

1.1 CONFERENCE COMMITTEE REPORT ON H. F. No. 2323

1.2 A bill for an act

1.3 relating to the financing and operation of state and local government; making
1.4 policy, technical, administrative, enforcement, collection, refund, clarifying,
1.5 and other changes to income, franchise, property, sales and use, estate, gift,
1.6 cigarette, tobacco, liquor, motor vehicle, gross receipts, minerals, tax increment
1.7 financing and other taxes and tax-related provisions; requiring certain additions;
1.8 conforming to federal section 179 expensing allowances; adding Minnesota
1.9 development subsidies to corporate taxable income; disallowing certain
1.10 subtractions; allowing certain nonrefundable credits; allowing a refundable
1.11 Minnesota child credit; repealing various credits; conforming to certain
1.12 federal tax provisions; expanding definition of domestic corporation to include
1.13 tax havens; modifying income tax rates; expanding and increasing credit
1.14 for research activities; accelerating single sales apportionment; modifying
1.15 minimum fees; allowing county local sales tax; eliminating certain existing
1.16 local sales taxes; adjusting county program aid; modifying levy limits; making
1.17 changes to residential homestead market value credit; providing flexibility
1.18 and mandate reduction provisions; making changes to various property tax
1.19 and local government aid-related provisions; providing temporary suspension
1.20 of new or increased maintenance of effort and matching fund requirements;
1.21 modifying county support of libraries; establishing the Council on Local
1.22 Results and Innovation; providing property tax system benchmarks, critical
1.23 indicators, and principles; establishing a property tax work group; creating
1.24 the Legislative Commission on Mandate Reform; making changes to certain
1.25 administrative procedures; modifying mortgage registry tax payments;
1.26 modifying truth in taxation provisions; providing clarification for eligibility
1.27 for property tax exemption for institutions of purely public charity; making
1.28 changes to property tax refund and senior citizen property tax deferral
1.29 programs; providing property tax exemptions; providing a property valuation
1.30 reduction for certain land constituting a riparian buffer; providing a partial
1.31 valuation exclusion for disaster damaged homes; extending deadline for special
1.32 service district and housing improvement districts; requiring a fiscal disparity
1.33 study; extending emergency medical service special taxing district; providing
1.34 emergency debt certificates; providing and modifying local taxes; expanding
1.35 county authorization to abate certain improvements; providing municipal
1.36 street improvement districts; establishing a seasonal recreational property tax
1.37 deferral program; expanding sales and use tax base; defining solicitor for
1.38 purposes of nexus; providing a bovine tuberculosis testing grant; modifying
1.39 tax preparation services law; modifying authority of municipalities to issue
1.40 bonds for certain other postemployment benefits; allowing use of increment to
1.41 offset state aid reductions; allowing additional authority to spend increments
1.42 for housing replacement district plans; modifying and authorizing certain tax

2.1 increment financing districts; providing equitable funding health and human
 2.2 services reform; modifying JOBZ provisions; repealing international economic
 2.3 development and biotechnology and health science industry zones; modifying
 2.4 basic sliding fee program funding; providing appointments; requiring reports;
 2.5 appropriating money; amending Minnesota Statutes 2008, sections 3.842,
 2.6 subdivision 4a; 3.843; 16C.28, subdivision 1a; 40A.09; 84.82, subdivision
 2.7 10; 84.922, subdivision 11; 86B.401, subdivision 12; 123B.10, subdivision
 2.8 1; 134.34, subdivisions 1, 4; 245.4932, subdivision 1; 253B.045, subdivision
 2.9 2; 254B.04, subdivision 1; 270C.12, by adding a subdivision; 270C.445;
 2.10 270C.56, subdivision 3; 272.02, subdivision 7, by adding subdivisions; 272.029,
 2.11 subdivision 6; 273.111, by adding a subdivision; 273.1231, subdivision 1;
 2.12 273.1232, subdivision 1; 273.124, subdivision 1; 273.13, subdivisions 25, 34;
 2.13 273.1384, subdivisions 1, 4, by adding a subdivision; 273.1393; 275.025,
 2.14 subdivisions 1, 2; 275.065, subdivisions 1, 1a, 1c, 3, 6; 275.07, subdivisions
 2.15 1, 4, by adding a subdivision; 275.70, subdivisions 3, 5; 275.71, subdivisions
 2.16 2, 4, 5; 276.04, subdivision 2; 279.10; 282.08; 287.08; 289A.02, subdivision
 2.17 7, as amended; 289A.11, subdivision 1; 289A.20, subdivision 4; 289A.31,
 2.18 subdivision 5; 290.01, subdivisions 5, 19, as amended, 19a, as amended, 19b,
 2.19 19c, as amended, 19d, as amended, 29, 31, as amended, by adding subdivisions;
 2.20 290.014, subdivision 2; 290.06, subdivisions 2c, 2d, by adding subdivisions;
 2.21 290.0671, subdivision 1; 290.068, subdivisions 1, 3, 4; 290.091, subdivision 2;
 2.22 290.0921, subdivision 3; 290.0922, subdivisions 1, 3, by adding a subdivision;
 2.23 290.17, subdivisions 2, 4; 290.191, subdivisions 2, 3; 290A.03, subdivision
 2.24 15, as amended; 290A.04, subdivision 2; 290B.03, subdivision 1; 290B.04,
 2.25 subdivisions 3, 4; 290B.05, subdivision 1; 291.005, subdivision 1, as amended;
 2.26 291.03, subdivision 1; 295.75, subdivision 2; 297A.61, subdivisions 3, 4, 5, 6,
 2.27 10, 14a, 17a, 21, 38, by adding subdivisions; 297A.62, by adding a subdivision;
 2.28 297A.63; 297A.64, subdivision 2; 297A.66, subdivision 1, by adding a
 2.29 subdivision; 297A.67, subdivisions 15, 23; 297A.815, subdivision 3; 297A.83,
 2.30 subdivision 3; 297A.94; 297A.99, subdivisions 1, 6; 297B.02, subdivision 1;
 2.31 297F.01, by adding a subdivision; 297F.05, subdivisions 1, 3, 4, by adding a
 2.32 subdivision; 297G.03, subdivision 1; 297G.04; 298.001, by adding a subdivision;
 2.33 298.018, subdivisions 1, 2, by adding a subdivision; 298.227; 298.24, subdivision
 2.34 1; 298.28, subdivisions 2, 11, by adding a subdivision; 306.243, by adding a
 2.35 subdivision; 344.18; 365.28; 375.194, subdivision 5; 383A.75, subdivision 3;
 2.36 428A.101; 428A.21; 429.011, subdivision 2a; 429.021, subdivision 1; 429.041,
 2.37 subdivisions 1, 2; 446A.086, subdivision 8; 465.719, subdivision 9; 469.015;
 2.38 469.174, subdivision 22; 469.175, subdivisions 1, 6; 469.176, subdivisions 3, 6,
 2.39 by adding a subdivision; 469.1763, subdivisions 2, 3; 469.178, subdivision 7;
 2.40 469.315; 469.3192; 473.13, subdivision 1; 473H.04, by adding a subdivision;
 2.41 473H.05, subdivision 1; 475.51, subdivision 4; 475.52, subdivision 6; 475.58,
 2.42 subdivision 1; 477A.011, subdivision 36; 477A.0124, by adding a subdivision;
 2.43 477A.013, subdivision 9, by adding a subdivision; 477A.03, subdivisions 2a,
 2.44 2b; 641.12, subdivision 1; Laws 1986, chapter 396, section 4, subdivision 3;
 2.45 by adding a subdivision; Laws 1986, chapter 400, section 44, as amended;
 2.46 Laws 1991, chapter 291, article 8, section 27, subdivision 3, as amended; Laws
 2.47 1993, chapter 375, article 9, section 46, subdivision 2, as amended, by adding
 2.48 a subdivision; Laws 1995, chapter 264, article 5, sections 44, subdivision 4,
 2.49 as amended; 45, subdivision 1, as amended; Laws 1996, chapter 471, article
 2.50 2, section 30; Laws 1998, chapter 389, article 8, section 37, subdivision 1;
 2.51 Laws 2001, First Special Session chapter 5, article 3, section 8, as amended;
 2.52 Laws 2002, chapter 377, article 3, section 25; Laws 2006, chapter 259, article
 2.53 3, section 12, subdivision 3; Laws 2008, chapter 366, article 5, section 34;
 2.54 article 6, sections 9; 10; article 7, section 16, subdivision 3; proposing coding
 2.55 for new law in Minnesota Statutes, chapters 3; 6; 14; 17; 256E; 270C; 272;
 2.56 273; 275; 290; 292; 297A; 435; 475; 477A; proposing coding for new law as
 2.57 Minnesota Statutes, chapter 290D; repealing Minnesota Statutes 2008, sections
 2.58 245.4835; 245.714; 246.54; 254B.02, subdivision 3; 256B.19, subdivision 1;

3.1 256I.08; 272.02, subdivision 83; 273.113; 275.065, subdivisions 5a, 6b, 6c, 8,
3.2 9, 10; 289A.50, subdivision 10; 290.01, subdivision 6b; 290.06, subdivisions
3.3 24, 28, 30, 31, 32, 33, 34; 290.067, subdivisions 1, 2, 2a, 2b, 3, 4; 290.0672;
3.4 290.0674; 290.0679; 290.0802; 290.0921, subdivision 7; 290.191, subdivision
3.5 4; 290.491; 297A.61, subdivision 45; 297A.68, subdivisions 38, 41; 469.316;
3.6 469.317; 469.321; 469.3215; 469.322; 469.323; 469.324; 469.325; 469.326;
3.7 469.327; 469.328; 469.329; 469.330; 469.331; 469.332; 469.333; 469.334;
3.8 469.335; 469.336; 469.337; 469.338; 469.339; 469.340; 469.341; 477A.0124,
3.9 subdivisions 3, 4, 5; 477A.03, subdivision 5; Laws 2009, chapter 3, section 1;
3.10 Laws 2009, chapter 12, article 1, section 8.

3.11 May 18, 2009

3.12 The Honorable Margaret Anderson Kelliher
3.13 Speaker of the House of Representatives

3.14 The Honorable James P. Metzen
3.15 President of the Senate

3.16 We, the undersigned conferees for H. F. No. 2323 report that we have agreed upon
3.17 the items in dispute and recommend as follows:

3.18 That the Senate recede from its amendments and that H. F. No. 2323 be further
3.19 amended as follows:

3.20 Delete everything after the enacting clause and insert:

3.21 **"ARTICLE 1**
3.22 **EDUCATION SHIFTS**

3.23 Section 1. Minnesota Statutes 2008, section 123B.54, as amended by Laws 2009,
3.24 chapter 96, article 4, section 1, is amended to read:

3.25 **123B.54 DEBT SERVICE APPROPRIATION.**

3.26 (a) \$9,109,000 in fiscal year 2009, ~~\$7,948,000~~ \$6,608,000 in fiscal year 2010,
3.27 ~~\$9,275,000~~ \$9,012,000 in fiscal year 2011, ~~\$9,574,000~~ \$9,547,000 in fiscal year 2012,
3.28 and ~~\$8,904,000~~ \$9,033,000 in fiscal year 2013 and later are appropriated from the general
3.29 fund to the commissioner of education for payment of debt service equalization aid
3.30 under section 123B.53.

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

3.33 Sec. 2. Minnesota Statutes 2008, section 123B.75, is amended by adding a subdivision
3.34 to read:

3.35 Subd. 1a. **Definition.** For the purpose of this section, "school district tax settlement
3.36 revenue" means the current, delinquent, and manufactured home property tax receipts
3.37 collected by the county and distributed to the school district.

3.38 Sec. 3. Minnesota Statutes 2008, section 123B.75, subdivision 5, is amended to read:

4.1 Subd. 5. **Levy recognition.** (a) ~~"School district tax settlement revenue" means the~~
4.2 ~~current, delinquent, and manufactured home property tax receipts collected by the county~~
4.3 ~~and distributed to the school district.~~

4.4 ~~(b) For fiscal year 2004 and later years, In June of each year 2009, the school district~~
4.5 ~~must recognize as revenue, in the fund for which the levy was made, the lesser of:~~

4.6 (1) the sum of May, June, and July school district tax settlement revenue received in
4.7 that calendar year, plus general education aid according to section 126C.13, subdivision
4.8 4, received in July and August of that calendar year; or

4.9 (2) the sum of:

4.10 (i) 31 percent of the referendum levy certified according to section 126C.17, in
4.11 calendar year 2000; and

4.12 (ii) the entire amount of the levy certified in the prior calendar year according to
4.13 section 124D.86, subdivision 4, for school districts receiving revenue under sections
4.14 124D.86, subdivision 3, clauses (1), (2), and (3); 126C.41, subdivisions 1, 2, and 3,
4.15 paragraphs (b), (c), and (d); 126C.43, subdivision 2; 126C.457; and 126C.48, subdivision
4.16 6.

4.17 (b) For fiscal year 2010 and later years, in June of each year, the school district must
4.18 recognize as revenue, in the fund for which the levy was made, the lesser of:

4.19 (1) the sum of May, June, and July school district tax settlement revenue received in
4.20 that calendar year, plus general education aid according to section 126C.13, subdivision
4.21 4, received in July and August of that calendar year; or

4.22 (2) the sum of:

4.23 (i) the greater of 49.1 percent of the referendum levy certified according to section
4.24 126C.17 in the prior calendar year, or 31 percent of the referendum levy certified
4.25 according to section 126C.17 in calendar year 2000; plus

4.26 (ii) the entire amount of the levy certified in the prior calendar year according to
4.27 section 124D.86, subdivision 4, for school districts receiving revenue under sections
4.28 124D.86, subdivision 3, clauses (1), (2), and (3); 126C.41, subdivisions 1, 2, and 3,
4.29 paragraphs (b), (c), and (d); 126C.43, subdivision 2; 126C.457; and 126C.48, subdivision
4.30 6; plus

4.31 (iii) 49.1 percent of the amount of the levy certified in the prior calendar year for the
4.32 school district's general and community service funds, plus or minus auditor's adjustments,
4.33 not including the levy portions that are assumed by the state, that remains after subtracting
4.34 the referendum levy certified according to section 126C.17 and the amount recognized
4.35 according to item (ii).

5.1 Sec. 4. Minnesota Statutes 2008, section 126C.48, subdivision 7, is amended to read:

5.2 Subd. 7. **Reporting.** For each tax settlement, the county auditor shall report to each
5.3 school district by fund, the district tax settlement revenue defined in section 123B.75,
5.4 subdivision ~~5, paragraph (a)~~ 1a, on the form specified in section 276.10. The county auditor
5.5 shall send to the district a copy of the spread levy report specified in section 275.124.

5.6 Sec. 5. Minnesota Statutes 2008, section 127A.441, is amended to read:

5.7 **127A.441 AID REDUCTION; LEVY REVENUE RECOGNITION CHANGE.**

5.8 Each year, the state aids payable to any school district for that fiscal year that are
5.9 recognized as revenue in the school district's general and community service funds shall
5.10 be adjusted by an amount equal to (1) the amount the district recognized as revenue for the
5.11 prior fiscal year pursuant to section 123B.75, subdivision 5, paragraph (a) or (b), minus (2)
5.12 the amount the district recognized as revenue for the current fiscal year pursuant to section
5.13 123B.75, subdivision 5, paragraph (a) or (b). For purposes of making the aid adjustments
5.14 under this section, the amount the district recognizes as revenue for either the prior fiscal
5.15 year or the current fiscal year pursuant to section 123B.75, subdivision 5, paragraph (b),
5.16 shall not include any amount levied pursuant to section 124D.86, subdivision 4, for school
5.17 districts receiving revenue under sections 124D.86, subdivision 3, clauses (1), (2), and (3);
5.18 126C.41, subdivisions 1, 2, and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2;
5.19 126C.457; and 126C.48, subdivision 6. Payment from the permanent school fund shall not
5.20 be adjusted pursuant to this section. The school district shall be notified of the amount of
5.21 the adjustment made to each payment pursuant to this section.

5.22 Sec. 6. Minnesota Statutes 2008, section 127A.45, subdivision 2, is amended to read:

5.23 Subd. 2. **Definitions.** (a) ~~The term~~ "Other district receipts" means payments by
5.24 county treasurers pursuant to section 276.10, apportionments from the school endowment
5.25 fund pursuant to section 127A.33, apportionments by the county auditor pursuant to
5.26 section 127A.34, subdivision 2, and payments to school districts by the commissioner of
5.27 revenue pursuant to chapter 298.

5.28 (b) ~~The term~~ "Cumulative amount guaranteed" means the product of

5.29 (1) the cumulative disbursement percentage shown in subdivision 3; times

5.30 (2) the sum of

5.31 (i) the current year aid payment percentage of the estimated aid and credit
5.32 entitlements paid according to subdivision 13; plus

5.33 (ii) 100 percent of the entitlements paid according to subdivisions 11 and 12; plus

5.34 (iii) the other district receipts.

6.1 (c) ~~The term~~ "Payment date" means the date on which state payments to districts
 6.2 are made by the electronic funds transfer method. If a payment date falls on a Saturday,
 6.3 a Sunday, or a weekday which is a legal holiday, the payment shall be made on the
 6.4 immediately preceding business day. The commissioner may make payments on dates
 6.5 other than those listed in subdivision 3, but only for portions of payments from any
 6.6 preceding payment dates which could not be processed by the electronic funds transfer
 6.7 method due to documented extenuating circumstances.

6.8 (d) The current year aid payment percentage equals ~~90~~ 73.

6.9 Sec. 7. Minnesota Statutes 2008, section 127A.45, subdivision 3, is amended to read:

6.10 Subd. 3. **Payment dates and percentages.** (a) ~~For fiscal year 2004 and later,~~ The
 6.11 commissioner shall pay to a district on the dates indicated an amount computed as follows:
 6.12 the cumulative amount guaranteed minus the sum of ~~(a)~~ (1) the district's other district
 6.13 receipts through the current payment, and ~~(b)~~ (2) the aid and credit payments through the
 6.14 immediately preceding payment. For purposes of this computation, the payment dates and
 6.15 the cumulative disbursement percentages are as follows:

6.16		Payment date	Percentage
6.17	Payment 1	July 15:	5.5
6.18	Payment 2	July 30:	8.0
6.19	Payment 3	August 15:	17.5
6.20	Payment 4	August 30:	20.0
6.21	Payment 5	September 15:	22.5
6.22	Payment 6	September 30:	25.0
6.23	Payment 7	October 15:	27.0
6.24	Payment 8	October 30:	30.0
6.25	Payment 9	November 15:	32.5
6.26	Payment 10	November 30:	36.5
6.27	Payment 11	December 15:	42.0
6.28	Payment 12	December 30:	45.0
6.29	Payment 13	January 15:	50.0
6.30	Payment 14	January 30:	54.0
6.31	Payment 15	February 15:	58.0

7.1	Payment 16	February 28:	63.0
7.2	Payment 17	March 15:	68.0
7.3	Payment 18	March 30:	74.0
7.4	Payment 19	April 15:	78.0
7.5	Payment 20	April 30:	85.0
7.6	Payment 21	May 15:	90.0
7.7	Payment 22	May 30:	95.0
7.8	Payment 23	June 20:	100.0

7.9 (b) ~~In addition to the amounts paid under paragraph (a), for fiscal year 2004, the~~
 7.10 ~~commissioner shall pay to a district on the dates indicated an amount computed as follows:~~

7.11	Payment 3	August 15: the final adjustment for the prior fiscal year for the state paid
7.12		property tax credits established in section 273.1392
7.13	Payment 4	August 30: one-third of the final adjustment for the prior fiscal year for
7.14		all aid entitlements except state paid property tax credits
7.15	Payment 6	September 30: one-third of the final adjustment for the prior fiscal year
7.16		for all aid entitlements except state paid property tax credits
7.17	Payment 8	October 30: one-third of the final adjustment for the prior fiscal year for
7.18		all aid entitlements except state paid property tax credits

7.19 (e) ~~In addition to the amounts paid under paragraph (a), for fiscal year 2005 and~~
 7.20 ~~later,~~ the commissioner shall pay to a district on the dates indicated an amount computed
 7.21 as follows:

7.22	Payment 3	August 15: the final adjustment for the prior fiscal year for the state paid
7.23		property tax credits established in section 273.1392
7.24	Payment 4	August 30: 30 percent of the final adjustment for the prior fiscal year for
7.25		all aid entitlements except state paid property tax credits
7.26	Payment 6	September 30: 40 percent of the final adjustment for the prior fiscal year
7.27		for all aid entitlements except state paid property tax credits
7.28	Payment 8	October 30: 30 percent of the final adjustment for the prior fiscal year
7.29		for all aid entitlements except state paid property tax credits

8.1 Sec. 8. Minnesota Statutes 2008, section 127A.45, is amended by adding a subdivision
8.2 to read:

8.3 Subd. 7b. **Advance final payment.** (a) Notwithstanding subdivisions 3 and 7,
8.4 a school district or charter school exceeding its expenditure limitations under section
8.5 123B.83 as of June 30 of the prior fiscal year may receive a portion of its final payment
8.6 for the current fiscal year on June 20, if requested by the district or charter school. The
8.7 amount paid under this subdivision must not exceed the lesser of:

8.8 (1) the difference between 90 percent and the current year payment percentage in
8.9 subdivision 2, paragraph (d), in the current fiscal year times the sum of the district or
8.10 charter school's general education aid plus the aid adjustment in section 127A.50 for
8.11 the current fiscal year; or

8.12 (2) the amount by which the district's or charter school's net negative unreserved
8.13 general fund balance as of June 30 of the prior fiscal year exceeds 2.5 percent of the
8.14 district or charter school's expenditures for that fiscal year.

8.15 (b) The state total advance final payment under this subdivision for any year must
8.16 not exceed \$7,500,000. If the amount request exceeds \$7,500,000, the advance final
8.17 payment for each eligible district must be reduced proportionately.

8.18 Sec. 9. Minnesota Statutes 2008, section 127A.45, subdivision 13, is amended to read:

8.19 Subd. 13. **Aid payment percentage.** Except as provided in subdivisions 11, 12, 12a,
8.20 and 14, each fiscal year, all education aids and credits in this chapter and chapters 120A,
8.21 120B, 121A, 122A, 123A, 123B, 124D, 125A, 125B, 126C, 134, and section 273.1392,
8.22 shall be paid at the current year aid payment percentage of the estimated entitlement during
8.23 the fiscal year of the entitlement. ~~For the purposes of this subdivision, a district's estimated~~
8.24 ~~entitlement for special education excess cost aid under section 125A.79 for fiscal year~~
8.25 ~~2005 equals 70 percent of the district's entitlement for the second prior fiscal year. For the~~
8.26 purposes of this subdivision, a district's estimated entitlement for special education excess
8.27 cost aid under section 125A.79 for fiscal year 2006 and later equals 74.0 percent of the
8.28 district's entitlement for the current fiscal year. The final adjustment payment, according
8.29 to subdivision 9, must be the amount of the actual entitlement, after adjustment for actual
8.30 data, minus the payments made during the fiscal year of the entitlement.

8.31 ARTICLE 2

8.32 EDUCATION APPROPRIATION ADJUSTMENTS

8.33 Section 1. Laws 2009, chapter 96, article 1, section 24, subdivision 2, is amended to
8.34 read:

9.1 Subd. 2. **General education aid.** For general education aid under Minnesota
9.2 Statutes, section 126C.13, subdivision 4:

9.3 ~~5,195,504,000~~
9.4 \$ 3,752,648,000 2010
9.5 ~~5,626,994,000~~
9.6 \$ 5,503,377,000 2011

9.7 The 2010 appropriation includes \$555,864,000 for 2009 and ~~\$4,639,640,000~~
9.8 \$3,196,784,000 for 2010.

9.9 The 2011 appropriation includes ~~\$500,976,000~~ \$1,943,838,000 for 2010 and
9.10 ~~\$5,126,018,000~~ \$3,559,539,000 for 2011.

9.11 Sec. 2. Laws 2009, chapter 96, article 1, section 24, subdivision 4, is amended to read:

9.12 Subd. 4. **Abatement revenue.** For abatement aid under Minnesota Statutes, section
9.13 127A.49:

9.14 ~~1,175,000~~
9.15 \$ 980,000 2010
9.16 ~~1,034,000~~
9.17 \$ 1,056,000 2011

9.18 The 2010 appropriation includes \$140,000 for 2009 and ~~\$1,035,000~~ \$840,000 for
9.19 2010.

9.20 The 2011 appropriation includes ~~\$115,000~~ \$310,000 for 2010 and ~~\$919,000~~
9.21 \$746,000 for 2011.

9.22 Sec. 3. Laws 2009, chapter 96, article 1, section 24, subdivision 5, is amended to read:

9.23 Subd. 5. **Consolidation transition.** For districts consolidating under Minnesota
9.24 Statutes, section 123A.485:

9.25 \$ ~~854,000~~ 693,000 2010
9.26 \$ ~~927,000~~ 931,000 2011

9.27 The 2010 appropriation includes \$0 for 2009 and ~~\$854,000~~ \$693,000 for 2010.

9.28 The 2011 appropriation includes ~~\$94,000~~ \$255,000 for 2010 and ~~\$833,000~~ \$676,000
9.29 for 2011.

9.30 Sec. 4. Laws 2009, chapter 96, article 1, section 24, subdivision 6, is amended to read:

10.1 Subd. 6. **Nonpublic pupil education aid.** For nonpublic pupil education aid under
10.2 Minnesota Statutes, sections 123B.40 to 123B.43 and 123B.87:

10.3 ~~17,250,000~~
10.4 \$ 14,303,000 2010
10.5 ~~17,889,000~~
10.6 \$ 17,785,000 2011

10.7 The 2010 appropriation includes \$1,647,000 for 2009 and ~~\$15,603,000~~ \$12,656,000
10.8 for 2010.

10.9 The 2011 appropriation includes ~~\$1,733,000~~ \$4,680,000 for 2010 and ~~\$16,156,000~~
10.10 \$13,105,000 for 2011.

10.11 Sec. 5. Laws 2009, chapter 96, article 1, section 24, subdivision 7, is amended to read:

10.12 Subd. 7. **Nonpublic pupil transportation.** For nonpublic pupil transportation aid
10.13 under Minnesota Statutes, section 123B.92, subdivision 9:

10.14 ~~22,159,000~~
10.15 \$ 18,366,000 2010
10.16 ~~22,712,000~~
10.17 \$ 22,636,000 2011

10.18 The 2010 appropriation includes \$2,077,000 for 2009 and ~~\$20,082,000~~ \$16,289,000
10.19 for 2010.

10.20 The 2011 appropriation includes ~~\$2,231,000~~ \$6,024,000 for 2010 and ~~\$20,481,000~~
10.21 \$16,612,000 for 2011.

10.22 Sec. 6. Laws 2009, chapter 96, article 2, section 67, subdivision 2, is amended to read:

10.23 Subd. 2. **Charter school building lease aid.** For building lease aid under Minnesota
10.24 Statutes, section 124D.11, subdivision 4:

10.25 ~~40,453,000~~
10.26 \$ 33,512,000 2010
10.27 ~~44,775,000~~
10.28 \$ 44,030,000 2011

10.29 The 2010 appropriation includes \$3,704,000 for 2009 and ~~\$36,749,000~~ \$29,808,000
10.30 for 2010.

11.1 The 2011 appropriation includes ~~\$4,083,000~~ \$11,024,000 for 2010 and ~~\$40,692,000~~
11.2 \$33,006,000 for 2011.

11.3 Sec. 7. Laws 2009, chapter 96, article 2, section 67, subdivision 3, is amended to read:

11.4 Subd. 3. **Charter school startup aid.** For charter school startup cost aid under
11.5 Minnesota Statutes, section 124D.11:

11.6 ~~1,488,000~~
11.7 \$ 1,245,000 2010
11.8 ~~1,064,000~~
11.9 \$ 1,133,000 2011

11.10 The 2010 appropriation includes \$202,000 for 2009 and ~~\$1,286,000~~ \$1,043,000
11.11 for 2010.

11.12 The 2011 appropriation includes ~~\$142,000~~ \$385,000 for 2010 and ~~\$922,000~~
11.13 \$748,000 for 2011.

11.14 Sec. 8. Laws 2009, chapter 96, article 2, section 67, subdivision 4, is amended to read:

11.15 Subd. 4. **Integration aid.** For integration aid under Minnesota Statutes, section
11.16 124D.86, subdivision 5:

11.17 ~~65,358,000~~
11.18 \$ 54,167,000 2010
11.19 ~~65,484,000~~
11.20 \$ 65,549,000 2011

11.21 The 2010 appropriation includes \$6,110,000 for 2009 and ~~\$59,248,000~~ \$48,057,000
11.22 for 2010.

11.23 The 2011 appropriation includes ~~\$6,583,000~~ \$17,774,000 for 2010 and ~~\$58,901,000~~
11.24 \$47,775,000 for 2011.

11.25 Sec. 9. Laws 2009, chapter 96, article 2, section 67, subdivision 7, is amended to read:

11.26 Subd. 7. **Success for the future.** For American Indian success for the future grants
11.27 under Minnesota Statutes, section 124D.81:

11.28 ~~2,137,000~~
11.29 \$ 1,774,000 2010
11.30 \$ 2,137,000 2011

12.1 The 2010 appropriation includes \$213,000 for 2009 and ~~\$1,924,000~~ \$1,561,000 for
12.2 2010.

12.3 The 2011 appropriation includes ~~\$213,000~~ \$576,000 for 2010 and ~~\$1,924,000~~
12.4 \$1,561,000 for 2011.

12.5 Sec. 10. Laws 2009, chapter 96, article 2, section 67, subdivision 9, is amended to read:

12.6 Subd. 9. **Tribal contract schools.** For tribal contract school aid under Minnesota
12.7 Statutes, section 124D.83:

12.8 ~~2,030,000~~
12.9 \$ 1,683,000 2010

12.10 ~~2,211,000~~
12.11 \$ 2,179,000 2011

12.12 The 2010 appropriation includes \$191,000 for 2009 and ~~\$1,839,000~~ \$1,492,000 for
12.13 2010.

12.14 The 2011 appropriation includes ~~\$204,000~~ \$551,000 for 2010 and ~~\$2,007,000~~
12.15 \$1,628,000 for 2011.

12.16 Sec. 11. Laws 2009, chapter 96, article 3, section 21, subdivision 2, is amended to read:

12.17 Subd. 2. **Special education; regular.** For special education aid under Minnesota
12.18 Statutes, section 125A.75:

12.19 ~~734,071,000~~
12.20 \$ 609,003,000 2010

12.21 ~~781,497,000~~
12.22 \$ 772,845,000 2011

12.23 The 2010 appropriation includes \$71,947,000 for 2009 and ~~\$662,124,000~~
12.24 \$537,056,000 for 2010.

12.25 The 2011 appropriation includes ~~\$73,569,000~~ \$198,637,000 for 2010 and
12.26 ~~\$707,928,000~~ \$574,208,000 for 2011.

12.27 Sec. 12. Laws 2009, chapter 96, article 3, section 21, subdivision 4, is amended to read:

12.28 Subd. 4. **Travel for home-based services.** For aid for teacher travel for home-based
12.29 services under Minnesota Statutes, section 125A.75, subdivision 1:

13.1 \$ ~~258,000~~ 214,000 2010

13.2 \$ ~~282,000~~ 278,000 2011

13.3 The 2010 appropriation includes \$24,000 for 2009 and ~~\$234,000~~ \$190,000 for 2010.

13.4 The 2011 appropriation includes ~~\$26,000~~ \$70,000 for 2010 and ~~\$256,000~~ \$208,000

13.5 for 2011.

13.6 Sec. 13. Laws 2009, chapter 96, article 3, section 21, subdivision 5, is amended to read:

13.7 Subd. 5. **Special education; excess costs.** For excess cost aid under Minnesota

13.8 Statutes, section 125A.79, subdivision 7:

13.9 ~~110,871,000~~

13.10 \$ 96,926,000 2010

13.11 ~~110,877,000~~

13.12 \$ 110,871,000 2011

13.13 The 2010 appropriation includes \$37,046,000 for 2009 and ~~\$73,825,000~~ \$59,880,000

13.14 for 2010.

13.15 The 2011 appropriation includes ~~\$37,022,000~~ \$50,967,000 for 2010 and ~~\$73,855,000~~

13.16 \$59,904,000 for 2011.

13.17 Sec. 14. Laws 2009, chapter 96, article 4, section 12, subdivision 2, is amended to read:

13.18 Subd. 2. **Health and safety revenue.** For health and safety aid according to

13.19 Minnesota Statutes, section 123B.57, subdivision 5:

13.20 \$ ~~161,000~~ 132,000 2010

13.21 \$ ~~160,000~~ 162,000 2011

13.22 The 2010 appropriation includes \$10,000 for 2009 and ~~\$151,000~~ \$122,000 for 2010.

13.23 The 2011 appropriation includes ~~\$16,000~~ \$45,000 for 2010 and ~~\$144,000~~ \$117,000

13.24 for 2011.

13.25 Sec. 15. Laws 2009, chapter 96, article 4, section 12, subdivision 3, is amended to read:

13.26 Subd. 3. **Debt service equalization.** For debt service aid according to Minnesota

13.27 Statutes, section 123B.53, subdivision 6:

14.1 ~~7,948,000~~
14.2 \$ 6,608,000 2010
14.3 ~~9,275,000~~
14.4 \$ 9,012,000 2011

14.5 The 2010 appropriation includes \$851,000 for 2009 and ~~\$7,097,000~~ \$5,757,000 for
14.6 2010.

14.7 The 2011 appropriation includes ~~\$788,000~~ \$2,128,000 for 2010 and ~~\$8,487,000~~
14.8 \$6,884,000 for 2011.

14.9 Sec. 16. Laws 2009, chapter 96, article 4, section 12, subdivision 4, is amended to read:

14.10 Subd. 4. **Alternative facilities bonding aid.** For alternative facilities bonding aid,
14.11 according to Minnesota Statutes, section 123B.59, subdivision 1:

14.12 ~~19,287,000~~
14.13 \$ 16,008,000 2010
14.14 \$ 19,287,000 2011

14.15 The 2010 appropriation includes \$1,928,000 for 2009 and ~~\$17,359,000~~ \$14,080,000
14.16 for 2010.

14.17 The 2011 appropriation includes ~~\$1,928,000~~ \$5,207,000 for 2010 and ~~\$17,359,000~~
14.18 \$14,080,000 for 2011.

14.19 Sec. 17. Laws 2009, chapter 96, article 4, section 12, subdivision 6, is amended to read:

14.20 Subd. 6. **Deferred maintenance aid.** For deferred maintenance aid, according to
14.21 Minnesota Statutes, section 123B.591, subdivision 4:

14.22 ~~2,302,000~~
14.23 \$ 1,916,000 2010
14.24 ~~2,073,000~~
14.25 \$ 2,110,000 2011

14.26 The 2010 appropriation includes \$260,000 for 2009 and ~~\$2,042,000~~ \$1,656,000 for
14.27 2010.

14.28 The 2011 appropriation includes ~~\$226,000~~ \$612,000 for 2010 and ~~\$1,847,000~~
14.29 \$1,498,000 for 2011.

14.30 Sec. 18. Laws 2009, chapter 96, article 5, section 13, subdivision 6, is amended to read:

15.1 Subd. 6. **Basic system support.** For basic system support grants under Minnesota
15.2 Statutes, section 134.355:

15.3 ~~13,570,000~~
15.4 \$ 11,264,000 2010
15.5 \$ 13,570,000 2011

15.6 The 2010 appropriation includes \$1,357,000 for 2009 and ~~\$12,213,000~~ \$9,907,000
15.7 for 2010.

15.8 The 2011 appropriation includes ~~\$1,357,000~~ \$3,663,000 for 2010 and ~~\$12,213,000~~
15.9 \$9,907,000 for 2011.

15.10 Sec. 19. Laws 2009, chapter 96, article 5, section 13, subdivision 7, is amended to read:

15.11 Subd. 7. **Multicounty, multitype library systems.** For grants under Minnesota
15.12 Statutes, sections 134.353 and 134.354, to multicounty, multitype library systems:

15.13 ~~1,300,000~~
15.14 \$ 1,079,000 2010
15.15 \$ 1,300,000 2011

15.16 The 2010 appropriation includes \$130,000 for 2009 and ~~\$1,170,000~~ \$949,000 for
15.17 2010.

15.18 The 2011 appropriation includes ~~\$130,000~~ \$351,000 for 2010 and ~~\$1,170,000~~
15.19 \$949,000 for 2011.

15.20 Sec. 20. Laws 2009, chapter 96, article 5, section 13, subdivision 9, is amended to read:

15.21 Subd. 9. **Regional library telecommunications aid.** For regional library
15.22 telecommunications aid under Minnesota Statutes, section 134.355:

15.23 ~~2,300,000~~
15.24 \$ 1,909,000 2010
15.25 \$ 2,300,000 2011

15.26 The 2010 appropriation includes \$230,000 for 2009 and ~~\$2,070,000~~ \$1,679,000
15.27 for 2010.

15.28 The 2011 appropriation includes ~~\$230,000~~ \$621,000 for 2010 and ~~\$2,070,000~~
15.29 \$1,679,000 for 2011.

15.30 Sec. 21. Laws 2009, chapter 96, article 6, section 11, subdivision 2, is amended to read:

16.1 Subd. 2. **School readiness.** For revenue for school readiness programs under
16.2 Minnesota Statutes, sections 124D.15 and 124D.16:

16.3 ~~10,095,000~~
16.4 \$ 8,379,000 2010
16.5 \$ 10,095,000 2011

16.6 The 2010 appropriation includes \$1,009,000 for 2009 and ~~\$9,086,000~~ \$7,370,000
16.7 for 2010.

16.8 The 2011 appropriation includes ~~\$1,009,000~~ \$2,725,000 for 2010 and ~~\$9,086,000~~
16.9 \$7,370,000 for 2011.

16.10 Sec. 22. Laws 2009, chapter 96, article 6, section 11, subdivision 3, is amended to read:

16.11 Subd. 3. **Early childhood family education aid.** For early childhood family
16.12 education aid under Minnesota Statutes, section 124D.135:

16.13 ~~22,955,000~~
16.14 \$ 19,189,000 2010
16.15 ~~22,547,000~~
16.16 \$ 22,473,000 2011

16.17 The 2010 appropriation includes \$3,020,000 for 2009 and ~~\$19,935,000~~ \$16,169,000
16.18 for 2010.

16.19 The 2011 appropriation includes ~~\$2,214,000~~ \$5,980,000 for 2010 and ~~\$20,333,000~~
16.20 \$16,493,000 for 2011.

16.21 Sec. 23. Laws 2009, chapter 96, article 6, section 11, subdivision 4, is amended to read:

16.22 Subd. 4. **Health and developmental screening aid.** For health and developmental
16.23 screening aid under Minnesota Statutes, sections 121A.17 and 121A.19:

16.24 ~~3,694,000~~
16.25 \$ 3,066,000 2010
16.26 ~~3,800,000~~
16.27 \$ 3,780,000 2011

16.28 The 2010 appropriation includes \$367,000 for 2009 and ~~\$3,327,000~~ \$2,699,000 for
16.29 2010.

16.30 The 2011 appropriation includes ~~\$369,000~~ \$997,000 for 2010 and ~~\$3,431,000~~
16.31 \$2,783,000 for 2011.

17.1 Sec. 24. Laws 2009, chapter 96, article 6, section 11, subdivision 8, is amended to read:

17.2 Subd. 8. **Community education aid.** For community education aid under
17.3 Minnesota Statutes, section 124D.20:

17.4 \$ ~~585,000~~ 488,000 2010

17.5 \$ ~~467,000~~ 486,000 2011

17.6 The 2010 appropriation includes \$73,000 for 2009 and ~~\$512,000~~ \$415,000 for 2010.

17.7 The 2011 appropriation included ~~\$56,000~~ \$153,000 for 2010 and ~~\$411,000~~ \$333,000
17.8 for 2011.

17.9 Sec. 25. Laws 2009, chapter 96, article 6, section 11, subdivision 9, is amended to read:

17.10 Subd. 9. **Adults with disabilities program aid.** For adults with disabilities
17.11 programs under Minnesota Statutes, section 124D.56:

17.12 \$ ~~710,000~~ 590,000 2010

17.13 \$ 710,000 2011

17.14 The 2010 appropriation includes \$71,000 for 2009 and ~~\$639,000~~ \$519,000 for 2010.

17.15 The 2011 appropriation includes ~~\$71,000~~ \$191,000 for 2010 and ~~\$639,000~~ \$519,000
17.16 for 2011.

17.17 Sec. 26. Laws 2009, chapter 96, article 6, section 11, subdivision 12, is amended to
17.18 read:

17.19 Subd. 12. **Adult basic education aid.** For adult basic education aid under
17.20 Minnesota Statutes, section 124D.531:

17.21 ~~42,975,000~~

17.22 \$ 35,648,000 2010

17.23 ~~44,258,000~~

17.24 \$ 44,039,000 2011

17.25 The 2010 appropriation includes \$4,187,000 for 2009 and ~~\$38,788,000~~ \$31,461,000
17.26 for 2010.

17.27 The 2011 appropriation includes ~~\$4,309,000~~ \$11,636,000 for 2010 and ~~\$39,949,000~~
17.28 \$32,403,000 for 2011.

18.1 **ARTICLE 3**

18.2 **PERMANENT REVENUE**

18.3 Section 1. [116J.8737] INVESTMENT TAX CREDIT.

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

18.6 (b) "Qualified new business venture" means a business that satisfies all of the
18.7 following conditions:

18.8 (1) the business has its headquarters in Minnesota;

18.9 (2) at least 51 percent of the business's employees are employed in Minnesota, and
18.10 51 percent of the business's total payroll is paid or incurred in the state;

18.11 (3) the business is engaged in, or is committed to engage in:

18.12 (i) using advanced technology to add value to a product, process, or service in a
18.13 qualified high-technology field or qualified biotechnology or medical device field;

18.14 (ii) conducting research in and development of a product, process, or service in a
18.15 qualified high-technology field or qualified biotechnology or medical device field;

18.16 (iii) developing a new product, process, or service in a qualified high-technology
18.17 field or qualified biotechnology or medical device field; or

18.18 (iv) qualified green manufacturing;

18.19 (4) the business is not engaged in real estate development, insurance, banking,
18.20 lending, lobbying, political consulting, information technology consulting, wholesale or
18.21 retail trade, leisure, hospitality, transportation, construction, ethanol production from
18.22 corn, or professional services provided by attorneys, accountants, business consultants,
18.23 physicians, or health care consultants;

18.24 (5) the business has fewer than 25 employees, and, if the business has more than
18.25 five employees, the business must pay its employees annual wages of at least 175 percent
18.26 of the federal poverty guideline for the year for a family of four, and must pay any
18.27 remaining employees annual wages of at least 110 percent of the federal poverty guideline
18.28 for a family of four;

18.29 (6) the business has not been in operation for more than ten consecutive years;

18.30 (7) the business has not received more than \$1,000,000 in investments that have
18.31 qualified for and received tax credits under this section;

18.32 (8) the business has less than \$2,000,000 in annual gross sales receipts for the
18.33 previous year;

18.34 (9) the business is not a subsidiary or an affiliate of a business that employs more
18.35 than 100 employees or has gross sales receipts for the previous year of more than

19.1 \$2,000,000, computed by aggregating all of the employees and gross sales receipts of the
19.2 business entities affiliated with the business; and

19.3 (10) the business has not previously received private equity investments of more
19.4 than \$2,000,000.

19.5 (c) "Qualified high-technology field" includes, but is not limited to, aerospace,
19.6 agricultural processing, alternative energy, environmental engineering, food technology,
19.7 cellulosic ethanol, information technology, materials science technology, nanotechnology,
19.8 and telecommunications, but excludes a business qualifying under the definitions in
19.9 paragraphs (h) and (i).

19.10 (d) "Qualified biotechnology or medical device field" means the business of
19.11 manufacturing, processing, assembling, researching, or developing biotechnology or
19.12 medical device products, including biotechnology and device products used in agriculture.

19.13 (e) "Qualified green manufacturing" means a business whose primary business
19.14 activity is production of products, processes, methods, technologies, or services intended
19.15 to do one or more of the following:

19.16 (1) increase the use of energy from renewable sources, as defined in section
19.17 216B.1691;

19.18 (2) increase the energy efficiency of the electric utility infrastructure system or to
19.19 increase energy conservation related to electricity use, as provided in sections 216B.2401
19.20 and 216B.241;

19.21 (3) reduce greenhouse gas emissions, as defined in section 216H.01, subdivision
19.22 2, or to mitigate greenhouse gas emissions through, but not limited to, carbon capture,
19.23 storage, or sequestration;

19.24 (4) monitor, protect, restore, and preserve the quality of surface waters; and

19.25 (5) expand use of biofuels, including expanding the feasibility or reducing the cost
19.26 of producing biofuels or the types of equipment, machinery, and vehicles that can use
19.27 biofuels.

19.28 (f) "Qualified taxpayer" means:

19.29 (1) an accredited investor, within the meaning of Regulation D of the Securities and
19.30 Exchange Commission, Code of Federal Regulations, title 17, section 230.501(a), whether
19.31 part of a pass-through entity or not, who:

19.32 (i) does not own, control, or hold power to vote 20 percent or more of the outstanding
19.33 securities of the qualified new business venture in which the eligible investment is
19.34 proposed; or

19.35 (ii) does not receive more than 50 percent of the gross annual income from the
19.36 qualified new business venture in which the eligible investment is proposed; and

20.1 (2) a member of the immediate family of a taxpayer disqualified by this subdivision
20.2 is not eligible for a credit under this section. For purposes of this subdivision, "immediate
20.3 family" means the taxpayer's spouse, parent, sibling, or child, or the spouse of any person
20.4 listed in this paragraph.

20.5 Subd. 2. **Credit allowed, holding period, limitations, and carryover.** (a) A
20.6 qualified taxpayer is allowed a credit against the tax imposed under chapter 290 for
20.7 investments made in a qualified new business venture. The credit equals 25 percent of the
20.8 qualified taxpayer's investment in the business, but not to exceed the lesser of:

20.9 (1) the liability for tax under chapter 290, including the applicable alternative
20.10 minimum tax, but excluding the minimum fee under section 290.0922; and

20.11 (2) the amount of the certificate provided to the qualified taxpayer under subdivision
20.12 3, paragraph (c).

20.13 (b) No taxpayer may receive more than \$50,000 in provisional credits under this
20.14 section in any one year.

20.15 (c) A qualified taxpayer must claim the credit in the fourth tax year after which the
20.16 investment in the qualified new business venture was made. The credit is allowed only
20.17 for investments made in a qualified new business venture that remains invested for at
20.18 least four years and that are made after the qualified taxpayer has been certified by the
20.19 commissioner under subdivision 3.

20.20 (d) The four-year investment holding period required by paragraph (c) does not
20.21 apply if:

20.22 (1) the investment by the qualified taxpayer becomes worthless before the end of
20.23 the four-year period; or

20.24 (2) the qualified new business venture is sold before the end of the four-year period.

20.25 (e) If the amount of the credit under this subdivision for any taxable year exceeds
20.26 the limitations under paragraph (a), the excess is a credit carryover to each of the ten
20.27 succeeding taxable years. The entire amount of the excess unused credit for the taxable
20.28 year must be carried first to the earliest of the taxable years to which the credit may be
20.29 carried. The amount of the unused credit that may be added under this paragraph may not
20.30 exceed the taxpayer's liability for tax less the credit for the taxable year.

20.31 Subd. 3. **Certification of qualified taxpayers.** (a) Qualified taxpayers may apply
20.32 to the commissioner of employment and economic development for certification. The
20.33 application must be in the form and be made under the procedures specified by the
20.34 commissioner, accompanied by an application fee of \$250. Fees are appropriated to the
20.35 commissioner for personnel and administrative expenses related to administering the
20.36 program.

21.1 (b) The commissioner shall provide provisional credit certificates to qualified
21.2 taxpayers, upon a showing by the qualified taxpayer of investments of at least \$12,500
21.3 in qualified new business ventures. The commissioner may not issue more than \$50,000
21.4 in provisional credit certificates per qualified taxpayer per year. In awarding provisional
21.5 certificates under this paragraph, the commissioner must award them to taxpayers in the
21.6 order in which the applications are received. The commissioner may not issue a total of
21.7 more than \$10,000,000 per year in provisional credit certificates to qualified taxpayers in
21.8 fiscal years 2010, 2011, 2012, and 2013.

21.9 (c) The commissioner shall provide a final credit certificate to the qualified taxpayer
21.10 upon a showing by the taxpayer that the holding requirements of subdivision 2, paragraph
21.11 (c), have been met, that the qualified new business venture continues to satisfy the
21.12 conditions of subdivision 1, paragraph (b), clauses (1) to (4), and (5) related to annual
21.13 wage standards, and that the taxpayer is otherwise eligible for the credit.

21.14 Subd. 4. **Rulemaking.** The commissioner's actions in establishing procedures and
21.15 requirements and in making determinations and certifications to administer this section are
21.16 not a rule for purposes of chapter 14, are not subject to the Administrative Procedures Act
21.17 contained in chapter 14, and are not subject to section 14.386.

21.18 **EFFECTIVE DATE.** This section is effective July 1, 2009, for taxable years
21.19 beginning after December 31, 2008, and only applies to investments made after the
21.20 qualified taxpayer has been certified by the commissioner of employment and economic
21.21 development.

21.22 Sec. 2. Minnesota Statutes 2008, section 290.06, subdivision 2c, is amended to read:

21.23 Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income
21.24 taxes imposed by this chapter upon married individuals filing joint returns and surviving
21.25 spouses as defined in section 2(a) of the Internal Revenue Code must be computed by
21.26 applying to their taxable net income the following schedule of rates:

- 21.27 (1) on the first ~~\$25,680~~ \$33,220, 5.35 percent;
- 21.28 (2) on all over ~~\$25,680~~ \$33,220, but not over ~~\$102,030~~ \$131,970, 7.05 percent;
- 21.29 (3) on all over ~~\$102,030~~ \$131,970, but not over \$250,000, 7.85 percent-; and
- 21.30 (4) on all over \$250,000, nine percent.

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

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

- 22.1 (1) on the first ~~\$17,570~~ \$22,730, 5.35 percent;
- 22.2 (2) on all over ~~\$17,570~~ \$22,730, but not over ~~\$57,710~~ \$74,650, 7.05 percent;
- 22.3 (3) on all over ~~\$57,710~~ \$74,650, but not over \$141,250, 7.85 percent; and
- 22.4 (4) on all over \$141,250, nine percent.

22.5 (c) The income taxes imposed by this chapter upon unmarried individuals qualifying

22.6 as a head of household as defined in section 2(b) of the Internal Revenue Code must be

22.7 computed by applying to taxable net income the following schedule of rates:

- 22.8 (1) on the first ~~\$21,630~~ \$27,980, 5.35 percent;
- 22.9 (2) on all over ~~\$21,630~~ \$27,980, but not over ~~\$86,910~~ \$112,420, 7.05 percent;
- 22.10 (3) on all over ~~\$86,910~~ \$112,420, but not over \$212,500, 7.85 percent; and
- 22.11 (4) on all over \$212,500, nine percent.

22.12 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the

22.13 tax of any individual taxpayer whose taxable net income for the taxable year is less than

22.14 an amount determined by the commissioner must be computed in accordance with tables

22.15 prepared and issued by the commissioner of revenue based on income brackets of not

22.16 more than \$100. The amount of tax for each bracket shall be computed at the rates set

22.17 forth in this subdivision, provided that the commissioner may disregard a fractional part of

22.18 a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

22.19 (e) An individual who is not a Minnesota resident for the entire year must compute

22.20 the individual's Minnesota income tax as provided in this subdivision. After the

22.21 application of the nonrefundable credits provided in this chapter, the tax liability must

22.22 then be multiplied by a fraction in which:

22.23 (1) the numerator is the individual's Minnesota source federal adjusted gross income

22.24 as defined in section 62 of the Internal Revenue Code and increased by the additions

22.25 required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12), and

22.26 (13) and reduced by the Minnesota assignable portion of the subtraction for United States

22.27 government interest under section 290.01, subdivision 19b, clause (1), and the subtractions

22.28 under section 290.01, subdivision 19b, clauses (9), (10), (14), (15), and (16), after applying

22.29 the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

22.30 (2) the denominator is the individual's federal adjusted gross income as defined in

22.31 section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in

22.32 section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12), and (13) and

22.33 reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), (9),

22.34 (10), (14), (15), and (16).

22.35 (f) For taxable years beginning after December 31, 2013, the maximum tax rate

22.36 under this subdivision is 7.85 percent, if the commissioner of finance estimates in the

23.1 February 2013 economic forecast that the unrestricted general fund balance at the end of
23.2 fiscal year 2013 equals or exceeds \$500,000,000.

23.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
23.4 December 31, 2008.

23.5 Sec. 3. Minnesota Statutes 2008, section 290.06, subdivision 2d, is amended to read:

23.6 Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after
23.7 December 31, ~~2009~~ 2009, the minimum and maximum dollar amounts for each rate
23.8 bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the
23.9 percentage determined under paragraph (b). For the purpose of making the adjustment as
23.10 provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the
23.11 rate brackets as they existed for taxable years beginning after December 31, ~~1999~~ 2008,
23.12 and before January 1, ~~2001~~ 2010. The rate applicable to any rate bracket must not be
23.13 changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes
23.14 in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10
23.15 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

23.16 (b) The commissioner shall adjust the rate brackets and by the percentage determined
23.17 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that:

23.18 (1) in section 1(f)(2)(A) the words "increasing or decreasing" shall be substituted
23.19 for the word "increasing";

23.20 (2) in section 1(f)(3)(A) the words "differs from" shall be substituted for the word
23.21 "exceeds"; and

23.22 (3) in section 1(f)(3)(B) the word "~~1999~~" "2008" shall be substituted for the word
23.23 "1992." For ~~2001~~ 2010, the commissioner shall then determine the percent change from
23.24 the 12 months ending on August 31, ~~1999~~ 2008, to the 12 months ending on August 31,
23.25 ~~2000~~ 2009, and in each subsequent year, from the 12 months ending on August 31, ~~1999~~
23.26 2008, to the 12 months ending on August 31 of the year preceding the taxable year. The
23.27 determination of the commissioner pursuant to this subdivision shall not be considered a
23.28 "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

23.29 No later than December 15 of each year, the commissioner shall announce the
23.30 specific percentage that will be used to adjust the tax rate brackets.

23.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
23.32 December 31, 2008.

23.33 Sec. 4. Minnesota Statutes 2008, section 290.06, is amended by adding a subdivision
23.34 to read:

24.1 Subd. 36. **Investment tax credit.** A taxpayer is allowed a credit as determined
24.2 under section 116J.8737 against the tax imposed by this chapter. Notwithstanding the
24.3 certification eligibility issued by the commissioner of the Department of Employment
24.4 and Economic Development under section 116J.8737, the commissioner may utilize
24.5 any audit and examination powers under chapters 270C or 289A to the extent necessary
24.6 to verify that the taxpayer is eligible for the credit and to assess for the amount of any
24.7 improperly claimed credit.

24.8 **EFFECTIVE DATE.** This section is effective July 1, 2009, for taxable years
24.9 beginning after December 31, 2008, and only applies to investments made after the
24.10 qualified taxpayer has been certified by the commissioner of employment and economic
24.11 development.

24.12 Sec. 5. **[290.094] SURTAX ON CERTAIN INTEREST INCOME.**

24.13 Subdivision 1. **Definitions.** (a) Unless the language or context clearly indicates that
24.14 a different meaning is intended, for the purposes of this section, the following terms
24.15 have the meanings given them.

24.16 (b) "Annual percentage rate" has the meaning given the term in Code of Federal
24.17 Regulations, title 12, parts 226.14 and 226.22, related to open-end and closed-end credit.

24.18 (c) "Borrower" means a debtor under a loan or a purchaser of debt under a credit
24.19 sale contract.

24.20 (d) "Cardholder" means a person to whom a credit card is issued or who has agreed
24.21 with the financial institution to pay obligations arising from the issuance to or use of the
24.22 card by another person.

24.23 (e) "Consumer loan" means a loan made by a financial institution in which:

24.24 (1) the debtor is a person other than an organization;

24.25 (2) the debt is incurred primarily for a personal, family, or household purpose; and

24.26 (3) the debt is payable in installments or a finance charge is made.

24.27 (f) "Credit" means the right granted by a financial institution to a borrower to defer
24.28 payment of a debt, to incur debt and defer its payment, or to purchase property or services
24.29 and defer payment.

24.30 (g) "Credit card" means a card or device issued under an arrangement under
24.31 which a financial institution gives to a cardholder the privilege of obtaining credit from
24.32 the financial institution or other person in purchasing or leasing property or services,
24.33 obtaining loans, or otherwise. A transaction is "pursuant to a credit card" only if credit is
24.34 obtained according to the terms of the arrangement by transmitting information contained
24.35 on the card or device orally, in writing, by mechanical or electronic methods, or in any

25.1 other manner. A transaction is not "pursuant to a credit card" if the card or device is
25.2 used solely in that transaction to:

25.3 (1) identify the cardholder or evidence the cardholder's creditworthiness and credit is
25.4 not obtained according to the terms of the arrangement;

25.5 (2) obtain a guarantee of payment from the cardholder's deposit account, whether or
25.6 not the payment results in a credit extension to the cardholder by the financial institution; or

25.7 (3) effect an immediate transfer of funds from the cardholder's deposit account by
25.8 electronic or other means, whether or not the transfer results in a credit extension to
25.9 the cardholder by the financial institution.

25.10 (h) "Credit sale contract" means a contract evidencing a credit sale. "Credit sale"
25.11 means a sale of goods or services, or an interest in land, in which:

25.12 (1) credit is granted by a seller who regularly engages as a seller in credit transactions
25.13 of the same kind; and

25.14 (2) the debt is payable in installments or a finance charge is made.

25.15 (i) "Financial institution" means a state or federally chartered bank, a state or
25.16 federally chartered bank and trust, a trust company with banking powers, a state or
25.17 federally chartered savings association, an industrial loan and thrift company organized
25.18 under chapter 53, a regulated lender organized under chapter 56, or an operating subsidiary
25.19 of any such institution.

25.20 (j) "Loan" means:

25.21 (1) the creation of debt by the financial institution's payment of money to the
25.22 borrower or a third person for the account of the borrower;

25.23 (2) the creation of debt pursuant to a credit card in any manner, including a cash
25.24 advance or the financial institution's honoring a draft or similar order for the payment of
25.25 money drawn or accepted by the borrower, paying or agreeing to pay the borrower's
25.26 obligation, or purchasing or otherwise acquiring the borrower's obligation from the
25.27 obligee or the borrower's assignee;

25.28 (3) the creation of debt by a cash advance to a borrower pursuant to an overdraft
25.29 line of credit arrangement;

25.30 (4) the creation of debt by a credit to an account with the financial institution upon
25.31 which the borrower is entitled to draw immediately;

25.32 (5) the forbearance of debt arising from a loan; and

25.33 (6) the creation of debt pursuant to open-end credit.

25.34 Loan does not include the forbearance of debt arising from a sale or lease, a credit
25.35 sale contract, or an overdraft from a person's deposit account with a financial institution

26.1 which is not pursuant to a written agreement to pay overdrafts with the right to defer
26.2 repayment thereof.

26.3 (k) "Organization" means a corporation, government, government subdivision or
26.4 agency, trust, estate, partnership, joint venture, cooperative, limited liability company,
26.5 limited liability partnership, or association.

26.6 (l) "Person" means a natural person or an organization.

26.7 (m) "Principal" means the total of:

26.8 (1) the amount paid to, received by, or paid or repayable for the account of, the
26.9 borrower; and

26.10 (2) to the extent that payment is deferred:

26.11 (i) the amount actually paid or to be paid by the financial institution for additional
26.12 charges permitted under this section; and

26.13 (ii) prepaid finance charges.

26.14 Subd. 2. **Scope.** (a) Any person or organization conducting a trade or business
26.15 in this state who is subject to the truth in lending requirements under Code of Federal
26.16 Regulations, title 12, part 226 (Federal Regulation Z), and who charges interest on the
26.17 credit issued shall be subject to a surtax on each transaction as prescribed by this chapter.
26.18 Transactions include any open-end and closed-end credit transactions subject to Federal
26.19 Regulation Z such as loans, consumer loans, credit sale contracts, extensions of credit, and
26.20 credit issued pursuant to a credit card. A transferee or assignee of a transaction subject to
26.21 the surtax under this section is also subject to the tax under this section.

26.22 (b) The tax shall be determined for each transaction subject to the requirements of
26.23 this section that occurs during the calendar year.

26.24 Subd. 3. **Surtax rate.** The surtax shall be imposed at the rate of 30 percent on any
26.25 income attributable to interest collected from the portion of an annual percentage rate
26.26 that exceeds 15 percent on transactions subject to Code of Federal Regulations, title 12,
26.27 part 226 (Federal Regulation Z).

26.28 Subd. 4. **Collection and administration.** The tax imposed by this section shall
26.29 be paid annually to the commissioner of revenue and is subject to the same collection,
26.30 enforcement, and penalty provisions as other taxes imposed by this chapter.

26.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
26.32 December 31, 2008.

26.33 Sec. 6. Minnesota Statutes 2008, section 297A.68, subdivision 5, is amended to read:

27.1 Subd. 5. **Capital equipment.** (a) Capital equipment is exempt. ~~The tax must be~~
27.2 ~~imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and~~
27.3 ~~then refunded in the manner provided in section 297A.75.~~

27.4 "Capital equipment" means machinery and equipment purchased or leased, and used
27.5 in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining,
27.6 or refining tangible personal property to be sold ultimately at retail if the machinery and
27.7 equipment are essential to the integrated production process of manufacturing, fabricating,
27.8 mining, or refining. Capital equipment also includes machinery and equipment
27.9 used primarily to electronically transmit results retrieved by a customer of an online
27.10 computerized data retrieval system.

27.11 (b) Capital equipment includes, but is not limited to:

27.12 (1) machinery and equipment used to operate, control, or regulate the production
27.13 equipment;

27.14 (2) machinery and equipment used for research and development, design, quality
27.15 control, and testing activities;

27.16 (3) environmental control devices that are used to maintain conditions such as
27.17 temperature, humidity, light, or air pressure when those conditions are essential to and are
27.18 part of the production process;

27.19 (4) materials and supplies used to construct and install machinery or equipment;

27.20 (5) repair and replacement parts, including accessories, whether purchased as spare
27.21 parts, repair parts, or as upgrades or modifications to machinery or equipment;

27.22 (6) materials used for foundations that support machinery or equipment;

27.23 (7) materials used to construct and install special purpose buildings used in the
27.24 production process;

27.25 (8) ready-mixed concrete equipment in which the ready-mixed concrete is mixed
27.26 as part of the delivery process regardless if mounted on a chassis, repair parts for
27.27 ready-mixed concrete trucks, and leases of ready-mixed concrete trucks; and

27.28 (9) machinery or equipment used for research, development, design, or production
27.29 of computer software.

27.30 (c) Capital equipment does not include the following:

27.31 (1) motor vehicles taxed under chapter 297B;

27.32 (2) machinery or equipment used to receive or store raw materials;

27.33 (3) building materials, except for materials included in paragraph (b), clauses (6)
27.34 and (7);

27.35 (4) machinery or equipment used for nonproduction purposes, including, but not
27.36 limited to, the following: plant security, fire prevention, first aid, and hospital stations;

28.1 support operations or administration; pollution control; and plant cleaning, disposal of
28.2 scrap and waste, plant communications, space heating, cooling, lighting, or safety;

28.3 (5) farm machinery and aquaculture production equipment as defined by section
28.4 297A.61, subdivisions 12 and 13;

28.5 (6) machinery or equipment purchased and installed by a contractor as part of an
28.6 improvement to real property;

28.7 (7) machinery and equipment used by restaurants in the furnishing, preparing, or
28.8 serving of prepared foods as defined in section 297A.61, subdivision 31;

28.9 (8) machinery and equipment used to furnish the services listed in section 297A.61,
28.10 subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii);

28.11 (9) machinery or equipment used in the transportation, transmission, or distribution
28.12 of petroleum, liquefied gas, natural gas, water, or steam, in, by, or through pipes, lines,
28.13 tanks, mains, or other means of transporting those products. This clause does not apply to
28.14 machinery or equipment used to blend petroleum or biodiesel fuel as defined in section
28.15 239.77; or

28.16 (10) any other item that is not essential to the integrated process of manufacturing,
28.17 fabricating, mining, or refining.

28.18 (d) For purposes of this subdivision:

28.19 (1) "Equipment" means independent devices or tools separate from machinery but
28.20 essential to an integrated production process, including computers and computer software,
28.21 used in operating, controlling, or regulating machinery and equipment; and any subunit or
28.22 assembly comprising a component of any machinery or accessory or attachment parts of
28.23 machinery, such as tools, dies, jigs, patterns, and molds.

28.24 (2) "Fabricating" means to make, build, create, produce, or assemble components or
28.25 property to work in a new or different manner.

28.26 (3) "Integrated production process" means a process or series of operations through
28.27 which tangible personal property is manufactured, fabricated, mined, or refined. For
28.28 purposes of this clause, (i) manufacturing begins with the removal of raw materials
28.29 from inventory and ends when the last process prior to loading for shipment has been
28.30 completed; (ii) fabricating begins with the removal from storage or inventory of the
28.31 property to be assembled, processed, altered, or modified and ends with the creation
28.32 or production of the new or changed product; (iii) mining begins with the removal of
28.33 overburden from the site of the ores, minerals, stone, peat deposit, or surface materials and
28.34 ends when the last process before stockpiling is completed; and (iv) refining begins with
28.35 the removal from inventory or storage of a natural resource and ends with the conversion
28.36 of the item to its completed form.

29.1 (4) "Machinery" means mechanical, electronic, or electrical devices, including
29.2 computers and computer software, that are purchased or constructed to be used for the
29.3 activities set forth in paragraph (a), beginning with the removal of raw materials from
29.4 inventory through completion of the product, including packaging of the product.

29.5 (5) "Machinery and equipment used for pollution control" means machinery and
29.6 equipment used solely to eliminate, prevent, or reduce pollution resulting from an activity
29.7 described in paragraph (a).

29.8 (6) "Manufacturing" means an operation or series of operations where raw materials
29.9 are changed in form, composition, or condition by machinery and equipment and which
29.10 results in the production of a new article of tangible personal property. For purposes of
29.11 this subdivision, "manufacturing" includes the generation of electricity or steam to be
29.12 sold at retail.

29.13 (7) "Mining" means the extraction of minerals, ores, stone, or peat.

29.14 (8) "Online data retrieval system" means a system whose cumulation of information
29.15 is equally available and accessible to all its customers.

29.16 (9) "Primarily" means machinery and equipment used 50 percent or more of the time
29.17 in an activity described in paragraph (a).

29.18 (10) "Refining" means the process of converting a natural resource to an intermediate
29.19 or finished product, including the treatment of water to be sold at retail.

29.20 (11) This subdivision does not apply to telecommunications equipment as
29.21 provided in subdivision 35, and does not apply to wire, cable, fiber, poles, or conduit
29.22 for telecommunications services.

29.23 **EFFECTIVE DATE.** This section is effective for sales and purchases after
29.24 December 31, 2009.

29.25 Sec. 7. Minnesota Statutes 2008, section 297A.75, subdivision 1, as amended by Laws
29.26 2009, chapter 88, article 4, section 7, is amended to read:

29.27 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the
29.28 following exempt items must be imposed and collected as if the sale were taxable and the
29.29 rate under section 297A.62, subdivision 1, applied. The exempt items include:

29.30 (1) ~~capital equipment exempt under section 297A.68, subdivision 5;~~

29.31 ~~(2)~~ building materials for an agricultural processing facility exempt under section
29.32 297A.71, subdivision 13;

29.33 ~~(3)~~ (2) building materials for mineral production facilities exempt under section
29.34 297A.71, subdivision 14;

- 30.1 ~~(4)~~ (3) building materials for correctional facilities under section 297A.71,
30.2 subdivision 3;
- 30.3 ~~(5)~~ (4) building materials used in a residence for disabled veterans exempt under
30.4 section 297A.71, subdivision 11;
- 30.5 ~~(6)~~ (5) elevators and building materials exempt under section 297A.71, subdivision
30.6 12;
- 30.7 ~~(7)~~ (6) building materials for the Long Lake Conservation Center exempt under
30.8 section 297A.71, subdivision 17;
- 30.9 ~~(8)~~ (7) materials and supplies for qualified low-income housing under section
30.10 297A.71, subdivision 23;
- 30.11 ~~(9)~~ (8) materials, supplies, and equipment for municipal electric utility facilities
30.12 under section 297A.71, subdivision 35;
- 30.13 ~~(10)~~ (9) equipment and materials used for the generation, transmission, and
30.14 distribution of electrical energy and an aerial camera package exempt under section
30.15 297A.68, subdivision 37;
- 30.16 ~~(11)~~ (10) tangible personal property and taxable services and construction materials,
30.17 supplies, and equipment exempt under section 297A.68, subdivision 41;
- 30.18 ~~(12)~~ (11) commuter rail vehicle and repair parts under section 297A.70, subdivision
30.19 3, clause (11);
- 30.20 ~~(13)~~ (12) materials, supplies, and equipment for construction or improvement of
30.21 projects and facilities under section 297A.71, subdivision 40; and
- 30.22 ~~(14)~~ (13) materials, supplies, and equipment for construction or improvement of a
30.23 meat processing facility exempt under section 297A.71, subdivision 41.

30.24 **EFFECTIVE DATE.** This section is effective for sales and purchases after
30.25 December 31, 2009.

30.26 Sec. 8. Minnesota Statutes 2008, section 297A.75, subdivision 2, as amended by Laws
30.27 2009, chapter 88, article 4, section 8, is amended to read:

30.28 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the
30.29 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items
30.30 must be paid to the applicant. Only the following persons may apply for the refund:

30.31 (1) for subdivision 1, clauses (1) ~~to (3)~~ and (2), the applicant must be the purchaser;

30.32 (2) for subdivision 1, clauses ~~(4)~~ (3) and ~~(7)~~ (6), the applicant must be the
30.33 governmental subdivision;

30.34 (3) for subdivision 1, clause ~~(5)~~ (4), the applicant must be the recipient of the
30.35 benefits provided in United States Code, title 38, chapter 21;

31.1 (4) for subdivision 1, clause ~~(6)~~ (5), the applicant must be the owner of the
31.2 homestead property;

31.3 (5) for subdivision 1, clause ~~(8)~~ (7), the owner of the qualified low-income housing
31.4 project;

31.5 (6) for subdivision 1, clause ~~(9)~~ (8), the applicant must be a municipal electric utility
31.6 or a joint venture of municipal electric utilities;

31.7 (7) for subdivision 1, clauses (9), (10), ~~(11)~~, and ~~(14)~~ (13), the owner of the
31.8 qualifying business; and

31.9 (8) for subdivision 1, clauses (11) and (12) ~~and (13)~~, the applicant must be the
31.10 governmental entity that owns or contracts for the project or facility.

31.11 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
31.12 December 31, 2009.

31.13 Sec. 9. Minnesota Statutes 2008, section 297A.75, subdivision 3, is amended to read:

31.14 Subd. 3. **Application.** (a) The application must include sufficient information
31.15 to permit the commissioner to verify the tax paid. If the tax was paid by a contractor,
31.16 subcontractor, or builder, under subdivision 1, clause (3), (4), (5), (6), (7), (8), (9), (10),
31.17 (11), (12), or (13), ~~or (14)~~, the contractor, subcontractor, or builder must furnish to the
31.18 refund applicant a statement including the cost of the exempt items and the taxes paid on
31.19 the items unless otherwise specifically provided by this subdivision. The provisions of
31.20 sections 289A.40 and 289A.50 apply to refunds under this section.

31.21 ~~(b) An applicant may not file more than two applications per calendar year for~~
31.22 ~~refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.~~

31.23 ~~(c)~~ (b) Total refunds for purchases of items in section 297A.71, subdivision 40,
31.24 must not exceed \$5,000,000 in fiscal years 2010 and 2011. Applications for refunds for
31.25 purchases of items in sections 297A.70, subdivision 3, paragraph (a), clause (11), and
31.26 297A.71, subdivision 40, must not be filed until after June 30, 2009.

31.27 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
31.28 December 31, 2009.

31.29 Sec. 10. Minnesota Statutes 2008, section 295.75, subdivision 2, is amended to read:

31.30 Subd. 2. **Gross receipts tax imposed.** A tax is imposed on each liquor retailer equal
31.31 to ~~2.5~~ five percent of gross receipts from retail sales in Minnesota of liquor.

31.32 **EFFECTIVE DATE.** This section is effective for gross receipts received after
31.33 June 30, 2009.

32.1 Sec. 11. Minnesota Statutes 2008, section 297G.03, subdivision 1, is amended to read:

32.2 Subdivision 1. **General rate; distilled spirits and wine.** The following excise tax is
 32.3 imposed on all distilled spirits and wine manufactured, imported, sold, or possessed in
 32.4 this state:

	Standard	Metric
32.5		
32.6 (a) Distilled spirits, liqueurs,	\$ 5.03 <u>9.31</u> per	\$ 1.33 <u>2.46</u>
32.7 cordials, and specialties regardless	gallon	per liter
32.8 of alcohol content (excluding ethyl		
32.9 alcohol)		
32.10 (b) Wine containing 14 percent	\$.30 <u>.81</u> per	\$.08 <u>.22</u> per
32.11 or less alcohol by volume (except	gallon	liter
32.12 cider as defined in section 297G.01,		
32.13 subdivision 3a)		
32.14 (c) Wine containing more than	\$.95 <u>1.46</u> per	\$.25 <u>.39</u> per
32.15 14 percent but not more than 21	gallon	liter
32.16 percent alcohol by volume		
32.17 (d) Wine containing more than	\$ 1.82 <u>2.33</u> per	\$.48 <u>.62</u> per
32.18 21 percent but not more than 24	gallon	liter
32.19 percent alcohol by volume		
32.20 (e) Wine containing more than 24	\$ 3.52 <u>4.03</u> per	\$.93 <u>1.07</u>
32.21 percent alcohol by volume	gallon	per liter
32.22 (f) Natural and artificial sparkling	\$ 1.82 <u>2.33</u> per	\$.48 <u>.62</u> per
32.23 wines containing alcohol	gallon	liter
32.24 (g) Cider as defined in section	\$.15 <u>.66</u> per	\$.04 <u>.18</u> per
32.25 297G.01, subdivision 3a	gallon	liter
32.26 (h) Low alcohol dairy cocktails	\$.08 per gallon	\$.02 per liter

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

32.30 **EFFECTIVE DATE.** This section is effective July 1, 2009.

32.31 Sec. 12. Minnesota Statutes 2008, section 297G.04, is amended to read:

32.32 **297G.04 FERMENTED MALT BEVERAGES; RATE OF TAX.**

33.1 Subdivision 1. **Tax imposed.** The following excise tax is imposed on all fermented
33.2 malt beverages that are imported, directly or indirectly sold, or possessed in this state:

33.3 (1) on fermented malt beverages containing not more than 3.2 percent alcohol by
33.4 weight, ~~\$2.40~~ \$10.67 per 31-gallon barrel; and

33.5 (2) on fermented malt beverages containing more than 3.2 percent alcohol by
33.6 weight, ~~\$4.60~~ \$12.87 per 31-gallon barrel.

33.7 For fractions of a 31-gallon barrel, the tax rate is calculated proportionally.

33.8 Subd. 2. **Tax credit.** A qualified brewer producing fermented malt beverages is
33.9 entitled to a tax credit of ~~\$4.60~~ \$12.87 per barrel on 25,000 barrels sold in any fiscal year
33.10 beginning July 1, regardless of the alcohol content of the product. Qualified brewers may
33.11 take the credit on the 18th day of each month, but the total credit allowed may not exceed
33.12 in any fiscal year the lesser of:

33.13 (1) the liability for tax; or

33.14 (2) ~~\$115,000~~ \$322,200.

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

33.22 **EFFECTIVE DATE.** This section is effective July 1, 2009.

33.23 Sec. 13. **APPROPRIATIONS.**

33.24 Subdivision 1. **Tax compliance.** (a) \$1,194,300 the first year and \$2,350,200 the
33.25 second year are appropriated from the general fund to the commissioner of revenue for
33.26 additional activities to identify and collect tax liabilities from individuals and businesses
33.27 that currently do not pay all taxes owed. This initiative is expected to result in new general
33.28 fund revenues of \$7,948,700 for the biennium ending June 30, 2011.

33.29 (b) The department must report to the chairs of the house of representatives Ways
33.30 and Means and senate Finance Committees by March 1, 2010, and January 15, 2011,
33.31 on the following performance indicators:

33.32 (1) the number of corporations noncompliant with the corporate tax system each
33.33 year and the percentage and dollar amounts of valid tax liabilities collected;

33.34 (2) the number of businesses noncompliant with the sales and use tax system and the
33.35 percentage and dollar amount of the valid tax liabilities collected; and

34.1 (3) the number of individual noncompliant cases resolved and the percentage and
34.2 dollar amounts of valid tax liabilities collected.

34.3 Subd. 2. **Debt collection management.** \$364,800 the first year and \$750,700 the
34.4 second year are appropriated from the general fund to the commissioner of revenue for
34.5 additional activities to identify and collect tax liabilities from individuals and businesses
34.6 that currently do not pay all taxes owed. This initiative is expected to result in new general
34.7 fund revenues of \$10,691,300 for the biennium ending June 30, 2011."

34.8 Delete the title and insert:

34.9 "A bill for an act

34.10 relating to the financing of state and local government; making changes to
34.11 income, sales and use, liquor, gross receipts, and other tax-related provisions;
34.12 providing a surtax on certain interest income; modifying capital equipment
34.13 exemption; providing an investment tax credit; creating tax compliance
34.14 initiative; creating a property tax recognition shift; adjusting the education aid
34.15 payment schedule; appropriating money; amending Minnesota Statutes 2008,
34.16 sections 123B.54, as amended; 123B.75, subdivision 5, by adding a subdivision;
34.17 126C.48, subdivision 7; 127A.441; 127A.45, subdivisions 2, 3, 13, by adding
34.18 a subdivision; 290.06, subdivisions 2c, 2d, by adding a subdivision; 295.75,
34.19 subdivision 2; 297A.68, subdivision 5; 297A.75, subdivisions 1, as amended,
34.20 2, as amended, 3; 297G.03, subdivision 1; 297G.04; Laws 2009, chapter 96,
34.21 article 1, section 24, subdivisions 2, 4, 5, 6, 7; article 2, section 67, subdivisions
34.22 2, 3, 4, 7, 9; article 3, section 21, subdivisions 2, 4, 5; article 4, section 12,
34.23 subdivisions 2, 3, 4, 6; article 5, section 13, subdivisions 6, 7, 9; article 6, section
34.24 11, subdivisions 2, 3, 4, 8, 9, 12; proposing coding for new law in Minnesota
34.25 Statutes, chapters 116J; 290."

35.1 We request the adoption of this report and repassage of the bill.

35.2 House Conferees: (Signed)

35.3
35.4 Ann Lenczewski Paul Marquart

35.5
35.6 Lyle Koenen Diane Loeffler

35.7
35.8 Marty Seifert

35.9 Senate Conferees: (Signed)

35.10
35.11 Thomas Bakk Rod Skoe

35.12
35.13 D. Scott Dibble Mee Moua

35.14
35.15 Debbie Johnson