,800</u> plus four <u>3.8</u> percent of the amount over \$700,000, but not over \$900,000
Over \$900,000	\$12,000 <u>\$11,400</u> plus six <u>5.7</u> percent of the amount over \$900,000

Sec. 6. Minnesota Statutes 1997 Supplement, section 349.19, subdivision 2a, is amended to read:

Subd. 2a. **TAX REFUND OR CREDIT.** (a) Each organization that receives a refund or credit under section 297E.02, subdivision 4, paragraph (d), must within four business days of receiving a refund under that paragraph deposit the refund in the organization's gambling account.

(b) In addition, each organization must annually calculate 5.26 percent of the sum of the amount of tax it paid under:

(1) section 297E.02, subdivision 1, on gross receipts, less prizes paid, after August 1, 1998; and

(2) section 297E.02, subdivision 6, on combined receipts received after August 1, 1998.

(c) The calculated amount must be reported to the board on a form prescribed by the board by March 20 of the year after the calendar year for which the calculated amount is made. The calculated amount must be filed as part of the organization's report of expenditure of profits from lawful gambling required under section 349.19, subdivision 5.

(d) The organization may expend the tax refund or credit issued under section 297E.02, subdivision 4, paragraph (d), plus the amount calculated under paragraph (b), only for lawful purposes, other than lawful purposes described in section 349.12, subdivision 25, paragraph (a), clauses (8), (9), and (12). Amounts received as refunds or allowed as credits subject to this paragraph must be spent for qualifying lawful purposes no later than one year after the refund or credit is received or the tax savings calculated under paragraph (b).

Sec. 7. EFFECTIVE DATE.

Sections 3 to 5 are effective July 1, 1998.

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ARTICLE 14

HOUSING

Section 1. HOUSING APPROPRIATIONS.

The sums in the columns marked "APPROPRIATIONS" are appropriated from the general fund, or another named fund, to the agencies and for the purposes specified in this article, to be available for the fiscal years indicated for each purpose. The figures "1998" and "1999," where used in this act, mean that the appropriation or appropriations listed under them are available for the year ending June 30, 1998, or June 30, 1999, respectively. The term "first year" means the fiscal year ending June 30, 1998, and "second year" means the fiscal year ending June 30, 1999.

SUMMARY BY FUND

		1998		1999
General	\$	-0-	\$	10,000,000
TOTAL	\$	-0-	\$	10,000,000

**APPROPRIATIONS
Available for the Year
Ending June 30**

**Sec. 2. MINNESOTA HOUSING
FINANCE AGENCY**

	1998	1999
	-0-	10,000,000

The amounts that may be spent from this appropriation for certain programs are specified below.

This appropriation is for transfer to the housing development fund for the programs specified and is part of the agency's budget base.

(a) Affordable Rental Investment Fund

\$10,000,000 in 1999 is for the affordable rental investment fund program under Minnesota Statutes, section 462A.21, subdivision 8b, to finance the acquisition, rehabilitation, and debt restructuring of federally assisted rental property and for making equity take-out loans under Minnesota Statutes, section 462A.05, subdivision 39. The owner of the rental property must agree to participate in the applicable federally assisted housing program and to extend any existing low-income affordability restrictions on the housing for the maximum term permitted. The owner must also enter into an agreement

that gives local units of government, housing and redevelopment authorities, and nonprofit housing organizations the right of first refusal if the rental property is offered for sale. Priority must be given to properties with the longest remaining term under an agreement for federal rental assistance. Priority must also be given among comparable rental housing developments to developments that are or will be owned by a local government unit, a housing and redevelopment authority, or a nonprofit housing organization. This appropriation is reduced by the amount of an appropriation for the affordable rental investment fund program enacted in any other legislation in the 1998 regular session of the Minnesota Legislature.

(b) Administrative Spending Limit

Notwithstanding Laws 1997, chapter 200, article 1, section 6, the spending limit on cost of general administration of housing finance agency programs is \$11,684,000 in fiscal year 1998 and \$13,278,000 in fiscal year 1999.

Sec. 3. TRANSFER OF BONDING AUTHORITY.

The Minnesota housing finance agency may enter into an agreement with the city of Minnetonka for a residential rental project which received an allocation from the housing pool in 1998, whereby the city of Minnetonka may issue up to \$500,000 in obligations pursuant to bonding authority allocated to the Minnesota housing finance agency in 1998 under Minnesota Statutes, section 474A.03.

Sec. 4. Minnesota Statutes 1997 Supplement, section 462A.05, subdivision 39, is amended to read:

Subd. 39. **EQUITY TAKE-OUT LOANS.** The agency may make equity take-out loans to owners of ~~section 8 project-based and section 236 federally assisted rental property upon which the agency holds a first mortgage.~~ The owner of a ~~section 8 project-based federally assisted rental property~~ must agree to participate in the ~~section 8 federal assistance program and extend the low-income affordability restrictions on the housing for the maximum term of the section 8 federal assistance contract.~~ The owner of ~~section 236 rental property~~ must agree to participate in the ~~section 236 interest reduction payments program, to extend any existing low-income affordability restrictions on the housing, and to extend any rental assistance payments for the maximum term permitted under the agreement for rental assistance payments.~~ The ~~An~~ equity take-out loan must be secured by a subordinate loan on the property and may include additional appropriate security determined necessary by the agency.

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

Sec. 5. Minnesota Statutes 1996, section 462A.222, subdivision 3, is amended to read:

Subd. 3. **ALLOCATION PROCEDURE.** (a) Projects will be awarded tax credits in three competitive rounds on an annual basis. The date for applications for each round must be determined by the agency. No allocating agency may award tax credits prior to the application dates established by the agency.

(b) Each allocating agency must meet the requirements of section 42(m) of the Internal Revenue Code of 1986, as amended through December 31, 1989, for the allocation of tax credits and the selection of projects.

(c) For projects that are eligible for an allocation of credits pursuant to section 42(h)(4) of the Internal Revenue Code of 1986, as amended, tax credits may only be allocated if the project satisfies the requirements of the allocating agency's qualified allocation plan. For projects that are eligible for an allocation of credits pursuant to section 42(h)(4) of the Internal Revenue Code of 1986, as amended, for which the agency is the issuer of the bonds for the project, or the issuer of the bonds for the project is located outside the jurisdiction of a city or county that has received reserved tax credits, the applicable allocation plan is the agency's qualified allocation plan.

(d) For applications submitted for the first round, an allocating agency may allocate tax credits only to the following types of projects:

(1) in the metropolitan area:

(i) new construction or substantial rehabilitation of projects in which, for the term of the extended use period, at least 75 percent of the total tax credit units are single-room occupancy, efficiency, or one bedroom units and which are affordable by households whose income does not exceed 30 percent of the median income;

(ii) new construction or substantial rehabilitation family housing projects that are not restricted to persons who are 55 years of age or older and in which, for the term of the extended use period, at least 75 percent of the tax credit units contain two or more bedrooms and at least one-third of the 75 percent contain three or more bedrooms; or

(iii) substantial rehabilitation projects in neighborhoods targeted by the city for revitalization;

(2) outside the metropolitan area, projects which meet a locally identified housing need and which are in short supply in the local housing market as evidenced by credible data submitted with the application;

(3) projects that are not restricted to persons of a particular age group and in which, for the term of the extended use period, a percentage of the units are set aside and rented to persons:

(i) with a serious and persistent mental illness as defined in section 245.462, subdivision 20, paragraph (c);

(ii) with a developmental disability as defined in United States Code, title 42, section 6001, paragraph (5), as amended through December 31, 1990;

(iii) who have been assessed as drug dependent persons as defined in section 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in section 254A.02, subdivision 2;

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(iv) with a brain injury as defined in section 256B.093, subdivision 4, paragraph (a);
or

(v) with permanent physical disabilities that substantially limit one or more major life activities, if at least 50 percent of the units in the project are accessible as provided under Minnesota Rules, chapter 1340;

(4) projects, whether or not restricted to persons of a particular age group, which preserve existing subsidized housing which is subject to prepayment if the use of tax credits is necessary to prevent conversion to market rate use; or

(5) projects financed by the Farmers Home Administration, or its successor agency, which meet statewide distribution goals.

(e) Before the date for applications for the second round, the allocating agencies other than the agency shall return all uncommitted and unallocated tax credits to the pool from which they were allocated, along with copies of any allocation or commitment. In the second round, the agency shall allocate the remaining credits from the regional pools to projects from the respective regions.

(f) In the third round, all unallocated tax credits must be transferred to a unified pool for allocation by the agency on a statewide basis.

(g) Unused portions of the state ceiling for low-income housing tax credits reserved to cities and counties for allocation may be returned at any time to the agency for allocation.

(h) If an allocating agency determines, at any time after the initial commitment or allocation for a specific project, that a project is no longer eligible for all or a portion of the low-income housing tax credits committed or allocated to the project, the credits must be transferred to the agency to be reallocated pursuant to the procedures established in paragraphs (e) to (g); provided that if the tax credits for which the project is no longer eligible are from the current year's annual ceiling and the allocating agency maintains a waiting list, the allocating agency may continue to commit or allocate the credits until not later than October 1, at which time any uncommitted credits must be transferred to the agency.

Sec. 6. [471.9997] **FEDERALLY ASSISTED RENTAL HOUSING; IMPACT STATEMENT.**

At least 12 months before termination of participation in a federally assisted rental housing program, including project-based section 8 and section 236 rental housing, the owner of the federally assisted rental housing must submit a statement regarding the impact of termination on the residents of the rental housing to the governing body of the local government unit in which the housing is located. The impact statement must identify the number of units that will no longer be subject to rent restrictions imposed by the federal program, the estimated rents that will be charged as compared to rents charged under the federal program, and actions the owner will take to assist displaced tenants in obtaining other housing. A copy of the impact statement must be provided to each resident of the affected building, the Minnesota housing finance agency, and, if the property is located in the metropolitan area as defined in section 473.121, subdivision 2, the metropolitan council.

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

Sec. 7. Laws 1997, Second Special Session chapter 2, section 4, subdivision 3, is amended to read:

Subd. 3. Community Rehabilitation
Fund Program

4,500,000

This is a one-time appropriation from the general fund for the community rehabilitation fund program under Minnesota Statutes, section 462A.206. Of this amount, up to \$500,000 is available for grants for damages occurring after June 10, 1997, in an area designated under a presidential declaration of major disaster. Pursuant to a plan approved by the agency, grants or loans may be made without regard to the income of the borrower in communities where at least 20 percent of the housing stock is subject to acquisition and buyout as a result of the 1997 flooding. The grants or loans made without regard to the borrower's income shall not exceed the maximum grant or loan amount available to buyout households. This appropriation is available until expended.

Sec. 8. **EFFECTIVE DATES.**

Sections 3, 4, and 7 are effective the day following final enactment.

ARTICLE 15

SANITARY SEWERS

Section 1. **LEGISLATIVE PURPOSE AND POLICY.**

The legislature determines that in the cities of Farwell and Kensington there are serious problems of water pollution and disposal of sewage which cannot be effectively or economically dealt with by existing government units under existing laws. The legislature, therefore, declares that for the protection of the public health, safety, and welfare of these areas, for the preservation and best use of waters and other natural resources of the state in the area, for the prevention, control, and abatement of water pollution in the area, and for the efficient and economic collection, treatment, and disposal of sewage, it is necessary to establish in Minnesota for said area a sanitary sewer board.

Sec. 2. **DEFINITIONS.**

Subdivision 1. **APPLICATION.** The terms defined in this section shall have the meaning given them unless otherwise provided or indicated by the context.

Subd. 2. **ACQUISITION AND BETTERMENT.** "Acquisition" and "betterment" shall have the meanings given them in Minnesota Statutes, chapter 475.

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

Subd. 3. AGENCY. "Agency" means the Minnesota pollution control agency created and established by Minnesota Statutes, chapter 116.

Subd. 4. AGRICULTURAL PROPERTY. "Agricultural property" means land as is classified agricultural land within the meaning of Minnesota Statutes, section 273.13, subdivision 23.

Subd. 5. CURRENT COSTS OF ACQUISITION, BETTERMENT, AND DEBT SERVICE. "Current costs of acquisition, betterment, and debt service" means interest and principal estimated to be due during the budget year on bonds issued to finance said acquisition and betterment and all other costs of acquisition and betterment estimated to be paid during such year from funds other than bond proceeds and federal or state grants.

Subd. 6. DISTRICT DISPOSAL SYSTEM. "District disposal system" means any and all of the interceptors or treatment works owned, constructed, or operated by the board unless designated by the board as local sanitary sewer facilities.

Subd. 7. FARWELL-KENSINGTON SANITARY DISTRICT AND DISTRICT. "Farwell-Kensington sanitary district" and "district" mean the area over which the sanitary sewer board has jurisdiction which shall include all that part of Douglas county and Pope county described as follows, to wit:

- (1) all of the land within the corporate limits of the city of Farwell;
- (2) all of the land within the corporate limits of the city of Kensington.

Subd. 8. INTERCEPTOR. "Interceptor" means any sewer and necessary appurtenances thereto, including but not limited to, mains, pumping stations, and sewage flow regulating and measuring stations, which is designed for or used to conduct sewage originating in more than one local government unit, or which is designed or used to conduct all or substantially all the sewage originating in a single local government unit from a point of collection in that unit to an interceptor or treatment works outside that unit, or which is determined by the board to be a major collector of sewage used or designed to serve a substantial area in the district.

Subd. 9. LOCAL GOVERNMENT UNIT OR GOVERNMENT UNIT. "Local government unit" or "government unit" means any municipal or public corporation or governmental or political subdivision or agency located in whole or in part in the district, authorized by law to provide for the collection and disposal of sewage.

Subd. 10. LOCAL SANITARY SEWER FACILITIES. "Local sanitary sewer facilities" means all or any part of any disposal system in the district other than the district disposal system.

Subd. 11. MUNICIPALITY. "Municipality" means any city or town located in whole or in part in the district.

Subd. 12. PERSON. "Person" means any individual, partnership, corporation, cooperative, or other organization or entity, public or private.

Subd. 13. POLLUTION AND SEWAGE SYSTEM. "Pollution" and "sewage system" shall have the meanings given them in Minnesota Statutes, section 115.01.

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Subd. 14. SANITARY SEWER BOARD OR BOARD. "Sanitary sewer board" or "board" means the sanitary sewer board established for the Farwell-Kensington sanitary district as provided in section 3.

Subd. 15. SEWAGE. "Sewage" means all liquid or water-carried waste products from whatever sources derived, together with such groundwater infiltration and surface water as may be present.

Subd. 16. TOTAL COSTS OF ACQUISITION AND BETTERMENT AND COSTS OF ACQUISITION AND BETTERMENT. "Total costs of acquisition and betterment" and "costs of acquisition and betterment" mean all acquisition and betterment expenses which are permitted to be financed out of bond proceeds issued in accordance with section 13, subdivision 4, whether or not such expenses are in fact financed out of such bond proceeds.

Subd. 17. TREATMENT WORKS AND DISPOSAL SYSTEM. "Treatment works" and "disposal system" shall have the meanings given them in Minnesota Statutes, section 115.01.

Sec. 3. SANITARY SEWER BOARD.

Subdivision 1. ESTABLISHMENT. A sanitary sewer board with jurisdiction in the Farwell-Kensington sanitary district is established as a public corporation and political subdivision of the state with perpetual succession and all the rights, powers, privileges, immunities, and duties which may be validly granted to or imposed upon a municipal corporation, as provided in this article.

Subd. 2. NUMBER, TERMS, AND ELECTION OF MEMBERS. The board has five members, two elected at large from the city of Farwell and three elected at large from the city of Kensington. The terms of the members are four years and until a successor is qualified, except that for the first election in 1998 one at large seat from Farwell and one from Kensington shall be for two years and until a successor is qualified. The short term shall be determined by lot and designated before filings open by the municipal clerks of the two cities. The election shall be conducted by the municipal clerks as provided in Minnesota Statutes, chapter 205, at the same time as the city council elections are held. Vacancies, removal, and qualification for office are as otherwise provided by statute for elected city council members.

Subd. 3. CERTIFICATES OF SELECTION, OATH OF OFFICE. A certificate of selection of every board member selected under subdivision 2 stating the term shall be made by the respective municipal clerks. The certificates, with the approval appended by other authority, if required, shall be filed with the secretary of state. Counterparts shall be furnished to the board member and the secretary of the board. Each member shall qualify by taking and subscribing the oath of office prescribed by the Minnesota Constitution, article V, section 6. Such oath, duly certified by the official administering the same, shall be filed with the secretary of state and the secretary of the board.

Subd. 4. COMPENSATION OF BOARD MEMBERS. Each board member shall be paid a per diem compensation for meetings and for such other services in such amount as may be specifically authorized by the board from time to time. Per diem compensation shall not exceed \$2,000 in any one year. All members of the board shall be reimbursed for all reasonable expenses incurred in the performance of their duties as determined by the board.

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Sec. 4. GENERAL PROVISIONS FOR ORGANIZATION AND OPERATION OF BOARD.

Subdivision 1. OFFICERS, MEETINGS, SEAL. A majority of the members shall constitute a quorum at all meetings of the board, but a lesser number may meet and adjourn from time to time and compel the attendance of absent members. The board shall meet regularly at such time and place as the board shall by resolution designate. Special meetings may be held at any time upon call of the chair or any two members, upon written notice sent by mail to each member at least three days prior to the meeting, or upon such other notice as the board by resolution may provide, or without notice if each member is present or files with the secretary a written consent to the meeting either before or after the meeting. Except as otherwise provided in this article, any action within the authority of the board may be taken by the affirmative vote of a majority of the board at a regular or adjourned regular meeting or at a duly held special meeting, but in any case only if a quorum is present. All meetings of the board shall be open to the public as provided in Minnesota Statutes, section 471.705. The board may adopt a seal, which shall be officially and judicially noticed, to authenticate instruments executed by its authority, but omission of the seal shall not affect the validity of any instrument.

Subd. 2. CHAIR. The board shall elect a chair from its membership. The term of the chair shall expire on January 1 of each year. The chair shall preside at all meetings of the board, if present, and shall perform all other duties and functions usually incumbent upon such an officer, and all administrative functions assigned to the chair by the board. The board shall elect a vice-chair from its membership to act for the chair during a temporary absence or disability.

Subd. 3. SECRETARY AND TREASURER. The board shall select a person or persons who may but need not be a member or members of the board, to act as its secretary and treasurer. The secretary and treasurer shall hold office at the pleasure of the board, subject to the terms of any contract of employment which the board may enter into with the secretary or treasurer. The secretary shall record the minutes of all meetings of the board, and shall be custodian of all books and records of the board except such as the board shall entrust to the custody of a designated employee. The board may appoint a deputy to perform any and all functions of either the secretary or the treasurer. A secretary or treasurer who is not a member of the board or a deputy of either shall not have any right to vote.

Subd. 4. GENERAL MANAGER. The board may appoint a general manager who shall be selected solely upon the basis of training, experience, and other qualifications and who shall serve at the pleasure of the board and at a compensation to be determined by the board. The general manager need not be a resident of the district and may also be selected by the board to serve as either secretary or treasurer, or both, of the board. The general manager shall attend all meetings of the board, but shall not vote, and shall:

- (1) see that all resolutions, rules, regulations, or orders of the board are enforced;
- (2) appoint and remove, upon the basis of merit and fitness, all subordinate officers and regular employees of the board except the secretary and the treasurer and their deputies;
- (3) present to the board plans, studies, and other reports prepared for board purposes and recommend to the board for adoption such measures as the general manager deems

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necessary to enforce or carry out the powers and duties of the board, or the efficient administration of the affairs of the board;

(4) keep the board fully advised as to its financial condition, and prepare and submit to the board, and to the governing bodies of the local government units, the board's annual budget and such other financial information as the board may request;

(5) recommend to the board for adoption such rules and regulations as he or she deems necessary for the efficient operation of a district disposal system and all local sanitary sewer facilities over which the board may assume responsibility as provided in section 18; and

(6) perform such other duties as may be prescribed by the board.

Subd. 5. PUBLIC EMPLOYEES. The general manager and all persons employed by the general manager shall be public employees, and shall have all the rights and duties conferred on public employees under Minnesota Statutes, sections 179A.01 to 179A.25. The compensation and conditions of employment of such employees shall not be governed by any rule applicable to state employees in the classified service nor to any of the provisions of Minnesota Statutes, chapter 15A, unless the board so provides.

Subd. 6. PROCEDURES. The board shall adopt resolutions or bylaws establishing procedures for board action, personnel administration, recordkeeping, investment policy, approving claims, authorizing or making disbursements, safekeeping funds, and audit of all financial operations of the board.

Subd. 7. SURETY BONDS AND INSURANCE. The board may procure surety bonds for its officers and employees and in such amounts as are deemed necessary to assure proper performance of their duties and proper accounting for funds in their custody. It may procure insurance against such risks to property and such liability of the board and its officers, agents, and employees for personal injuries or death and property damage and destruction and in such amounts as may be deemed necessary or desirable, with the force and effect stated in Minnesota Statutes, chapter 466.

Sec. 5. COMPREHENSIVE PLAN.

Subdivision 1. BOARD PLAN AND PROGRAM. The board shall adopt a comprehensive plan for the collection, treatment, and disposal of sewage in the district for such designated period as the board deems proper and reasonable. The board shall prepare and adopt subsequent comprehensive plans for the collection, treatment, and disposal of sewage in the district for each such succeeding designated period as the board deems proper and reasonable. The plan shall take into account the preservation and best and most economic use of water and other natural resources in the area; the preservation, use and potential for use of lands adjoining waters of the state to be used for the disposal of sewage; and the impact such a disposal system will have on present and future land use in the area affected thereby. Such plans shall include the general location of needed interceptors and treatment works, a description of the area that is to be served by the various interceptors and treatment works, a long-range capital improvements program and such other details as the board shall deem appropriate. In developing the plans, the board shall consult with persons designated for such purpose by governing bodies of any municipal or public corporation or governmental or political subdivision or agency within the district to represent such entities and shall consider the data, resources, and input offered to

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the board by such entities and any planning agency acting on behalf of one or more such entities. Each such plan, when adopted, shall be followed in the district and may be revised as often as the board deems necessary.

Subd. 2. **COMPREHENSIVE PLANS; HEARING.** Before adopting any subsequent comprehensive plan the board shall hold a public hearing on such proposed plan at such time and place in the district as it shall determine. The hearing may be continued from time to time. Not less than 45 days before the hearing, the board shall publish notice thereof in a newspaper or newspapers having general circulation in the district, stating the date, time, and place of the hearing, and the place where the proposed plan may be examined by any interested person. At the hearing, all interested persons shall be permitted to present their views on the plan.

Subd. 3. **MUNICIPAL PLANS AND PROGRAMS; COORDINATION WITH BOARD'S RESPONSIBILITIES.** Before undertaking the construction of new sewers of other disposal facilities or the substantial alteration or improvement of any existing sewers or other disposal facilities, each local government unit may, and shall if the construction or alteration of any sewage disposal facilities is contemplated by such government unit, adopt a comprehensive plan and program for the collection, treatment, and disposal of sewage for which the local government unit is responsible, coordinated with the board's comprehensive plan, and may revise the same as often as deems necessary. Each such local plan or revision thereof shall be submitted forthwith to the board for review and shall be subject to the approval of the board as to those features of the plan affecting the board's responsibilities as determined by the board. Any such features disapproved by the board shall be modified in accordance with the board's recommendations. No construction project involving such features shall be undertaken by the local government unit unless its governing body shall first find the project to be in accordance with the government unit's comprehensive plan and program as approved by the board. Prior to approval by the board of the comprehensive plan and program of any local government unit in the district, no construction project shall be undertaken by such government unit unless approval of the project is first secured from the board as to those features of the project affecting the board's responsibilities as determined by the board.

Sec. 6. SEWER SERVICE FUNCTION.

Subdivision 1. **DUTY OF BOARD; ACQUISITION OF EXISTING FACILITIES; NEW FACILITIES.** At any time after the board has become organized it shall assume ownership of all existing interceptors and treatment works which will be needed to implement the board's comprehensive plan for the collection, treatment, and disposal of sewage in the district, in the manner and subject to the conditions prescribed in subdivision 2, and shall design, acquire, construct, better, equip, operate, and maintain all additional interceptors and treatment works which will be needed for such purpose. The board shall assume ownership of all treatment works owned by a local government unit if any part of such treatment works will be needed for such purpose.

Subd. 2. **METHOD OF ACQUISITION; EXISTING DEBT.** The board may require any local government unit to transfer to the board, all of its right, title, and interest in any interceptors or treatment works and all necessary appurtenances thereto owned by such local government unit which will be needed for the purpose stated in subdivision 1. Appropriate instruments of conveyance for all such property shall be executed and delivered to the board by the proper officers of each local government unit concerned. The

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board, upon assuming ownership of any such interceptors or treatment works, shall become obligated to pay to such local government unit amounts sufficient to pay when due all remaining principal of and interests on bonds issued by such local government unit for the acquisition or betterment of the interceptors or treatment works taken over. The board shall also assume the same obligation with respect to so much of any other existing disposal system owned by a local government unit as the board determines to have been replaced or rendered useless by the district disposal system. The amounts to be paid under this subdivision may be offset against any amount to be paid to the board by the local government unit as provided in section 9. The board shall not be obligated to pay the local government unit anything in addition to the assumption of debt herein provided for.

Subd. 3. EXISTING JOINT POWERS BOARD. Effective January 1, 2000, or such earlier date as determined by the board, the corporate existence of the joint powers board created by agreement among local government units pursuant to Minnesota Statutes, section 471.59, to provide the financing, acquisition, construction, improvement, extension, operation, and maintenance of facilities for the collection, treatment, and disposal of sewage shall terminate. All persons regularly employed by such joint powers board on that date shall be employees of the board, and may at their option become members of the retirement system applicable to persons employed directly by the board or may continue as members of a public retirement association under any other law, to which they belonged before such date, and shall retain all pension rights which they may have under such latter laws, and all other rights to which they are entitled by contract or law. The board shall make the employer's contributions to pension funds of its employees. Such employees shall perform such duties as may be prescribed by the board. On January 1, 2000, or such earlier date, all funds of such joint powers board then on hand, and all subsequent collections of taxes, special assessments, or service charges or any other sums due the joint powers board or levied, or imposed by or for such joint powers board shall be transferred to or made payable to the sanitary sewer board and the county auditor shall remit the sums to the board. The local government units otherwise entitled to such cash, taxes, assessments, or service charges shall be credited with such amounts, and such credits shall be offset against any amounts to be paid by them to the board as provided in section 9. On January 1, 2000, or such earlier date, the board shall succeed to and become vested with all right, title, and interest in and to any property, real or personal, owned or operated by such joint powers board; and prior to that date the proper officers of such joint powers board shall execute and deliver to the sanitary sewer board all deeds, conveyances, bills of sale, and other documents or instruments required to vest in the board good and marketable title to all such real or personal property, but this article shall operate as such transfer and conveyance to the board of such real or personal property, if not so transferred, as may be required under the law or under the circumstances. On January 1, 2000, or such earlier date, the board shall become obligated to pay or assume all outstanding bonds or other debt and all contracts or obligations incurred by such joint powers board, and all such bonds, obligations, or debts of the joint powers board outstanding on the date this article becomes effective are validated.

Subd. 4. CONTRACTS BETWEEN LOCAL GOVERNMENT UNITS. The board may terminate upon 60 days mailed notice to the contracting parties, any existing contract between or among local government units requiring payments by a local government unit to any other local government unit, for the use of a disposal system, or as reimbursement of capital costs of such a disposal system, all or part of which will be needed to

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implement the board's comprehensive plan. All contracts between or among local government units for use of a disposal system entered into subsequent to the date on which this article becomes effective shall be submitted to the board for approval as to those features affecting the board's responsibilities as determined by the board and shall not become effective until such approval is given.

Sec. 7. SEWAGE COLLECTION AND DISPOSAL; POWERS.

Subdivision 1. POWERS. In addition to all other powers conferred upon the board in this article, the board has the powers specified in this section.

Subd. 2. DISCHARGE OF TREATED SEWAGE. The board shall have the right to discharge the effluent from any treatment works operated by it into any waters of the state, subject to approval of the agency if required and in accordance with any effluent or water quality standards lawfully adopted by the agency, any interstate agency or any federal agency having jurisdiction.

Subd. 3. UTILIZATION OF DISTRICT SYSTEM. The board may require any person or local government unit to provide for the discharge of any sewage, directly or indirectly, into the district disposal system, or to connect any disposal system or a part thereof with the district disposal system wherever reasonable opportunity therefore is provided; may regulate the manner in which such connections are made; may require any person or local government unit discharging sewage into the disposal system to provide preliminary treatment therefore; may prohibit the discharge into the district disposal system of any substance which it determines will or may be harmful to the system or any persons operating it; may prohibit any extraneous flow into the system; and may require any local government unit to discontinue the acquisition, betterment, or operation of any facility for such unit's disposal system wherever and so far as adequate service is or will be provided by the district disposal system.

Sec. 8. BUDGET.

Except as otherwise specifically provided in this article, the board is subject to Minnesota Statutes, section 275.065, popularly known as the Truth in Taxation Act. The board shall prepare and adopt, on or before September 15 of each year, a budget showing for the following calendar year or other fiscal year determined by the board, sometimes referred to in this article as the budget year, estimated receipts of money from all sources including, but not limited to, payments by each local government unit, federal or state grants, taxes on property, and funds on hand at the beginning of the year, and estimated expenditures for:

- (1) costs of operation, administration, and maintenance of the district disposal system;
- (2) cost acquisition and betterment of the district disposal system; and
- (3) debt service, including principal and interest, on general obligation bonds and certificates issued pursuant to section 13, obligations and debts assumed under section 6, subdivisions 2 and 3, and any money judgments entered by a court of competent jurisdiction.

Expenditures within these general categories, and such others as the board may from time to time determine, shall be itemized in such detail as the board shall prescribe.

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The board and its officers, agents, and employees shall not spend money for any purpose other than debt service without having set forth such expense in the budget nor in excess of the amount set forth in the budget therefor, and no obligation to make sure an expenditure shall be enforceable except as the obligation of the person or persons incurring it; provided that the board may amend the budget at any time by transferring from one purpose to another any sums except money for debt service and bond proceeds or by increasing expenditures in any amount by which cash receipts during the budget year actually exceed the total amounts designated in the original budget. The creation of any obligation pursuant to section 13 or the receipts of any federal or state grant is a sufficient budget designation of the proceeds for the purpose for which it is authorized, and of the tax or other revenue pledged to pay the obligation and interest on it, whether or not specifically included in any annual budget.

Sec. 9. ALLOCATION OF COSTS.

Subdivision 1. DEFINITION OF CURRENT COSTS. The estimated cost of administration, operation, maintenance, and debt service of the district disposal system to be paid by the board in each fiscal year and the estimated costs of acquisition and betterment of the system which are to be paid during the year from funds other than state or federal grants and bond proceeds and all other previously unallocated payments made by the board pursuant to this article in such year are referred to as current costs.

Subd. 2. COLLECTION OF CURRENT COSTS. Current costs shall be collected as follows:

(a) Allocation of current costs: current costs may be allocated to local government units in the district on an equitable basis as the board may from time to time determine by resolution to be fair and reasonable and in the best interests of the district. In making the allocation the board may provide for the deferment of payment of all or part of current costs, the reallocation of deferred costs and the reimbursement of reallocated deferred costs on an equitable basis as the board may from time to time determine by resolution to be fair and reasonable and in the best interests of the district. The adoption or revision of a method of allocation, deferment, reallocation, or reimbursement used by the board shall be made by the affirmative vote of at least two-thirds of the members of the board.

(b) Direct collection: upon approval of at least two-thirds of the members of the board, the board may provide for direct collection of current costs by monthly or other periodic billing of sewer users.

Sec. 10. GOVERNMENT UNITS; PAYMENTS TO BOARD.

Subdivision 1. OBLIGATIONS OF GOVERNMENT UNITS TO THE BOARD. Each government unit shall pay to the board all sums charged to it as provided in section 9, at the times and in the manner determined by the board. The governing body of each such government unit shall take all action that may be necessary to provide the funds required for such payments and to make the same when due.

Subd. 2. AMOUNTS DUE BOARD; WHEN PAYABLE. Charges payable to the board by local government units may be made payable at such times during each year as the board determines, after it has taken into account the dates on which taxes, assessments, revenue collections, and other funds become available to the government unit required to pay such charges.

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Subd. 3. GENERAL POWERS OF GOVERNMENT UNITS; LOCAL TAX LEVIES. To accomplish any duty imposed on it by the board, the governing body of every government unit may, in addition to the powers granted in this article and in any other law or charter, exercise the powers granted any municipality by Minnesota Statutes, chapters 117, 412, 429, and 475 and sections 115.46, 444.075, and 471.59, with respect to the area of the government unit located in the district. In addition thereto, the governing body of every government unit located in whole or part in the district may levy taxes upon all taxable property in that part of the government unit located in the district for all or a part of the amount payable to the board, but if the levy is for only part of the amounts payable to the board, the governing body of the government unit may levy additional taxes on the entire net tax capacity of all taxable property for all or a part of the balance remaining payable. The taxes levied under this subdivision shall be assessed and extended as a tax upon such taxable property by the county auditor for the next calendar year, free from any limitation of rate or amount imposed by law or charter. The tax shall be collected and remitted in the same manner as other general taxes of the government unit.

Subd. 3a. ALTERNATE LEVY. In lieu of levying taxes on all taxable property pursuant to subdivision 3, the governing body of the government unit may elect to levy taxes upon the net tax capacity of all taxable property, except agricultural property, and upon only 25 percent of the net tax capacity of all agricultural property, in that part of the government unit located in the district for all or a part of the amounts payable to the board. If the levy is for only part of the amounts payable to the board, the governing body may levy additional taxes on the entire net tax capacity of all such property, including agricultural property, for all or a part of the balance of such amounts. The taxes shall be assessed and extended as a tax upon such taxable property by the county auditor for the next calendar year, free from any limitation of rate or amount imposed by law or charge, and shall be collected and remitted in the same manner as other general taxes of the government unit. In computing the tax capacity pursuant to this subdivision, the county auditor shall include only 25 percent of the net tax capacity of all taxable agricultural property and 100 percent of the net tax capacity of all other taxable property in that part of the government unit located within the district and, in spreading the levy, the auditor shall apply the tax rate upon the same percentages of agricultural and nonagricultural taxable property. If the government unit elects to levy taxes under this subdivision and any of the taxable agricultural property is reclassified so as to no longer qualify as agricultural property, it shall be subject to additional taxes. The additional taxes shall be in an amount which, together with any such additional taxes previously levied and the estimated collection of additional taxes subsequently levied on any other such reclassified property, is determined by the governing body of the government unit to be at least sufficient to reimburse each other government unit for any excess current costs reallocated to it as a result of the board deferring any current costs under section 9 on account of the difference between the amount of such current costs initially allocated to each government unit based on the total net tax capacity of all taxable property in the district and the amount of such current costs reallocated to each government unit based on 25 percent of the net tax capacity of agricultural property and 100 percent of the net tax capacity of all other taxable property in the district. Any reimbursement shall be made on terms which the board determines to be just and reasonable. These additional taxes may be levied in any greater amount as the

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governing body of the government unit determines to be appropriate, provided that in no event shall the total amount of the additional taxes exceed the difference between:

(1) the total amount of taxes which would have been levied upon such reclassified property to help pay current costs charged in each year to the government unit by the board if that portion of such costs, if any, initially allocated by the board solely on the basis of 100 percent of the net tax capacity of all taxable property in the district and then reallocated on the basis of inclusion of only 25 percent of the net tax capacity of agricultural property in the district was not reallocated and if the amount of taxes levied by the government unit each year under this subdivision to pay current costs had been based on such initial allocation and had been imposed upon 100 percent of the net tax capacity of all taxable property, including agricultural property, in that part of the government unit located in the district; and

(2) the amount of taxes theretofore levied each year under this subdivision upon such reclassified property, plus interest on the cumulative amount of such difference accruing each year at the approximate average annual rate borne by bonds issued by the board and outstanding at the beginning of such year or, if no bonds are then outstanding, at such rate of interest which may be determined by the board, but not exceeding the maximum rate of interest which may then be paid on bonds issued by the board. The additional taxes shall be a lien upon the reclassified property assessed in the same manner and for the same duration as all other ad valorem taxes levied upon the property. The additional taxes shall be extended against the reclassified property on the tax list for the current year, provided however that no penalties or additional interest shall be levied on such additional taxes if timely paid, and shall be collected and remitted in the same manner as other general taxes of the government unit.

Subd. 4. DEBT LIMIT. Any ad valorem taxes levied under section 10, subdivision 3, or section 5 by the governing body of a government unit to pay any sums charged to it by the board pursuant to this article are not subject to, or counted towards, any limit imposed by law on the levy of taxes upon taxable property within any governmental unit.

Subd. 5. DEFICIENCY TAX LEVIES. If the local government unit fails to make any payment to the board when due, the board may certify to the auditor of the county in which the government unit is located the amount required for payment of such amount with interest at not more than the maximum rate per annum authorized at that time on assessments pursuant to Minnesota Statutes, section 429.061, subdivision 2. The auditor shall levy and extend such amount as a tax upon all taxable property in that part of the government unit located in the district, for the next calendar year, free from any limitation imposed by law or charter. Such tax shall be collected in the same manner as other general taxes of the government unit, and the proceeds thereof, when collected, shall be paid by the county treasurer to the treasurer of the board and credited to the government unit for which the tax was levied.

Sec. 11. PUBLIC HEARING AND SPECIAL ASSESSMENTS.

Subdivision 1. PUBLIC HEARING REQUIREMENT ON SPECIFIC PROJECT. Before the board orders any project involving the acquisition or betterment of any interceptor or treatment works, all or a part of the cost of which will be allocated to local government units pursuant to section 9, as current costs, the board shall hold a public hearing on the proposed project following two publications in a newspaper or newspa-

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pers having general circulation in the district, stating the time and place of the hearing, the general nature and location of the project, the estimated total cost of acquisition and betterment, that portion of such costs estimated to be paid out of federal and state grants, and that portion of such costs estimated to be allocated to each local government unit affected thereby. The two publications shall be a week apart and the hearing shall be at least three days after the last publication. Not less than 45 days before the hearing notice thereof shall also be mailed to each clerk of all local government units in the district, but failure to give mailed notice of any defects in the notice shall not invalidate the proceedings. The project may include all or part of one or more interceptors or treatment works. A hearing is not required with respect to a project, no part of the costs of which are to be allocated to local government units as the current costs of acquisition, betterment, and debt service.

Subd. 2. NOTICE TO BENEFITED PROPERTY OWNERS. If the governing body of any local government unit in the district proposes to assess against benefited property within such units all or any part of the allocable costs of the project as provided in subdivision 5, such governing body shall, not less than ten days prior to the hearing provided for in subdivision 1 cause mailed notice thereof to be given to the owner of each parcel within the area proposed to be specially assessed and shall also give one week's published notice of the hearing. The notice of hearing shall contain the same information provided in the notice published by the board pursuant to subdivision 1, and in addition, a description of the area proposed to be assessed by the local government unit. For the purpose of giving mailed notice, owners shall be those shown to be on the records of the county auditor or, in any county where tax statements are mailed by the county treasurer, on the records of the county treasurer; but other appropriate records may be used for this purpose. However, as to properties which are tax exempt or subject to taxation on a gross earnings basis and are not listed on the records of the county auditor or the county treasurer, the owners thereof shall be ascertained by any practicable means and mailed notice shall be given them as herein provided. Failure to give mailed notice or any defects in the notice shall not invalidate the proceedings of the board or the local governing body.

Subd. 3. BOARD PROCEEDINGS PERTAINING TO HEARING. Prior to adoption of the resolution calling for such a hearing, the board shall secure from the district engineer or some other competent person of the board's selection a report advising it in a preliminary way as to whether the proposed project is feasible, necessary, and cost effective and as to whether it should best be made as proposed or in connection with some other project and the estimated costs of the project as recommended; but no error or omission in such report shall invalidate the proceeding. The board may also take such other steps prior to the hearing, as well in its judgment provide helpful information in determining the desirability and feasibility of the project including, but not limited to, preparation of plans and specifications and advertisement for bids thereon. The hearing may be adjourned from time to time and a resolution ordering the project may be adopted at any time within six months after the date of hearing. In ordering the project the board may reduce but not increase the extent of the project as stated in the notice of hearing, unless another hearing is held, and shall find that the project as ordered is in accordance with the comprehensive plan and program adopted by the board pursuant to section 5.

Subd. 4. EMERGENCY ACTION. If the board by resolution adopted by the affirmative vote of not less than two-thirds of its members determines that an emergency exists requiring the immediate purchase of materials or supplies or the making of emergency repairs, it may order the purchase of such supplies and materials and the making of

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such repairs prior to any hearing required under this section, provided that the board shall set as early a date as practicable for such hearing at the time it declares such emergency. All other provisions of this section shall be followed in giving notice of and conducting such hearing. Nothing herein shall be construed as preventing the board or its agents from purchasing maintenance supplies or incurring maintenance costs without regard to the requirements of this section.

Subd. 5. POWER OF GOVERNMENT UNIT TO SPECIALLY ASSESS. A local government unit may specially assess all or any part of the costs of acquisition and betterment as herein provided, of any project ordered by the board pursuant to this section. Such special assessments shall be levied in accordance with Minnesota Statutes, sections 429.051 to 429.081, except as otherwise provided in this subdivision. No other provisions of Minnesota Statutes, chapter 429, shall apply. For purposes of levying such special assessments, the hearing on such project required in subdivision 1 shall serve as the hearing on the making of the original improvement provided for by Minnesota Statutes, section 429.051. The area assessed may be less than but may not exceed the area proposed to be assessed as stated in the notice of hearing on the project provided for in subdivision 2. For the purpose of determining the allocable cost of the project, or part thereof, to the local government unit, the government unit may adopt one of the following procedures.

(a) At any time after a contract is let for the project, the local government unit may obtain from the board a current written estimate, on the basis of such historical and reasonably projected data as may be available, of that part of the total costs of acquisition and betterment of such project or of some portion of the project which the government unit shall designate, which will be allocated to the government unit and the number of years over which such costs will be allocated as current costs of acquisition, betterment, and debt service pursuant to section 9. The board shall not in any way be bound by this estimate for the purpose of allocating the costs of such project to local government units.

(b) The governing body may obtain from the board a written statement setting forth, for such prior period as the governing body designates, that portion of the costs previously allocated to the local government unit as current costs of acquisition, betterment, and debt service only, of all or any part of the project designated by the governing body. In addition to the allocable costs so ascertained, the local government unit may include in the total expense it will pay, as a basis for levying assessments, all other expenses incurred directly by the government unit in connection with said project, or any part thereof. Special assessments levied by the government unit with respect to previously allocated costs ascertained under this paragraph shall be payable in equal annual installments extending over a period not exceeding by more than one year the number of years which such costs have been allocated to the government unit or the estimated useful life of said project, or part thereof, whichever number of years is the lesser. No limitation is placed upon the number of times the governing body of a government unit may assess such previously allocated costs not previously assessed by the government unit. The power to specially assess provided for in this section shall be in addition and supplemental to all other powers of government units to levy special assessments.

Sec. 12. INITIAL COSTS.

Subdivision 1. CONTRIBUTIONS OR ADVANCES FROM LOCAL GOVERNMENT UNITS. The board may, at such time as it deems necessary and proper, re-

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quest from all or some of the local government units necessary money to defray the costs of any obligations assumed under section 6 and the costs of administration, operation, and maintenance. Before making such request, the board shall, by formal resolution, determine the necessity for such money, setting forth in such resolution the purposes for which such money is needed and the estimated amount for each such purpose. Upon receiving such request, the governing body of each such government unit may provide for payment of the amount requested or such part thereof as it deems fair and reasonable. Such money may be paid out of general revenue funds or any other available funds of any local government unit and the governing bodies thereof may levy taxes to provide funds therefor, free from any existing limitations imposed by law or charter. Such money may be provided by such government units with or without interest but if interest is charged it shall not exceed five percent per annum. The board shall credit the local government units for such payments in allocating current costs pursuant to section 9, on such terms and at such times as it may agree with the unit furnishing the same.

Subd. 2. LIMITED TAX LEVY. The board may levy ad valorem taxes on all taxable property in the district to defray any of the costs described in subdivision 1, provided that such costs have not been defrayed by contribution under subdivision 1.

Before certification of such levy to the county auditor, the board shall determine the need for the money to be derived from such levy by formal resolution setting forth in said resolution the purposes for which the tax money will be used and the amount proposed to be used for each such purpose. In allocating current costs pursuant to section 9 the board shall credit the government units for taxes collected pursuant to levy made under this subdivision on such terms and at such time or times as the board deems fair and reasonable and upon such terms as are consistent with the provisions of section 9, subdivision 2.

Sec. 13. BONDS, CERTIFICATES, AND OTHER OBLIGATIONS.

Subdivision 1. BUDGET ANTICIPATION CERTIFICATES OF INDEBTEDNESS. (a) At any time or times after adoption of its annual budget and in anticipation of the collection of tax and other revenues estimated and set forth by the board in such budget, except:

- (1) taxes already anticipated by the issuance of certificates under subdivision 2;
- (2) deficiency taxes levied pursuant to this subdivision; and

(3) taxes levied for the payment of certificates issued pursuant to subdivision 3, the board may by resolution, authorize the issuance, negotiation, and sale in accordance with subdivision 5 in such form and manner and upon such terms as it may determine of its negotiable general obligation certificates of indebtedness in aggregate principal amounts not exceeding 50 percent of the total amount of such tax collections and other revenues and maturing not later than three months after the close of the budget year in which issued. The proceeds of the sale of such certificates shall be used solely for the purposes for which such tax collections and other revenues are to be expended pursuant to such budget.

(b) All such tax collections and other revenues included in the budget for such budget year, after the expenditures of such tax collections and other revenues in accordance with the budget, shall be irrevocably pledged and appropriated to a special fund to pay the principal and interest on the certificates when due. If for any reason such tax collections

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and other revenues are insufficient to pay the certificates and interest when due, the board shall levy a tax in the amount of the deficiency on all taxable property in the district and shall appropriate this amount when received to the special fund.

Subd. 2. TAX LEVY ANTICIPATION CERTIFICATES OF INDEBTEDNESS. At any time or times after a tax is levied by the board pursuant to section 12, subdivision 2, and certified to the county auditors in anticipation of the collection of such tax, provided that such tax has not been anticipated by the issuance of certificates under subdivision 1, the board may, by resolution, authorize the issuance, negotiation, and sale in accordance with subdivision 5 in such form and manner and upon such terms and conditions as it may determine of its negotiable general obligation tax levy anticipation certificates of indebtedness in aggregate principal amounts not exceeding 50 percent of such uncollected tax as to which no penalty for nonpayment or delinquency has attached. Such certificates shall mature not later than April 1 in the year following the year in which such tax is collectible. The proceeds of the tax in anticipation of which such certificates were issued and other funds which may become available shall be applied to the extent necessary to repay such certificates.

Subd. 3. EMERGENCY CERTIFICATES OF INDEBTEDNESS. If in any budget year the receipts of tax and other revenues should for some unforeseen cause become insufficient to pay the board's current expenses, or if any calamity or other public emergency should subject it to the necessity of making extraordinary expenditures, the board may by resolution authorize the issuance, negotiation, and sale in accordance with subdivision 5 in such form and manner and upon such terms and conditions as it may determine of its negotiable general obligation certificates of indebtedness in an amount sufficient to meet such deficiency, and the board shall forthwith levy on all taxable property in the district a tax sufficient to pay the certificates and interest thereon and shall appropriate all collections of such tax to a special fund created for the payment of such certificates and the interest thereon.

Subd. 4. GENERAL OBLIGATION BONDS. The board may by resolution authorize the issuance of general obligation bonds maturing serially in one or more annual or semiannual installments, for the acquisition or betterment of any part of the district disposal system, including but without limitation the payment of interest during construction and for a reasonable period thereafter, or for the refunding of outstanding bonds, certificates of indebtedness, or judgments. The board shall pledge its full faith and credit and taxing power for the payment of such bonds and shall provide for the issuance and sale and for the security of such bonds in the manner provided in Minnesota Statutes, chapter 475, and shall have the same powers and duties as a municipality issuing bonds under that law. No election shall be required to authorize the issuance of such bonds and the debt limitations of Minnesota Statutes, chapter 475, shall not apply to such bonds. The board may also pledge for the payment of such bonds and deduct from the amount of any tax levy required under Minnesota Statutes, section 475.61, subdivision 1, any sums receivable under section 10 or any state and federal grants anticipated by the board and may covenant to refund such bonds if and when and to the extent that for any reasons such revenues, together with other funds properly available and appropriated for such purpose, are not sufficient to pay all principal and interest due or about to become due thereon, provided that such revenues have not been anticipated by the issuance of certificates under subdivision 1. All bonds which have been or shall hereafter be issued and sold in

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conformity with the provisions of this subdivision, and otherwise in conformity with law, are hereby authorized, legalized, and validated.

Subd. 5. MANNER OF SALE AND ISSUANCE OF CERTIFICATES. Certificates issued under subdivisions 1, 2, and 3 may be issued and sold by negotiation, without public sale, and may be sold at a price equal to such percentage of the par value thereof, plus accrued interest, and bearing interest at such rate or rates as may be determined by the board. No election shall be required to authorize the issuance of such certificates. Such certificates shall bear the same rate of interest after maturity as before and the full faith and credit and taxing power of the board shall be pledged to the payment of such certificates.

Sec. 14. TAX LEVIES.

The board shall have power to levy taxes for the payment of bonds or other obligations assumed by the district under section 6 and for debt service of the district disposal system authorized in section 13 upon all taxable property within the district without limitation of rate or amount and without affecting the amount or rate of taxes which may be levied by the board for other purposes or by any local government unit in the district. No other provision of law relating to debt limit shall restrict or in any way limit the power of the board to issue the bonds and certificates authorized in section 13. The board shall also have power to levy taxes as provided in sections 10 and 12. The county auditor shall annually assess and extend upon the tax rolls the portion of the taxes levied by the board in each year which is certified to the auditor by the board. The county treasurer shall collect and make settlement of such taxes with the treasurer of the board.

Sec. 15. DEPOSITORIES.

The board shall from time to time designate one or more national or state banks, or trust companies authorized to do a banking business, as official depositories for money of the board, and thereupon shall require the treasurer to deposit all or a part of such money in such institutions. Such designation shall be in writing and shall set forth all the terms and conditions upon which the deposits are made, and shall be signed by the chair and treasurer, and made a part of the minutes of the board. Any bank or trust company so designated shall qualify as a depository by furnishing a corporate surety bond or collateral in the amounts required by Minnesota Statutes, section 118A.03. However, no bond or collateral shall be required to secure any deposit insofar as it is insured under federal law.

Sec. 16. MONEY; ACCOUNTS AND INVESTMENTS.

Subdivision 1. RECEIPT AND APPLICATION. All money received by the board shall be deposited or invested by the treasurer and disposed of as the board may direct in accordance with its budget; provided that any money that has been pledged or dedicated by the board to the payment of obligations or interest thereon or expenses incident thereto, or for any other specific purpose authorized by law, shall be paid by the treasurer into the fund to which they have been pledged.

Subd. 2. FUNDS AND ACCOUNTS. The board's treasurer shall establish such funds and accounts as may be necessary or convenient to handle the receipts and disbursements of the board in an orderly fashion.

Subd. 3. DEPOSIT AND INVESTMENT. The money on hand in said funds and accounts may be deposited in the official depositories of the board or invested as herein-

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after provided. The amount thereof not currently needed or required by law to be kept in cash on deposit may be invested in obligations authorized for the investment of municipal sinking funds by law. The money may also be held under certificates of deposit issued by any official depository of the board. All investments by the board must conform to an investment policy adopted by the board and amended from time to time.

Subd. 4. BONDS PROCEEDS. The use of proceeds of all bonds issued by the board for the acquisition and betterment of the district disposal system, and the use, other than investment, of all money on hand in any sinking fund or funds of the board, shall be governed by Minnesota Statutes, chapter 475, this article, and the resolutions authorizing the issuance of the bonds. Such bond proceeds when received shall be transferred to the treasurer of the board for safekeeping, investment, and payment of the costs for which they were issued.

Subd. 5. AUDIT. The board shall provide for and pay the cost of an independent annual audit of its official books and records by the state public examiner or a certified public accountant.

Sec. 17. **GENERAL POWERS OF BOARD.**

Subdivision 1. ALL NECESSARY OR CONVENIENT POWER. The board shall have all powers which may be necessary or convenient to discharge the duties imposed upon it by law. The powers shall include those herein specified, but the express grant or enumeration of powers does not limit the generality or scope of the grant of power contained in this subdivision.

Subd. 2. SUITS. The board may sue or be sued.

Subd. 3. CONTRACTS. The board may enter into any contract necessary or proper for the exercise of its powers of the accomplishment of its purposes.

Subd. 4. RULES. The board shall have the power to adopt rules relating to the board's responsibilities and may provide penalties for the violation thereof not exceeding the maximum which may be specified for a misdemeanor, and the cost of prosecution may be added to the penalties imposed. Any rule prescribing a penalty for violation shall be published at least once in a newspaper having general circulation in the district. Such violations may be prosecuted before any court in the district having jurisdiction of misdemeanor, and every such court shall have jurisdiction of such violations. Any constable or other peace officer of any municipality in the district may make arrests for such violations committed anywhere in the district in like manner and with like effect as for violations of village ordinances or for statutory misdemeanors. All fines collected in such cases shall be deposited in the treasury of the board, or may be allocated between the board and the municipality in which such prosecution occurs on such basis as the board and the municipality agree.

Subd. 5. GIFTS; GRANTS. The board may accept gifts, may apply for and accept grants or loans of money or other property from the United States, the state, or any person for any of its purposes, may enter into any agreement required in connection herewith, and may hold, use, and dispose of such money or property in accordance with the terms of the gift, grant, loan, or agreement relating thereto; and, with respect to any loans or grants of funds or real or personal property or other assistance from any state or federal government or any agency or instrumentality thereof, the board may contract to do and perform

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all acts and things required as a condition or consideration therefore pursuant to state or federal law or regulations, whether or not included among the powers expressly granted to the board in this article.

Subd. 6. JOINT POWERS. The board may act under Minnesota Statutes, section 471.59, or any other appropriate law providing for joint or cooperative action between government units.

Subd. 7. RESEARCH, HEARINGS, INVESTIGATIONS, ADVISE. The board may conduct research studies and programs, collect and analyze data, prepare reports, maps, charts, and tables, and conduct all necessary hearings and investigations in connection with the design, construction, and operation of the district disposal system; and may advise and assist other government units on system planning matters within the scope of its powers, duties, and objectives and may provide at the request of any such governmental unit such other technical and administrative assistance as the board deems appropriate for the government unit to carry out the powers and duties vested in the government unit under this article or imposed on by the board.

Subd. 8. EMPLOYEES, CONTRACTORS, INSURANCE. The board may employ on such terms as it deems advisable, persons or firms performing engineering, legal, or other services of a professional nature; require any employee to obtain and file with it an individual bond or fidelity insurance policy; and procure insurance in such amounts as it deems necessary against liability of the board or its officers or both, for personal injury or death and property damage or destruction, with the force and effect stated in Minnesota Statutes, chapter 466, and against risks of damage to or destruction of any of its facilities, equipment, or other property as it deems necessary.

Subd. 9. PROPERTY. The board may acquire by purchase, lease, condemnation, gift, or grant, and real or personal property including positive and negative easements and water and air rights, and it may construct, enlarge, improve, replace, repair, maintain, and operate any interceptor, treatment works, or water facility determined to be necessary or convenient for the collection and disposal of sewage in the district. Any local government unit and the commissioners of transportation and natural resources may convey to or permit the use of any such facilities owned or controlled by it, by the board, subject to the rights of the holders of any bonds issued with respect thereto, with or without compensation, without an election or approval by any other government unit or agency. All powers conferred by this subdivision may be exercised both within or without the district as may be necessary for the exercise by the board of its powers or the accomplishment of its purposes. The board may hold, lease, convey, or otherwise dispose of such property for its purposes upon such terms and in such manner as it shall deem advisable. Unless otherwise provided, the right to acquire lands and property rights by condemnation shall be exercised in accordance with Minnesota Statutes, chapter 117, and shall apply to any property or interest therein owned by any local government unit; provided, that no such property devoted to an actual public use at the time, or held to be devoted to such use within a reasonable time, shall be so acquired unless a court of competent jurisdiction shall determine that the use proposed by the board is paramount to such use. Except in case of property in actual public use, the board may take possession of any property of which condemnation proceedings have been commenced at any time after the issuance of a court order appointing commissioners for its condemnation.

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Subd. 10. RIGHTS-OF-WAY. The board may construct or maintain its systems or facilities in, along, on, under, over, or through public waters, streets, bridges, viaducts, and other public right-of-way without first obtaining a franchise from any county or local government unit having jurisdiction over them; but such facilities shall be constructed and maintained in accordance with the ordinances and resolutions of any such county or government unit relating to construction, installation, and maintenance of similar facilities on such public properties and shall not unnecessarily obstruct the public use of such rights-of-way.

Subd. 11. DISPOSAL OF PROPERTY. The board may sell, lease, or otherwise dispose of any real or personal property acquired by it which is no longer required for accomplishment of its purposes. Such property may be sold in the manner provided by Minnesota Statutes, section 469.065, insofar as practical. The board may give such notice of sale as it shall deem appropriate. When the board determines that any property or any part of the district disposal system which has been acquired from a local government unit without compensation is no longer required but is required as a local facility by the government unit from which it was acquired, the board may by resolution transfer it to such government unit.

Subd. 12. JOINT OPERATIONS. The board may contract with the United States or any agency thereof, any state or agency thereof, or any regional public planning body in the state with jurisdiction over any part of the district, or any other municipal or public corporation, or governmental subdivision in any state, for the joint use of any facility owned by the board or such entity, for the operation by such entity of any system or facility of the board, or for the performance on the board's behalf of any service including, but not limited to, planning, on such terms as may be agreed upon by the contracting parties. Unless designated by the board as a local sanitary sewer facility, any treatment works or interceptor jointly used, or operated on behalf of the board, as provided in this subdivision, shall be deemed to be operated by the board for purposes of including said facilities in the district disposal system.

Sec. 18. LOCAL FACILITIES.

Subdivision 1. SANITARY SEWER FACILITIES. Except as otherwise provided in this article, local government units shall retain responsibility for the planning, design, acquisition, betterment, operation, administration, and maintenance of all local sanitary sewer facilities as provided by law.

Subd. 2. ASSUMPTION OF RESPONSIBILITY OVER LOCAL SANITARY SEWER FACILITIES. The board shall upon request of any government unit or units assume either alone or jointly with the local government unit all or any part of the responsibility of the local government unit described in subdivision 1. Except as provided in subdivision 4 and for the purpose of exercising such responsibility, the board shall have all the powers and duties elsewhere conferred in this article with the same force and effect as if such local sanitary sewer facilities were a part of the district disposal system.

Subd. 3. WATER AND STREET FACILITIES. The board may, upon request of any governmental unit or units, enter into an agreement under which the board may assume either alone or jointly with such unit or units, the responsibility for the acquisition and construction of water and street facilities in conjunction with (1) any project for the acquisition or betterment of the district disposal system, or (2) any project undertaken by

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the board under subdivision 2. Except as provided in subdivision 4, and for the purpose of exercising any responsibilities pursuant to this subdivision, the board shall have all the powers and duties elsewhere conferred in this article with the same force and effect as if such water or street facilities were a part of the district disposal system.

Subd. 4. ALLOCATION OF CURRENT COSTS. All current costs attributable to responsibilities assumed by the board over local sanitary sewer facilities and water and street facilities as provided in this section shall be allocated solely to the local unit for or with whom such responsibilities are assumed on such terms and over such period as the board determines to be equitable and in the best interest of the district, provided that if two or more government units form a region in accordance with this section, all or part of such current costs attributable to the region shall at the request of its joint board be allocated to the region and provided in the agreement establishing the region.

Subd. 5. PART OF DISTRICT SYSTEM. Nothing contained in this section or in any other part of this article shall be construed to prevent the board from including, where appropriate, treatment works or interceptors, previously designated or treated as local sanitary sewer facilities as a part of the district disposal system.

Sec. 19. SERVICE CONTRACTS WITH GOVERNMENTS OUTSIDE DISTRICT.

The board may contract with the United States or any agency thereof, any state or any agency thereof, or any municipal or public corporation, governmental subdivision or agency or political subdivision in any state, outside the jurisdiction of the board, for furnishing to such entities any services which the board may furnish to local government units in the district under this article including, but not limited to, planning for and the acquisition, betterment, operation, administration, and maintenance of any or all interceptors, treatment works, and local sanitary sewer facilities, provided that the board may further include as one of the terms of the contract that such entity also pay to the board such amount as may be agreed upon as a reasonable estimate of the proportionate share properly allocable to the entity of costs of acquisition, betterment, and debt service previously allocated to local government units in the district. When such payments are made by such entities to the board, they shall be applied in reduction of the total amount of costs thereafter allocated to each local government unit in the district, on such equitable basis as the board deems to be in the best interest of the district. Any municipality in the state of Minnesota may enter into such contract and perform all acts and things required as a condition or consideration therefore consistent with the purpose of this article, whether or not included among the powers otherwise granted to such municipality by law or charter, such powers to include those powers set out in section 10, subdivisions 3, 3a, and 4.

Sec. 20. CONTRACTS FOR CONSTRUCTION, MATERIALS, SUPPLIES, AND EQUIPMENT.

Subdivision 1. PLANS AND SPECIFICATIONS. When the board orders a project involving the acquisition or betterment of a part of the district disposal system it shall cause plans and specifications of this project to be made, or if previously made, to be modified, if necessary, and to be approved by the agency if required, and after any required approval by the agency, one or more contracts for work and materials called for by such plans and specification may be awarded as provided in this section.

Subd. 2. UNIFORM MUNICIPAL CONTRACTING LAW. Except as otherwise provided in this section, all contracts for work to be done or for purchases of materials,

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supplies, or equipment shall be done in accordance with Minnesota Statutes, section 471.345.

Subd. 3. **CONTRACTS OR PURCHASES.** The board may, without advertising for bids, enter into any contract or purchase any materials, supplies, or equipment of the type referred to in subdivision 2 in accordance with applicable state law.

Sec. 21. ANNEXATION OF TERRITORY.

Any municipality in Douglas county or Pope county, upon resolution adopted by a four-fifths vote of its governing body, may petition the board for annexation to the district of the area then comprising the municipality, or any part thereof and, if accepted by the board, such area shall be deemed annexed to the district and subject to the jurisdiction of the board under the terms and provisions of this article. The territory so annexed shall be subject to taxation and assessment pursuant to the provisions of this article and shall be subject to taxation by the board like other property in the district for the payment of principal and interest thereafter becoming due on general obligations of the board, whether authorized or issued before or after such annexation. The board may, in its discretion, condition approval of the annexation upon the contribution, by or on behalf of the municipality petitioning for annexation, to the board of such amount as may be agreed upon as being a reasonable estimate of the proportionate share, properly allocable to the municipality, of costs or acquisition, betterment, and debt service previously allocated to local government units in the district, on such terms as may be agreed upon; and in place of or in addition thereto such other and further conditions as the board deems in the best interests of the district. Notwithstanding any other provisions of this article to the contrary, the conditions established for annexation may include the requirement that the annexed municipality pay for, contract for, and oversee the construction of local sanitary sewer facilities and interceptor sewers as those terms are defined in section 2. For the purpose of paying such contribution or of satisfying any other condition established by the board, the municipality petitioning annexation may exercise the powers conferred in section 10. When such contributions are made by the municipality to the board, they shall be applied in reduction of the total amount of costs thereafter allocated to each local government unit in the district, on such equitable basis as the board deems to be in the best interests of the district, applying so far as practicable and appropriate the criteria set forth in section 9, subdivision 2. Upon annexation of such territory, the secretary of the board shall certify to the auditor and treasurer of the county in which the municipality is located the fact of such annexation and a legal description of the territory annexed.

Sec. 22. PROPERTY EXEMPT FROM TAXATION.

Any properties, real or personal, owned, leased, controlled, used, or occupied by the sanitary sewer board for any purpose under this article are declared to be acquired, owned, leased, controlled, used, and occupied for public, governmental, and municipal purposes, and are exempt from taxation by the state or any political subdivision of the state, provided that such properties are subject to special assessments levied by a political subdivision for a local improvement in amounts proportionate to and not exceeding the special benefit received by the properties from such improvement. No possible use of any such properties in any manner different from their use as part of the disposal system at the time shall be considered in determining the special benefit received by such properties. All such assessments shall be subject to final approval by the board, whose determination of the benefits shall be conclusive upon the political subdivision levying the assessment.

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All bonds, certificates of indebtedness, or other obligations of the board, and the interest thereon, are exempt from taxation by the state or any political subdivision of the state.

Sec. 23. RELATION TO EXISTING LAWS.

This article prevails over any law or charter inconsistent with it. The powers conferred on the board under this article do not diminish or supersede the powers conferred on the agency by Minnesota Statutes, chapters 115 and 116.

Sec. 24. LOCAL APPROVAL.

This article takes effect the day after the governing bodies of the city of Farwell in Pope county and the city of Kensington in Douglas county comply with Minnesota Statutes, section 645.021, subdivision 3, or 30 days after a referendum is held in those cities.

ARTICLE 16

MISCELLANEOUS

Section 1. Minnesota Statutes 1997 Supplement, section 3.986, subdivision 2, is amended to read:

Subd. 2. **LOCAL FISCAL IMPACT.** (a) "Local fiscal impact" means increased or decreased costs or revenues that a political subdivision would incur as a result of a law enacted after June 30, 1997, or rule proposed after June 30 December 31, 1998:

(1) that mandates a new program, eliminates an existing mandated program, requires an increased level of service of an existing program, or permits a decreased level of service in an existing mandated program;

(2) that implements or interprets federal law and, by its implementation or interpretation, increases or decreases program or service levels beyond the level required by the federal law;

(3) that implements or interprets a statute or amendment adopted or enacted pursuant to the approval of a statewide ballot measure by the voters and, by its implementation or interpretation, increases or decreases program or service levels beyond the levels required by the ballot measure;

(4) that removes an option previously available to political subdivisions, or adds an option previously unavailable to political subdivisions, thus requiring higher program or service levels or permitting lower program or service levels, or prohibits a specific activity and so forces political subdivisions to use a more costly alternative to provide a mandated program or service;

(5) that requires that an existing program or service be provided in a shorter time period and thus increases the cost of the program or service, or permits an existing mandated program or service to be provided in a longer time period, thus permitting a decrease in the cost of the program or service;

(6) that adds new requirements to an existing optional program or service and thus increases the cost of the program or service because the political subdivisions have no reasonable alternative other than to continue the optional program;

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(7) that affects local revenue collections by changes in property or sales and use tax exemptions;

(8) that requires costs previously incurred at local option that have subsequently been mandated by the state; or

(9) that requires payment of a new fee or increases the amount of an existing fee, or permits the elimination or decrease of an existing fee mandated by the state.

(b) When state law is intended to achieve compliance with federal law or court orders, state mandates shall be determined as follows:

(1) if the federal law or court order is discretionary, the state law is a state mandate;

(2) if the state law exceeds what is required by the federal law or court order, only the provisions of the state law that exceed the federal requirements are a state mandate; and

(3) if the state law does not exceed what is required by the federal statute or regulation or court order, the state law is not a state mandate.

Sec. 2. Minnesota Statutes 1997 Supplement, section 3.986, subdivision 4, is amended to read:

Subd. 4. **POLITICAL SUBDIVISION.** A "political subdivision" is a county, or home rule charter or statutory city, town, or other taxing district or municipal corporation.

Sec. 3. Minnesota Statutes 1997 Supplement, section 3.987, subdivision 1, is amended to read:

Subdivision 1. **LOCAL IMPACT NOTES.** The commissioner of finance shall coordinate the development of a local impact note for any proposed legislation introduced after June 30, 1997, or any rule proposed after June 30 December 31, 1998, upon request of the chair or the ranking minority member of either legislative tax committee. Upon receipt of a request to prepare a local impact note, the commissioner must notify the authors of the proposed legislation or, for an administrative rule, the head of the relevant executive agency or department, that the request has been made. The local impact note must be prepared as provided in section 3.98, subdivision 2, and made available to the public upon request. If the action is among the exceptions listed in section 3.988, a local impact note need not be requested nor prepared. The commissioner shall make a reasonable and timely estimate of the local fiscal impact on each type of political subdivision that would result from the proposed legislation. The commissioner of finance may require any political subdivision or the commissioner of an administrative agency of the state to supply in a timely manner any information determined to be necessary to determine local fiscal impact. The political subdivision, its representative association, or commissioner shall convey the requested information to the commissioner of finance with a signed statement to the effect that the information is accurate and complete to the best of its ability. The political subdivision, its representative association, or commissioner, when requested, shall update its determination of local fiscal impact based on actual cost or revenue figures, improved estimates, or both. Upon completion of the note, the commissioner must provide a copy to the authors of the proposed legislation or, for an administrative rule, to the head of the relevant executive agency or department.

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Sec. 4. Minnesota Statutes 1997 Supplement, section 3.987, subdivision 2, is amended to read:

Subd. 2. **MANDATE EXPLANATIONS.** Before a committee hearing on any bill introduced in the legislature after June 30, 1997, that seeks to impose program or financial mandates on political subdivisions must include an attachment from the chair or ranking minority member of the committee may request that the author provide the committee with a note that gives appropriate responses to the following guidelines. It must state and list:

(1) ~~the policy goals that are sought to be attained, the and any performance standards that are to be imposed, and an explanation why the goals and standards will best be served by requiring compliance by~~ on political subdivisions;

(2) any performance standards that will allow political subdivisions flexibility and innovation of method in achieving those goals;

(3) ~~the reasons for each prescribed standard and the process by which each standard governs input such as staffing and other administrative aspects of the program;~~

(4) the sources of additional revenue, in addition to existing funding for similar programs, that are directly linked to imposition of the mandates that will provide adequate and stable funding for their requirements;

(5) ~~what input has been obtained to ensure that the implementing agencies have the capacity to carry out the delegated responsibilities; and~~

(6) ~~the reasons why less intrusive measures such as financial incentives or voluntary compliance would not yield the equity, efficiency, or desired level of statewide uniformity in the proposed program;~~

(6) what input has been obtained to ensure that the implementing agencies have the capacity to carry out the delegated responsibilities; and

(7) the efforts put forth, if any, to involve political subdivisions in the creation or development of the proposed mandate.

Sec. 5. Minnesota Statutes 1997 Supplement, section 3.988, subdivision 3, is amended to read:

Subd. 3. **MISCELLANEOUS EXCEPTIONS.** A local impact note or an attachment as provided in section 3.987, subdivision 2, need not be prepared for the cost of a mandated action if the law, including a rulemaking, containing the mandate:

(1) accommodates a specific local request;

(2) results in no new local government duties;

(3) leads to revenue losses from exemptions to taxes;

(4) provided only clarifying or conforming, nonsubstantive charges on local government;

(5) imposes additional net local costs that are minor (less than \$200 an amount less than or equal to one-half of one percent of the local revenue base as defined in section 477A.011, subdivision 27, or \$50,000, whichever is less for any single local government if the mandate does not apply statewide or less than \$3,000,000 \$1,000,000 if the mandate is statewide) and do not cause a financial burden on local government;

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(6) is a law or executive order enacted before July 1, 1997, or a rule initially implementing a law enacted before July 1, 1997;

(7) implements something other than a law or executive order, such as a federal, court, or voter-approved mandate;

(8) defines a new crime or redefines an existing crime or infraction;

(9) results in savings that equal or exceed costs;

~~(10)~~ (9) requires the holding of elections;

~~(11)~~ (10) ensures due process or equal protection;

~~(12)~~ (11) provides for the notification and conduct of public meetings;

~~(13)~~ (12) establishes the procedures for administrative and judicial review of actions taken by political subdivisions;

~~(14)~~ (13) protects the public from malfeasance, misfeasance, or nonfeasance by officials of political subdivisions;

~~(15)~~ (14) relates directly to financial administration, including the levy, assessment, and collection of taxes;

~~(16)~~ (15) relates directly to the preparation and submission of financial audits necessary to the administration of state laws; or

~~(17)~~ (16) requires uniform standards to apply to public and private institutions without differentiation.

Sec. 6. Minnesota Statutes 1997 Supplement, section 3.989, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** In this section:

(1) "Class A state mandates" means those laws under which the state mandates to political subdivisions, their participation, the organizational structure of the program, and the procedural regulations under which the law must be administered; and

(2) "Class B state mandates" means those mandates resulting from legislation enacted after July 1, 1998, that specifically reference this section and that allow the political subdivisions to opt for administration of a law with program elements mandated beforehand and with an assured revenue level from the state of at least 90 percent of full program and administrative costs.

Sec. 7. Minnesota Statutes 1997 Supplement, section 3.989, subdivision 2, is amended to read:

Subd. 2. **REPORT.** The commissioner of finance shall prepare by September 1, 1998 2000, and by September 1 of each even-numbered year thereafter, a report by political subdivisions of the costs of class A state local mandates established after June 30, 1997.

The commissioner shall annually include the statewide total of the statement of costs of class A local mandates after June 30, 1997, as a notation in the state biennial budget for the next fiscal year.

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Sec. 8. Minnesota Statutes 1996, section 16A.102, subdivision 1, is amended to read:

Subdivision 1. **GOVERNOR'S RECOMMENDATION.** By the fourth Monday in January of each odd-numbered year, the governor shall submit to the legislature a recommended revenue target for the next two bienniums. The recommended revenue target must specify:

(1) the maximum share of Minnesota personal income to be collected in taxes and other revenues to pay for state and local government services;

(2) the division of the share between state and local government revenues; and

(3) the appropriate mix and rates of income, sales, and other state and local taxes including property taxes and other revenues, other than property taxes, and the amount of property taxes and the effect of the recommendations on the incidence of the tax burden by income class.

The recommendations must be based on the November forecast prepared under section 16A.103.

Sec. 9. Minnesota Statutes 1996, section 16A.102, subdivision 2, is amended to read:

Subd. 2. **LEGISLATIVE BUDGET RESOLUTION.** By March 15 of each odd-numbered year, the legislature shall by concurrent resolution adopt revenue targets for the next two bienniums. The resolution must specify:

(1) the maximum share of Minnesota personal income to be collected in taxes and other revenues to pay for state and local government services;

(2) the division of the share between state and local government services; and

(3) the appropriate mix and rates of income, sales, and other state and local taxes including property taxes and other revenues, other than property taxes, and the amount of property taxes and the effect of the resolution on the incidence of the tax burden by income class.

The resolution must be based on the February forecast prepared under section 16A.103 and take into consideration the revenue targets recommended by the governor under subdivision 1.

Sec. 10. Minnesota Statutes 1997 Supplement, section 60A.15, subdivision 1, is amended to read:

Subdivision 1. **DOMESTIC AND FOREIGN COMPANIES.** (a) On or before April 1, June 1, and December 1 of each year, every domestic and foreign company, including town and farmers' mutual insurance companies, domestic mutual insurance companies, marine insurance companies, health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations, shall pay to the commissioner of revenue installments equal to one-third of the insurer's total estimated tax for the current year. Except as provided in paragraphs (d), (e), (h), and (i), installments must be based on a sum equal to two percent of the premiums described in paragraph (b).

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(b) Installments under paragraph (a), (d), or (e) are percentages of gross premiums less return premiums on all direct business received by the insurer in this state, or by its agents for it, in cash or otherwise, during such year.

(c) Failure of a company to make payments of at least one-third of either (1) the total tax paid during the previous calendar year or (2) 80 percent of the actual tax for the current calendar year shall subject the company to the penalty and interest provided in this section, unless the total tax for the current tax year is \$500 or less.

(d) For health maintenance organizations, nonprofit health service plan corporations, and community integrated service networks, the installments must be based on an amount determined under paragraph (h) or (i).

(e) For purposes of computing installments for town and farmers' mutual insurance companies and for mutual property casualty companies with total assets on December 31, 1989, of \$1,600,000,000 or less, the following rates apply:

(1) for all life insurance, two percent;

(2) for town and farmers' mutual insurance companies and for mutual property and casualty companies with total assets of \$5,000,000 or less, on all other coverages, one percent; and

(3) for mutual property and casualty companies with total assets on December 31, 1989, of \$1,600,000,000 or less, on all other coverages, 1.26 percent.

(f) If the aggregate amount of premium tax payments under this section and the fire marshal tax payments under section 299F.21 made during a calendar year is equal to or exceeds \$120,000, all tax payments in the subsequent calendar year must be paid by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the payment is due. If the date the payment is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the payment is due.

(g) Premiums under medical assistance, general assistance medical care, the MinnesotaCare program, and the Minnesota comprehensive health insurance plan and all payments, revenues, and reimbursements received from the federal government for Medicare-related coverage as defined in section 62A.31, subdivision 3, paragraph (e), are not subject to tax under this section.

(h) For calendar years 1997, 1998, and 1999, the installments for health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations must be based on an amount equal to one percent of premiums described under paragraph (b). Health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations that have met the cost containment goals established under section 62J.04 in the individual and small employer market for calendar year 1996 are exempt from payment of the tax imposed under this section for premiums paid after March 30, 1997, and before April 1, 1998. Health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations that have met the cost containment goals established under section 62J.04 in the individual and small employer market for calendar year 1997 are exempt from payment of the tax imposed under this section for premiums paid after

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March 30, 1998, and before April 1, 1999. Health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations that have met the cost containment goals established under section 62J.04 in the individual and small employer market for calendar year 1998 are exempt from payment of the tax imposed under this section for premiums paid after March 30, 1999, and before January 1, 2000.

(i) For calendar years after 1999, the commissioner of finance shall determine the balance of the health care access fund on September 1 of each year beginning September 1, 1999. If the commissioner determines that there is no structural deficit for the next fiscal year, no tax shall be imposed under paragraph (d) for the following calendar year. If the commissioner determines that there will be a structural deficit in the fund for the following fiscal year, then the commissioner, in consultation with the commissioner of revenue, shall determine the amount needed to eliminate the structural deficit and a tax shall be imposed under paragraph (d) for the following calendar year. The commissioner shall determine the rate of the tax as either one-quarter of one percent, one-half of one percent, three-quarters of one percent, or one percent of premiums described in paragraph (b), whichever is the lowest of those rates that the commissioner determines will produce sufficient revenue to eliminate the projected structural deficit. The commissioner of finance shall publish in the State Register by October 1 of each year the amount of tax to be imposed for the following calendar year.

(j) In approving the premium rates as required in sections 62L.08, subdivision 8, and 62A.65, subdivision 3, the commissioners of health and commerce shall ensure that any exemption from the tax as described in paragraphs (h) and (i) is reflected in the premium rate.

Sec. 11. Minnesota Statutes 1997 Supplement, section 270.60, subdivision 4, is amended to read:

Subd. 4. **PAYMENTS TO COUNTIES.** (a) The commissioner shall pay to a qualified county in which an Indian gaming casino is located ten percent of the state share of all taxes generated from activities on reservations and collected under a tax agreement under this section with the tribal government for the reservation located in the county. If the tribe has casinos located in more than one county, the payment must be divided equally among the counties in which the casinos are located.

(b) A county qualifies for payments is a qualified county under this subdivision only if one of the following conditions is met:

(1) the county's per capita income is less than 80 percent of the state per capita personal income, based on the most recent estimates made by the United States Bureau of Economic Analysis; or

(2) 30 percent or more of the total market value of real property in the county is exempt from ad valorem taxation.

(c) The commissioner shall make the payments required under this subdivision by February 28 of the year following the year the taxes are collected.

(d) An amount sufficient to make the payments authorized by this subdivision, not to exceed \$1,100,000 in any fiscal year, is annually appropriated from the general fund to the commissioner. If the authorized payments exceed the amount of the appropriation,

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the commissioner shall first proportionately reduce the rate payments to counties other than qualified counties so that the total amount equals the appropriation. If the authorized payments to qualified counties also exceed the amount of the appropriation, the commissioner shall then proportionately reduce the rate so that the total amount to be paid to qualified counties equals the appropriation.

Sec. 12. Minnesota Statutes 1997 Supplement, section 270.67, subdivision 2, is amended to read:

Subd. 2. **EXTENSION AGREEMENTS.** When any portion of any tax payable to the commissioner of revenue together with interest and penalty thereon, if any, has not been paid, the commissioner may extend the time for payment for a further period. When the authority of this section is invoked, the extension shall be evidenced by written agreement signed by the taxpayer and the commissioner, stating the amount of the tax with penalty and interest, if any, and providing for the payment of the amount in installments. The agreement may contain a confession of judgment for the amount and for any unpaid portion thereof and shall provide that the commissioner may forthwith enter judgment against the taxpayer in the district court of the county of residence as shown upon the taxpayer's tax return for the unpaid portion of the amount specified in the extension agreement. The agreement shall provide that it can be terminated, after notice by the commissioner, if information provided by the taxpayer prior to the agreement was inaccurate or incomplete, collection of the tax covered by the agreement is in jeopardy, there is a subsequent change in the taxpayer's financial condition, the taxpayer has failed to make a payment due under the agreement, or has failed to pay any other tax or file a tax return coming due after the agreement. The notice must be given at least 14 calendar days prior to termination, and shall advise the taxpayer of the right to request a reconsideration from the commissioner of whether termination is reasonable and appropriate under the circumstances. A request for reconsideration does not stay collection action beyond the 14-day notice period. If the commissioner has reason to believe that collection of the tax covered by the agreement is in jeopardy, the commissioner may proceed under sections 270.70, subdivision 2, paragraph (b), and 270.274, and terminate the agreement without regard to the 14-day period. The commissioner may accept other collateral the commissioner considers appropriate to secure satisfaction of the tax liability. The principal sum specified in the agreement shall bear interest at the rate specified in section 270.75 on all unpaid portions thereof until the same has been fully paid or the unpaid portion thereof has been entered as a judgment. The judgment shall bear interest at the rate specified in section 270.75. If it appears to the commissioner that the tax reported by the taxpayer is in excess of the amount actually owing by the taxpayer, the extension agreement or the judgment entered pursuant thereto shall be corrected. If after making the extension agreement or entering judgment with respect thereto, the commissioner determines that the tax as reported by the taxpayer is less than the amount actually due, the commissioner shall assess a further tax in accordance with the provisions of law applicable to the tax. The authority granted to the commissioner by this section is in addition to any other authority granted to the commissioner by law to extend the time of payment or the time for filing a return and shall not be construed in limitation thereof.

Sec. 13. Minnesota Statutes 1997 Supplement, section 295.52, subdivision 4, is amended to read:

Subd. 4. **USE TAX; PRESCRIPTION DRUGS.** (a) A person that receives prescription drugs for resale or use in Minnesota, other than from a wholesale drug distribu-

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tor that paid the tax under subdivision 3, is subject to a tax equal to the price paid to the wholesale drug distributor multiplied by the tax percentage specified in this section. Liability for the tax is incurred when prescription drugs are received or delivered in Minnesota by the person.

(b) A person that receives prescription drugs for use in Minnesota from a nonresident pharmacy required to be registered under section 151.19 is subject to a tax equal to the price paid by the nonresident pharmacy to the wholesale drug distributor or the price received by the nonresident pharmacy, whichever is lower, multiplied by the tax percentage specified in this section. Liability for the tax is incurred when prescription drugs are received in Minnesota by the person.

Sec. 14. Minnesota Statutes 1996, section 295.52, subdivision 4a, is amended to read:

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

Sec. 15. Minnesota Statutes 1997 Supplement, section 297H.04, is amended by adding a subdivision to read:

Subd. 3. **INCINERATION WITH MIXED WASTE; RATE.** Nonmixed municipal solid waste that is separately collected and processed, but must be incinerated with mixed municipal solid waste in accordance with an industrial solid waste management plan approved by the pollution control agency, shall be taxed at the rate for nonmixed municipal solid waste.

Sec. 16. Minnesota Statutes 1996, section 325E.112, is amended by adding a subdivision to read:

Subd. 2a. **REFUND PROGRAM.** A person who accepts from the public used motor oil and used motor oil filters as defined in section 325E.10, subdivisions 3 and 5, may apply for a refund of \$250 for the year in which the person operates a facility that qualifies for the reimbursement under subdivision 2, or would qualify for the reimbursement except that it does not accept contaminated motor oil. The refund is issued by the department of revenue. In order to claim the refund, the applicant must provide the commissioner of revenue with a copy of a certificate issued to the applicant by the commissioner of the pollution control agency verifying the applicant's eligibility for the refund, and other information as the commissioner may prescribe. The commissioner of the pollution control agency may issue no more than 200 certificates for any calendar year. The amount necessary to pay the refunds under this subdivision is appropriated to the commissioner of revenue an amount from the general fund.

Sec. 17. Minnesota Statutes 1997 Supplement, section 446A.085, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** For the purposes of this section, the terms defined in this subdivision have the meanings given them.

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(a) **ACT.** "Act" means the National Highway System Designation Act of 1995, Public Law Number 104-59, as amended.

(b) **BORROWER.** "Borrower" means the state, counties, cities, and other governmental entities eligible under the act and state law to apply for and receive loans from the transportation revolving loan fund, the trunk highway revolving loan account, the county state-aid highway revolving loan account, and the municipal state-aid street revolving loan account.

(c) **DEPARTMENT.** "Department" means the department of transportation.

(d) **LOAN.** "Loan" means financial assistance provided for all or part of the cost of a project including money disbursed in anticipation of reimbursement or repayment, loan guarantees, lines of credit, credit enhancements, equipment financing leases, bond insurance, or other forms of financial assistance.

(e) **TRANSPORTATION COMMITTEE.** "Transportation committee" means a committee of the Minnesota public facilities authority, acting on behalf of the Minnesota public facilities authority, consisting of the commissioner of the department of trade and economic development, the commissioner of finance, and the commissioner of transportation.

Sec. 18. [462A.2092] EMPLOYER HOUSING CONTRIBUTIONS; MATCHING GRANT.

(a) The commissioner may provide matching grants for contributions made by employers for the development, rehabilitation, or acquisition of affordable housing. An employer contribution is eligible for a matching grant or low-interest loan if the contribution is:

(1) made to a fund administered by a nonprofit corporation to which the employer is not associated or to a government agency; and

(2) used to develop or rehabilitate affordable housing located in Minnesota or is used to assist low-income and moderate-income households to acquire affordable housing located in Minnesota.

(b) The matching grant is available up to the amount of the contribution made by the employer. The amount of the matching grant may not exceed the amount the commissioner determines is necessary for the financial feasibility of the project or loan. The total matching grants available for an employer's contributions may not exceed \$250,000. The commissioner shall award the matching grant to the housing project or initiative for which the employer contribution is used.

Sec. 19. Minnesota Statutes 1996, section 462A.21, is amended by adding a subdivision to read:

Subd. 24. EMPLOYER HOUSING CONTRIBUTIONS; MATCHING GRANT. It may spend money for the purpose of the matching grant for employer contributions program under section 462A.2092, and may pay costs and expenses necessary and incidental to the development and operation of the program.

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Sec. 20. Minnesota Statutes 1997 Supplement, section 465.715, is amended by adding a subdivision to read:

Subd. 1a. APPLICATION. Except as provided by subdivision 2, subdivision 1 only applies to a corporation for which a certificate of incorporation is issued by the secretary of state on or after June 1, 1997. A corporation that had been issued a certificate of incorporation before June 1, 1997, may continue to operate as if it had been created in compliance with subdivision 1. This subdivision expires July 1, 1999.

Sec. 21. Minnesota Statutes 1997 Supplement, section 465.715, is amended by adding a subdivision to read:

Subd. 3. INFORMATION. (a) By June 30, 1998, the office of the state auditor shall request from all counties, home rule charter cities, statutory cities, urban towns, and school districts information regarding all corporations, including limited liability companies or limited liability partnerships, whether for profit or not for profit, created by the political subdivision. The information requested must include information regarding the corporation's incorporation date, organizational structure, purpose, a brief summary of the extent to which the corporation receives or expends public funds, potential public liabilities for conduct of the corporation, public oversight, and public laws applicable to the corporation. This information must be received by the state auditor on or before October 15, 1998.

(b) The office of the state auditor shall compile and summarize the information received and report to the senate local and metropolitan government committee and the house of representatives local government and metropolitan affairs committee or their successor committees by January 30, 1999. The report may include recommendations for any changes in laws governing the operation of existing and future corporate entities created by such political subdivisions, and changes in laws needed to clarify the legal status of these corporate entities. Any corporate entity created by a political subdivision before September 1, 1998, for which a report is not received by the state auditor is not authorized to receive public funds or contract with public entities after July 1, 1999.

Sec. 22. Minnesota Statutes 1996, section 469.015, subdivision 4, is amended to read:

Subd. 4. **EXCEPTIONS.** (a) An authority need not require competitive bidding in the following circumstances:

(1) in the case of a contract for the acquisition of a low-rent housing project:

(i) for which financial assistance is provided by the federal government;

(ii) which does not require any direct loan or grant of money from the municipality as a condition of the federal financial assistance; and

(iii) for which the contract provides for the construction of the project upon land that is either owned by the authority for redevelopment purposes or not owned by the authority at the time of the contract but the contract provides for the conveyance or lease to the authority of the project or improvements upon completion of construction;

(2) with respect to a structured parking facility:

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(i) constructed in conjunction with, and directly above or below, a development; and

(ii) financed with the proceeds of tax increment or parking ramp general obligation or revenue bonds; and

(3) in the case of any building in which at least 75 percent of the useable square footage constitutes a housing development project if:

(i) the project is financed with the proceeds of bonds issued under section 469.034 or from nongovernmental sources;

(ii) the project is either located on land that is owned or is being acquired by the authority only for development purposes, or is not owned by the authority at the time the contract is entered into but the contract provides for conveyance or lease to the authority of the project or improvements upon completion of construction; and

(iii) the authority finds and determines that elimination of the public bidding requirements is necessary in order for the housing development project to be economical and feasible.

(b) An authority need not require a performance bond for the following projects:

(1) a contract described in paragraph (a), clause (1);

(2) a construction change order for a housing project in which 30 percent of the construction has been completed;

(3) a construction contract for a single-family housing project in which the authority acts as the general construction contractor; or

(4) a services or materials contract for a housing project.

For purposes of this paragraph, "services or materials contract" does not include construction contracts.

Sec. 23. Minnesota Statutes 1996, section 469.169, is amended by adding a subdivision to read:

Subd. 13. ADDITIONAL ENTERPRISE ZONE ALLOCATIONS. In addition to tax reductions authorized in subdivisions 7, 8, 9, 10, and 11, the commissioner may allocate \$500,000 for tax reductions pursuant to enterprise zone designations, as designated in Laws 1997, chapter 231, article 16, section 26. Allocations made under this subdivision may be used for tax reductions as provided in section 469.171, or other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary in order to retain a business within or attract a business to the enterprise zone. Limitations on allocations under subdivision 7 do not apply to this allocation.

Sec. 24. Minnesota Statutes 1996, section 469.303, is amended to read:

469.303 ELIGIBILITY REQUIREMENTS.

An area within the city is eligible for designation as an enterprise zone if the area (1) includes census tracts eligible for a federal empowerment zone or enterprise community as defined by the United States Department of Housing and Urban Development under Public Law Number 103-66, notwithstanding the maximum zone population standard

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under the federal empowerment zone program for cities with a population under 500,000 or (2) is an area within a city of the second class that is designated as an economically depressed area by the United States Department of Commerce, or (3) includes property located in St. Paul in a transit zone as defined in section 473.3915, subdivision 3.

Sec. 25. Laws 1997, chapter 105, section 3, as amended by Laws 1997, Second Special Session chapter 2, section 23, is amended to read:

Sec. 3. TEMPORARY WAIVER OF FEES, ASSESSMENTS, OR TAXES.

Subdivision 1. **FEES.** Notwithstanding any law to the contrary, for fiscal years 1997 and 1998, an agency, with the approval of the governor, may waive fees that would otherwise be charged for agency services. The waiver of fees must be confined to geographic areas affected by flooding within counties included in a federal disaster declaration and to the minimum periods of times necessary to deal with the emergency situation. The agency must promptly report the reasons for and the impact of any suspended fees to the chairs of the legislative committees that oversee the policy and budgetary affairs of the agency. This subdivision expires February 1, 1998.

Subd. 2. **SOLID WASTE GENERATOR ASSESSMENTS AND SOLID WASTE MANAGEMENT TAXES.** Notwithstanding any law to the contrary, the waiver authority provided in subdivision 1 is also extended to the commissioner of revenue in relation to the solid waste generator assessment under Minnesota Statutes, section 116.07, subdivision 10, and the solid waste management taxes under Laws 1997, chapter 231, article 13, for construction debris generated from repair and demolition activities in the area designated under Presidential Declaration of Major Disaster, DR-1175, and disposed of in a waste management facility designated by the commissioner of the pollution control agency. The commissioner of revenue's authority under this subdivision to waive the assessment and tax expires for waste transported to the designated facilities after ~~December 31, 1997~~ June 30, 1998, including waste transported to a landfill that is limited by permit exclusively to the disposal of flood debris. The waiver authority granted to the commissioner of revenue is retroactive to April 1, 1997.

Sec. 26. Laws 1997, chapter 225, article 2, section 64, is amended to read:

Sec. 64. EFFECTIVE DATE.

Section 8 is effective for payments made for MinnesotaCare services on or after July 1, 1996. Section 23 is effective the day following final enactment. Section 46 is effective January 1, 1998, and applies to high deductible health plans issued or renewed on or after that date.

Sec. 27. Laws 1997, chapter 231, article 5, section 18, subdivision 1, is amended to read:

Subdivision 1. **COMMISSION RESPONSIBILITIES.** (a) The legislative coordinating commission shall prepare studies of business taxation and the taxation of telecommunications services during the 1997-98 1998 interim and the 1999 legislative session, as provided by this section. The commission is responsible for managing any contracts under this section and for preparing the studies. It may delegate any or all of its responsibilities under this section to the legislative commission on planning and fiscal policy.

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(b) For the business tax study under subdivision 2, the commission may appoint a formal or informal bipartisan working group of house and senate members to oversee and coordinate the study.

(c) For the study of the taxation of telecommunications services under subdivision 4, the commission shall appoint a bipartisan working group that includes house and senate members and members of the public, at least two of whom are representatives of Internet service businesses who are knowledgeable about the technologies and practices of the Internet and at least two of whom are the representatives of businesses that conduct commerce on the Internet.

Sec. 28. Laws 1997, chapter 231, article 13, section 19, is amended to read:

Sec. 19. MORATORIUM.

The commissioner of revenue shall not initiate or continue any action to collect any underpayment from political subdivisions, or to reimburse any overpayment to any political subdivisions, of sales or use taxes on solid waste management services under Minnesota Statutes, section 297A.45. The moratorium is effective for the period from January 1, 1990, through December 31, ~~1996~~ 1997.

Sec. 29. SPECIAL PREMIUM TAX PAYMENT.

Health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations that have met the cost containment goals established in Minnesota Statutes, section 62J.04, in the individual and small employer market for calendar year 1996 shall pay a special, one-time 1999 premium tax payment. The tax payment must be based on an amount equal to one percent of gross premiums less return premiums on all direct business received by the insurer in this state, or by its agents for it, in cash or otherwise after March 30, 1997, and before January 1, 1998. Payment of the tax under this section is due January 2, 1999. Provisions relating to the payment, assessment, and collection of the tax assessed under Minnesota Statutes, section 60A.15, shall apply to the special tax payment assessed under this section.

Sec. 30. PRIVATE SALE OF SURPLUS LAND; RED LAKE COUNTY.

(a) Notwithstanding Minnesota Statutes, sections 92.45, 94.09, and 94.10, the commissioner of natural resources may sell by private sale to the adjacent land owner, for a consideration equal to the appraised value, the surplus land bordering public water that is described in paragraph (c), under the remaining provisions of Minnesota Statutes, chapter 94.

(b) The conveyance shall be in a form approved by the attorney general.

(c) The land that may be sold is located in Red Lake county, consists of about 50 acres, and is described as follows:

(1) Government lot 5, section 25, Township 152 North, Range 40 West;

(2) Government lot 7, section 25, Township 152 North, Range 40 West.

(d) The commissioner has determined that the land is no longer needed for any natural resource purpose and that the state's land management interests would best be served if the land was returned to private ownership.

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Sec. 31. EXCHANGE OF LAKESHORE LEASED LOTS.

Subdivision 1. ANALYSIS OF LOTS. By January 15, 1999, the commissioner of natural resources must submit a report to the chairs of the senate and house environment and natural resources committees, the house environment, natural resources, and agriculture finance committee, the senate environment and agriculture budget division, the senate children, families and learning committee, and the house education committee. The report must provide the results of the field inspection required by this section, recommendations on appropriations needed to accomplish the purposes of this section, and additional recommendations on methods to preserve public lakeshore in the state. The commissioner must conduct a field inspection of all lands leased pursuant to Minnesota Statutes, section 92.46, subdivision 1. The commissioner must identify all lots within the following classifications:

- (1) the lot contains all or part of an unusual resource, such as a historical or archaeological site, or a sensitive ecological resource, or contains unique habitat, or has a high scenic value;
- (2) the lot provides access for adjacent state land; or
- (3) the lot is part of the trust land in Horseshoe Bay, as referenced in Laws 1997, chapter 216, section 151.

Subd. 2. EXCHANGE OF COUNTY LAKESHORE LAND FOR LEASED LAKESHORE LOTS. (a) For the purposes of this section:

- (1) "county land" includes, but is not limited to, tax-forfeited land administered by any county; and
- (2) "leased lakeshore lots" means lands leased by the state pursuant to Minnesota Statutes, section 92.46, subdivision 1.

(b) By June 1, 1999, a county board with leased lakeshore lots must petition the land exchange board with a plan for an exchange of county land for leased lakeshore lots in the county that are not listed by the commissioner pursuant to subdivision 1. Notwithstanding Minnesota Statutes, section 94.342, the land proposed for the exchange must be land bordering on or adjacent to meandered or other public waters. A county board proposing an exchange under this section may include tax-forfeited land administered by another county in the proposal with the consent of that county board.

(c) In determining the value of the leased lakeshore lots for purposes of the exchange, the land exchange board must review an appraisal of each lot prepared by an appraiser licensed by the commissioner of commerce. The selection of the appraiser must be agreed to by the commissioner of natural resources and the county board of the county containing the leased lakeshore lot. The commissioner of natural resources must pay the costs of appraisal and may recover these costs as provided in this section. The commissioner must submit appraisals under this paragraph to the land exchange board by June 1, 1999.

(d) The land exchange board must determine whether the land offered for exchange by a county under this section is lakeshore of substantially equal value to the leased lakeshore lots included in the county's petition. In making this determination, the land exchange board must review an appraisal of the land offered for exchange prepared by an

New language is indicated by underline, deletions by strikeout.

appraiser licensed by the commissioner of commerce. The selection of the appraiser must be agreed to by the commissioner of natural resources and the county board of the county containing the leased lakeshore lots. The county must pay the costs of this appraisal and may recover those costs as provided in this section.

(e) Before the proposed exchange may be submitted to the land exchange board, the commissioner of natural resources must ensure that, whenever possible, state lands are added to the leased lakeshore lots when necessary to provide conformance with zoning requirements. The lands added to the leased lakeshore lots must be included in the appraised value of the lots. If the commissioner is unable to add the necessary land to a lot, the lot shall be treated as if purchased at the time the state first leased the site, for the purposes of local zoning ordinances at the time of sale of the lot by the county.

(f) The land exchange board must determine whether the lots are of substantially equal value and may approve the exchange, notwithstanding the requirements of Minnesota Statutes, sections 94.342 to 94.347, relating to the approval process. If the board approves the exchange, the commissioner must exchange the leased lakeshore lots for the county lands, subject to the requirements of the Minnesota Constitution, article XI, section 10, relating to the reservation of mineral and water power rights.

Subd. 3. COUNTY SALE. Notwithstanding Minnesota Statutes, section 282.018, or any other law to the contrary, a county board must offer land that it has acquired through an exchange under this section for sale to the lessee of the land within 90 days from the date of acquisition for the value of the land as determined by the county board. The county board may include the cost of appraisal of the county land for the purposes of this section in the value of the land. If the lessee does not elect to purchase the land, the county board may sell the land by public sale at the expiration of the lease term for no less than the value of the land as determined by the county board, including the cost of appraisal required by this section, and the value of improvements to the land. The county board must reimburse the lessee for the value of the improvements to the land and the county may retain a sum from the proceeds of the sale equivalent to the cost of appraisal. The county board must reimburse the commissioner of natural resources for the costs of appraisal under subdivision 2, paragraph (c), from the proceeds of the sale.

Subd. 4. COUNTY ENVIRONMENTAL TRUST FUND. Notwithstanding the provisions of Minnesota Statutes, chapter 282, and any other law relating to the apportionment of proceeds from the sale of tax-forfeited land, and except as otherwise provided in this section, a county board must deposit the money received from the sale of land under subdivision 3 into an environmental trust fund established by the county under this subdivision. The principal from the sale of the land may not be expended, and the county board may spend interest earned on the principal only for purposes related to the improvement of natural resources. To the extent money received from the sale is attributable to tax-forfeited land from another county, the money must be deposited in an environmental trust fund established under this section by that county board.

Subd. 5. NOTICE. The commissioner must mail notice of this section to each lessee of a leased lakeshore lot and to each affected county board by July 1, 1998.

Sec. 32. STATE PAYMENT OF CITY OF ADA AND EAST GRAND FORKS DEBT OBLIGATION UPON DEFAULT; REPAYMENT; STATE OBLIGATION NOT DEBT.

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

(b) "Debt obligation" means:

(1) for the city of Ada, a loan from the Federal Emergency Management Agency under its community disaster loan program to the city in the amount of approximately \$1,423,000, to cover operating losses for a publicly owned health care facility that was damaged in the spring floods of 1997; and

(2) for the city of East Grand Forks, a loan from the Federal Emergency Management Agency under its community disaster loan program to the city in the amount of approximately \$2,907,000.

(c) "City" means the city of Ada or the city of East Grand Forks, as applicable for the loan.

Subd. 2. NOTIFICATIONS; PAYMENT; APPROPRIATION. (a) If the city believes that it may be unable to make a principal or interest payment on any outstanding debt obligation on the date that payment is due, it must notify the commissioner of finance of that fact as soon as possible, but not less than 15 working days before the date that principal or interest payment is due. The notice must identify the debt obligation issue in question, the date the payment is due, the amount of principal and interest due on the payment date, the amount of principal or interest that the city will be unable to repay on that date, the paying agent for the debt obligation, the wire transfer instructions to transfer funds to that paying agent, and an indication as to whether a payment is being requested by the city under this section. If a paying agent becomes aware of a potential default, it shall inform the commissioner of finance of that fact.

(b) Except as provided in subdivision 9, upon receipt of a notice from the city, which must include a final figure as to the amount due that the city will be unable to repay on the date due, the commissioner of finance shall issue a warrant to pay to the paying agent for the debt obligation the specified amount on or before the date due. The amounts needed for the purposes of this subdivision are annually appropriated to the commissioner of finance from the state general fund.

Subd. 3. CITY BOUND; INTEREST RATE ON STATE PAID AMOUNT. If, at the request of the city, the state has paid part or all of the principal or interest due on the city's debt obligation on a specific date, the city is bound by all provisions of this section and the amount paid shall bear taxable interest from the date paid until the date of repayment at the state treasurer's invested cash rate as it is certified by the commissioner of finance. Interest only accrues on the amounts paid and outstanding less the reduction in aid under subdivision 4 and other payments received from the city.

Subd. 4. PLEDGE OF CITY'S FULL FAITH AND CREDIT. If, at the request of the city, the state has paid part or all of the principal or interest due on the city's debt obligation on a specific date, the pledge of the full faith and credit and unlimited taxing powers of the city to repay the principal and interest due on those debt obligations, without an election or the requirement of a further authorization, becomes a pledge of the full faith and credit and unlimited taxing powers of the city to repay to the state the amount paid, with interest. Amounts paid by the state shall be repaid in the order in which the state payments were made.

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Subd. 5. AID REDUCTION FOR REPAYMENT. Except as provided in this subdivision, the state shall reduce the state aid payable to the city under chapters 273, 469, and 477A, according to a schedule determined by the commissioner of finance, by the amount paid by the state under this section on behalf of the city, plus the interest due on it, and the amount reduced shall revert from the appropriate account to the state general fund. Payments from any federal aid payments shall not be reduced. The amount of aids to be reduced are decreased by any amounts repaid to the state by the city from other revenue sources.

Subd. 6. TAX LEVY FOR REPAYMENT. (a) With the approval of the commissioner of finance, the city may levy in the year the state makes a payment under this section an amount up to the amount necessary to provide funds for the repayment of the amount paid by the state plus interest through the date of estimated repayment by the city. The proceeds of this levy may be used only for this purpose unless they are in excess of the amount actually due, in which case the excess shall be used to repay other state payments made under this section or shall be deposited in the debt redemption fund of the city. This levy is an increase in the levy limits of the city for purposes of Minnesota Statutes, section 275.065, subdivision 6. The amount of aids to be reduced to repay the state are decreased by the amount levied.

(b) If the state is not repaid in full for a payment made under this section by November 30 of the calendar year following the year in which the state makes the payment, the commissioner of finance shall require the city to certify a property tax levy in an amount up to the amount necessary to provide funds for repayment of the amount paid by the state plus interest through the date of estimated repayment by the city. To prevent undue hardship, the commissioner may allow the city to certify the levy over a five-year period. The proceeds of the levy may be used only for this purpose unless they are in excess of the amount actually due, in which case the excess must be used to repay other state payments made under this section or must be deposited in the debt redemption fund of the city. This levy is an increase in the levy limits of the city for purposes of Minnesota Statutes, section 275.065, subdivision 6. If the commissioner orders the city to levy, the amount of aids reduced to repay the state is decreased by the amount levied. A levy under this subdivision must be explained as a specific increase at the meeting required under Minnesota Statutes, section 275.065, subdivision 6.

Subd. 7. ELECTION AS TO MANDATORY APPLICATION. The city may covenant and obligate itself, prior to incurring a debt obligation, to notify the commissioner of finance of a potential default and to use the provisions of this section to guarantee payment of the principal and interest on those debt obligations when due. If the city obligates itself to be bound by this section, it shall covenant to deposit with the paying agent three business days prior to the date on which a payment is due an amount sufficient to make that payment or to notify the commissioner of finance under subdivision 1 that it will be unable to make all or a portion of that payment. The city shall include a provision in its agreement with the paying agent for that issue that requires the paying agent to inform the commissioner of finance if it becomes aware of a potential default in the payment of principal or interest on that issue or if, on the day two business days prior to the date a payment is due on that issue, there are insufficient funds to make the payment on deposit with the paying agent. If the city either covenants to be bound by this section or accepts state payments under this section to prevent a default on debt obligations, the pro-

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visions of this section are binding as to that issue as long as any debt obligation of that issue remains outstanding.

Subd. 8. MANDATORY PLAN; TECHNICAL ASSISTANCE. If the state makes payments on behalf of the city under this section or the city defaults in the payment of principal or interest on an outstanding debt obligation, it shall submit a plan to the commissioner of finance for approval specifying the measures it intends to implement to resolve the issues which led to its inability to make the payment and to prevent further defaults. The commissioner shall provide technical assistance to the city in preparing its plan. If the commissioner determines that the city's plan is not adequate, the commissioner shall notify the city that the plan has been disapproved, the reasons for the disapproval, and that the state shall not make future payments under this section for debt obligations issued after the date specified in that notice until its plan is approved. The commissioner may also notify the city that until its plan is approved, other aids due the city will be withheld after a date specified in the notice.

Subd. 9. STATE BOND RATING. If the commissioner of finance determines that the credit rating of the state would be adversely affected thereby, the commissioner shall not issue warrants under subdivision 2 for the payment of principal or interest on any debt obligations for which the city did not, prior to their issuance, obligate itself to be bound by the provisions of this section.

Sec. 33. COON RAPIDS BONDING.

Subdivision 1. AUTHORITY. The city of Coon Rapids may issue general obligation bonds under Minnesota Statutes, chapter 475, in an amount up to \$11,000,000 to finance costs related to the upgrading of the existing state and county bridges and roadways within the project areas of the tax increment financing districts designated 2-2 and 2-3. No referendum is required on the question of the issuance of bonds under this authority. The bonds are not included in computing any debt limitations of the city. The levy of taxes to pay the bonds is not subject to any levy limit.

Subd. 2. EFFECTIVE DATE. This section is effective the day following final enactment without local approval and applies to the city of Coon Rapids under Minnesota Statutes, section 645.023.

Sec. 34. STUDY OF HOME CARE TAX INCENTIVES.

The commissioners of revenue and human services shall conduct a study on the issue of the effectiveness of tax incentives to encourage people to provide care for elderly or disabled individuals in their homes. The study must include analysis of the most effective types of incentives and their cost. The commissioners shall transmit the conclusions of the study in a report to the legislature by January 15, 1999.

Sec. 35. APPROPRIATIONS.

Subdivision 1. BAT STUDY. \$100,000 is appropriated from the general fund for fiscal year 1999 to the legislative coordinating commission to study alternative methods of taxing business. The appropriations under this section and under Laws 1997, chapter 231, article 5, section 18, subdivision 3, are available in fiscal years 2000 and 2001.

Subd. 2. COST OF ADMINISTERING BILL. \$281,000 is appropriated from the general fund for fiscal year 1999 to the commissioner of revenue for the cost of administering this act, excluding article 1.

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Subd. 3. HOUSING DEVELOPMENT FUND. In addition to any amount appropriated by other law, \$250,000 is appropriated from the general fund to the housing development fund for fiscal year 1999, \$800,000 for fiscal year 2000, and \$800,000 for fiscal year 2001 to provide matching grants for employer contributions for affordable housing under Minnesota Statutes, section 462A.2092. This appropriation is available until expended.

Subd. 4. TRANSPORTATION. \$1,500,000 is appropriated from the general fund for fiscal year 1999 to the state treasurer for transfer to the transit account in the transportation revolving loan fund established in Minnesota Statutes, section 446A.085, subdivision 3.

Sec. 36. REPEALER.

(a) Minnesota Statutes 1997 Supplement, sections 3.987, subdivision 3, and 14.431, are repealed.

(b) 1998 S.F. No. 3353, section 60, relating to the exchange and sale of certain lake-shore lots, if enacted, is repealed.

Sec. 37. EFFECTIVE DATE.

Sections 8, 9, 12, 20, 21, 23, 24, 28, and 30 are effective the day following final enactment. Sections 15 and 25 are effective retroactively to January 1, 1998.

Section 16 is effective January 1, 1999.

Presented to the governor April 10, 1998

Signed by the governor April 21, 1998, 9:28 a.m.

CHAPTER 390—H.F.No. 2970

An act relating to retirement; various retirement plans; adjusting pension coverage for certain privatized public hospital employees; providing for voluntary deduction of health insurance premiums from certain annuities; providing for increased survivor benefits relating to certain public employees murdered in the line of duty; authorizing certain service credit purchases; specifying prior service credit purchase payment amount determination procedures increasing salaries of various judges; modifying other judicial salaries; modifying the judges retirement plan member and employer contribution rates; authorizing the transfer of certain prior retirement contributions from the legislators retirement plan and from the elective state officers retirement plan; creating a contribution transfer account in the general fund of the state; appropriating money; reformulating the Columbia Heights volunteer firefighters relief association plan as a defined contribution plan under the general volunteer fire law; restructuring the Columbia Heights volunteer firefighter relief association board; modifying various higher education retirement plan provisions; modifying administrative expense provisions for various public pension plans; expanding the teacher retirement plans part-time teaching positions eligible to participate in the qualified full-time service credit for part-time teaching service program; making certain Minneapolis fire department relief association survivor benefit options retroactive; providing increased disability benefit coverage for certain local government correctional facility employees; increasing local government correctional employee and employer contribution rates; providing increased survivor benefits to certain Minneapolis em-

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